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An Overview of Australia's System of Income and Employment Assistance for the Unemployed

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AN OVERVIEW OF AUSTRALIA'S SYSTEM OF INCOME AND EMPLOYMENT ASSISTANCE FOR THE UNEMPLOYED

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ABSTRACT

This report provides an overview of Australia's labour market policies, with a focus on income support benefits and employment assistance for people of working age. It traces historical developments partly since 1990 and since 1978 in the case of some data series.

It describes changes in the composition of the unemployment benefit caseload with a decline in proportion that are formally treated as active jobseekers as unemployment benefits are now paid in some cases during periods of temporary incapacity, participation in training, and part-time work, and increases in the incidence of long-term benefit receipt, related partly to the increased coverage of non-jobseeker situations and the disadvantage profile of benefit recipients. The activity requirements applying to unemployment benefits are described together with successive reforms of the arrangements for enforcement, which have resulted in sharp swings in the incidence of penalties.

Non-activity-tested income-support benefits for people of working age were significantly reformed in the mid-1990s through "individualisation", the principle that each partner in a couple should separately quality for a benefit corresponding to their individual circumstances. A second wave of reform occurred in the early 2000s as regards partners and older workers, and in 2006 and 2007 with the application of participation requirements to principal carer parents with school-age children and people with disabilities with 15 to 29 hours per week of work capacity. With these reforms, and favourable economic conditions, the proportion of working-age people receiving non-activity-tested payments has fallen, along with unemployment.

Australia was a pioneer in developing quasi-markets for the provision of employment services for unemployed people. Hundreds of for-profit and non-profit employment service providers, contracted by the Department of Employment, compete for contracts to provide these services.. They are funded partly by employment outcome fees, which are differentiated by the disadvantage level of their jobseeker clients. This report describes the fee structure and other management parameters of this quasi-market in the 2000s, which include the "Star Rating" system for performance evaluation that is used to reward higher - performing providers at times of contract renewal, service fees paid for the delivery of core services, and supervision by contract managers. It also describes historical labour market programmes for particular target groups, and the initial structure of Job Services Australia which replaced the Job Network and some other programmes in 2009. Disability employment services, which in the early 2000s were funded through individual grants, were progressively brought into a similar management framework.

The report outlines the findings of official and independent evaluations of the impact of activation of different groups of benefit recipients and of different forms of employment assistance.

RÉSUMÉ

Ce rapport donne une vue d'ensemble des politiques du marché du travail de l'Australie, l'étude portant plus particulièrement sur les prestations de garantie de revenu et l'aide à l'emploi pour les personnes d'âge actif. L'historique de ces politiques est retracé, pour partie, depuis 1990 et, pour certaines séries de données, depuis 1978.

Il rend compte des changements intervenus dans la composition de l'effectif des bénéficiaires d'allocations de chômage, avec une diminution de la part de ceux qui sont officiellement considérés comme cherchant activement du travail du fait que les allocations de chômage sont maintenant payées, dans certains cas, durant des périodes d'incapacité temporaire, de formation et de travail à temps partiel, et une augmentation de la fréquence des cas où des prestations sont versées sur de longues périodes, du fait notamment que le régime a été étendu à des personnes qui ne sont pas en recherche d'emploi et du profil d'éloignement de l'emploi des bénéficiaires. Le rapport décrit les obligations d'activité auxquelles sont subordonnées les allocations de chômage, ainsi que les réformes successives des dispositifs de contrôle du respect des obligations, qui se sont traduites par de fortes variations de la fréquence des sanctions.

Les prestations de garantie de revenu non soumises à des critères d'activité pour les personnes d'âge actif ont été largement réformées au milieu des années 90 avec l'application du principe d'« individualisation », selon lequel chaque partenaire dans un couple doit remplir séparément les conditions requises pour avoir droit à une prestation correspondant à sa situation individuelle. Une deuxième vague de réformes a eu lieu au début des années 2000 concernant les personnes en couple et les travailleurs âgés, et en 2006 et 2007, avec l'obligation d'activité imposée à celui des parents qui s'occupe à titre principal d'enfants d'âge scolaire et aux personnes handicapées ayant une capacité de travail de 15 à 29 heures par semaine. Avec ces réformes, et des conditions économiques favorables, la proportion de personnes d'âge actif recevant des transferts non liés à l'activité a diminué, de même que le chômage.

L'Australie a fait figure de pionner en développant des quasi-marchés pour la prestation de services d'emploi pour les chômeurs. Des centaines de prestataires à but lucratif et à but non lucratif, sous contrat avec le ministère de l'Emploi, se disputent les marchés pour la fourniture de ces services. Ils sont rémunérés en partie en fonction de leurs résultats en matière d'emploi, suivant le degré d'éloignement de l'emploi des demandeurs. Ce rapport décrit la structure des rémunérations et d'autres paramètres de la gestion des quasi-marchés dans les années 2000, notamment le système d'évaluation des performances "Star Rating" qui est utilisé pour récompenser les prestataires performants lors du renouvellement de contrat, les honoraires payés pour la fourniture de services de base, et la supervision assurée par les gestionnaires de marchés. Il décrit aussi les programmes du marché du travail offerts dans le passé à des groupes cibles particuliers, et la structure initiale de Job Services Australia, qui a remplacé le Job Network et certains autres programmes en 2009. Les services d'emploi pour les handicapés, qui, au début des années 2000, étaient financés individuellement par des subventions, ont été progressivement intégrés dans un cadre de gestion analogue.

Le rapport expose dans leurs grandes lignes les résultats d'évaluations officielles et indépendantes de l'impact de l'activation de différents groupes de bénéficiaires de prestations et de différentes formes d'aide à l'emploi.

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AN OVERVIEW OF AUSTRALIA'S SYSTEM OF INCOME AND EMPLOYMENT ASSISTANCE FOR THE UNEMPLOYED

1. The Australian system of income support

1. The Australian social security system differs from those in most other OECD countries. Most government benefits are flat-rate entitlements financed from general government revenue, and there are no explicit social security contributions. In addition, most benefits are income-tested or asset-tested, so that entitlements reduce as resources increase. Because the Australian system is not contributory, eligibility is based on residence and coverage of the population is broad. Duration of payment receipt is not time limited, with income support payments being paid indefinitely subject to the continued meeting of eligibility criteria.

2. The Australian income support system consists of a range of different pensions and benefits designed to provide a minimum level of income support, each with its own eligibility criteria and, where applicable "looking for work" (job search) or other "activity" requirements, relating to the reason claimants are unable or not expected to fully support themselves.

3. The distinction between "pensions" and "benefits" is important. Income support payments are both income and asset tested with these tests differing depending on whether a payment is classified as a "pension" or "benefit". Unemployment and parenting payments for members of a couple are benefits, as are payment for the short-term sick. "Pensions" not only include payments for the aged, but also for people with disabilities, carers of people with disabilities, widows (in the past) and also lone parents with young children. Pensions have generally had higher levels of payment than benefits, less stringent income and assets tests, more favourable tax treatment, and have been subject to less conditionality in terms of requirements to look for work, for example.

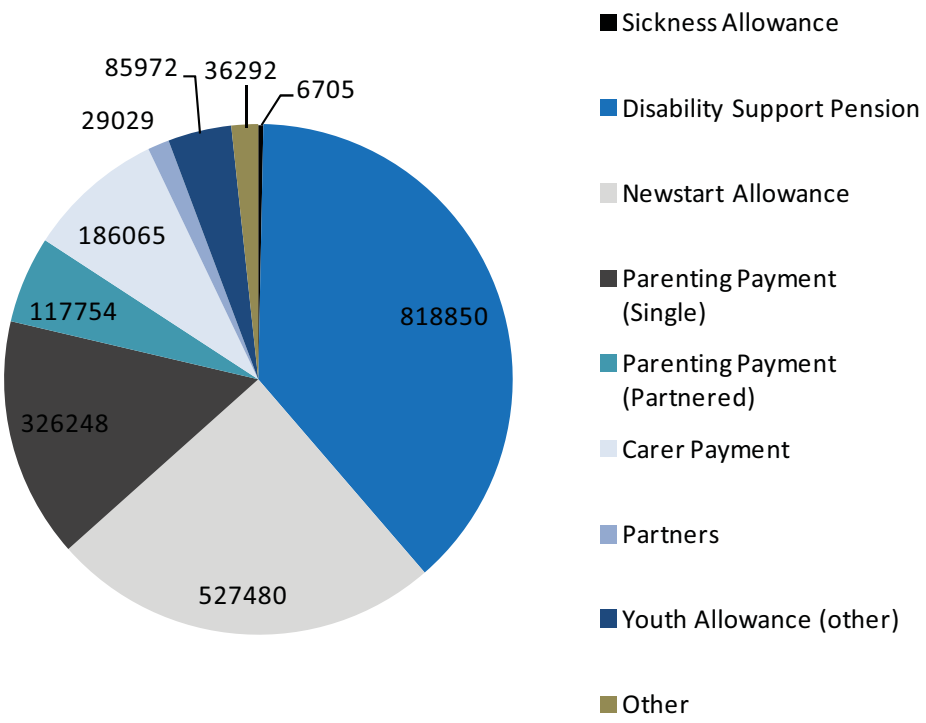
4. People must fall into specified categories in order to be eligible for assistance. There are around 14 different categories of payment for people of working age: for example, there are separate categories of payment for the aged, people with a disability and their careers, primary carers of dependent children, the unemployed and full-time students. Income support payments no longer include spousal assistance and partners of unemployment payment recipients must claim an income support payment, generally an unemployment or parenting payment, in their own right. Payments are income-tested on the basis of the incomes of both partners (where relevant), but income tests are partly individualised.

5. Figure 1 shows the composition of payments received by people of working age (less than 65 years) in 2011.[1] In 2011 there were around 2.1 million working age adults receiving social security pensions or benefits, accounting for 14.0% of the population aged 15 to 64 years: the largest group were recipients of Disability Support Pension (819 thousand); the second largest group were recipients of Newstart Allowance (the unemployed, 527 thousand), plus 86 thousand young unemployed (less than

1. Not included in Figure 1 are 400 thousand persons receiving a range of payments as students; there are 2.2 million age pensioners and 241 thousand persons receiving Veterans pensions.

25 years) receiving Youth Allowance; 326 thousand lone parents receiving Parenting Payment Single; 186 thousand carers, 118 thousand people receiving Parenting Payment Partnered (around one-third of whom were the partners of unemployed people with children); plus other groups as shown.

Figure 1. **Working-age recipients of selected social security payments, Australia, 2011**



Note: DSP, Carers and PPS are 'pension' payments, while other payments are 'allowances' or 'benefits'.

Source: FaHCSIA, 2012, Statistical Paper No. 10: Income Support Customers: A Statistical Overview 2011.

6. Payments are mutually exclusive – for example an unemployed person with a disability might be entitled to receive a disability pension or an unemployment benefit, but cannot be paid both. As noted, coverage of the system is broad and most people in financial need are expected to fall into one or other of these categories.

7. There is a further payment called Special Benefit, which is intended to cover those who do not fall into any of the specific categories covered; a very small number of people receive this payment, with most of these being because they are not residentially qualified for other benefits. For example, in 2005, there were around 9,400 recipients of Special Benefit compared to more than 450,000 recipients of Newstart Allowance. Special Benefit is similar to social assistance in other countries, in the sense that it is the final safety net that people ineligible for other payments fall back on.

8. There is an extensive and expensive system of additional payments for children, which is also income-tested. The same system covers children in families in work as those in families that are unemployed or outside the workforce, with higher rates of payment for lower income families. There is

also a wide range of supplementary payments to assist in covering additional costs such as housing costs, expenses associated with living in remote areas, and telephone and pharmaceutical costs for example.

2. An overview of unemployment assistance

9. Australia has two payments specifically for unemployed people. The first is Youth Allowance (YA), which is payable to unemployed people under the age of 21 years (and also to full-time students aged 16 to 24 years, and in certain circumstances to 15 year olds); and the second is Newstart Allowance (NSA), which is for people aged over 21 years who are unemployed (or who are temporarily unable to work due to illness, injury or disability). Newstart Allowance - by virtue of the broader age range it covers – is the more important payment in terms of numbers assisted and expenditure levels.

2.1 Eligibility

10. To be eligible for Newstart Allowance a person must be aged 21 years or over, and under Age Pension age, looking for paid work (or be granted a temporary exemption from this requirement), and prepared to enter into an Employment Pathway Plan and meet activity test requirements, and not involved in industrial action.

11. To claim and qualify for Newstart Allowance, persons must be Australian residents and in Australia on the day that the claim is lodged. Residents include Australian citizens, or holders of a permanent resident visa, or New Zealand citizens (in certain circumstances). Migrants need to meet a 104 week newly arrived resident's waiting period or be exempt from this requirement, for example as a refugee or the partner of an Australian citizen.

12. To be eligible for Youth Allowance a person must be 16 - 20 years old and looking for full time work or undertaking a combination of approved activities, or have a temporary exemption from the participation and Activity Test requirements. Those who do not have a Year 12 certificate or an equivalent qualification (Certificate level II or above) (i.e. they have finished high school) will generally be expected to undertake study or training to meet the Activity Test.

13. Applicants for Youth Allowance are assessed as either dependent or independent, with independent applicants being entitled to higher levels of benefit. Applicants may be considered independent for a range of reasons: if they have worked full-time (at least 30 hours a week) for at least 18 months in the last 2 years; or have worked part-time (at least 15 hours a week) for at least 2 years since leaving school; or have been out of school for at least 18 months and have earned at least 75% of the maximum rate of pay under Wage Level A of the Australian Pay and Classification Scale in an 18 month period; or are assessed as having partial capacity to work as determined; or are or have been previously married or living in a marriage-like relationship for at least 12 months; or have, or have had a dependent child, or have parents who cannot exercise their responsibilities; or are unable to live at home due to extreme family breakdown, violence in the home, or serious threats to health or well-being, or they are a refugee without parents living in Australia or an orphan; or if they are in State care, or only stopped being in State care because of their age.

14. Residence requirement for Youth Allowance are the same as for Newstart Allowance.

2.2 Payment rates

15. Current payment rates from January 2011 are set out in Table 1 below. Payments are deposited into bank accounts each fortnight. For persons less than 18 years who are not considered independent, payments are usually made to a parent or guardian.

16. Newstart Allowance rates are usually adjusted on 20 March and 20 September each year and Youth Allowance on 1 January in line with the Consumer Price Index - that is, in line with increases to the cost of living.

17. Unemployment-related payments are taxable, but there is a special beneficiary tax offset which means that people receiving only income from unemployment benefits would not be liable for income tax.

Table 1. **Payment rates, January 2011**

Payment and Category	**Maximum fortnightly payment**
Newstart allowance	
Single, no children	AUD 469.70
Single, with child(ren)	AUD 508.20
Single, aged 60 or over and receiving payment for nine months or more	AUD 508.20*
Couple	AUD 424.00 (each)
Youth Allowance	
Single with no children, under 18 years and living at home	AUD 212.70
Single with no children, under 18 years and not living at home	AUD 388.70
Single with no children, 18 years and over and living at home	AUD 255.80
Single with no children, 18 years and over and not living at home	AUD 388.70
Single with children	AUD 509.20
Partnered with no children	AUD 388.70
Partnered with children	AUD 426.80
Single, principal carer of a dependent child (granted an exemption for foster caring/home schooling/distance education/large family)	AUD 611.90

Source: Centrelink

2.3 Supplementary payments and benefits

18. Persons who qualify for Newstart Allowance may be entitled to extra payments and benefits. These include:

- Family Tax Benefit (FTB) – Family Tax Benefit is payable in respect of children up to 16 years of age (and older if not eligible for Youth Allowance). Maximum payment rates are AUD 157 per fortnight per child under 13 years and AUD 204 per fortnight per child aged 13-15 years. Newstart allowance recipients are entitled to the maximum rate of payment. There are a range of further family payments, including a benefit for single-earner and lone parent families (unemployed couples with children do not generally qualify for this), higher rates of payments for larger families, for multiple births and a substantial grant on the birth of a child, plus assistance with child care costs.

- Rent Assistance (RA) - RA is payable to person paying rent (other than for public housing), lodging or fees (*e.g.* for a caravan) for rent above certain levels. To be eligible unemployed persons must either have dependent children, or if they don't have dependent children either be over 25 years of age, or have a partner, or if under 25 years be living permanently or indefinitely apart from their parents. A single person must be paying more than AUD 98.80 a fortnight in rent and a couple more than AUD 161 per fortnight in rent to be eligible; above these levels persons receive 75% of the rent paid up to a maximum of AUD 111.80 per fortnight for a single person and up to AUD 105.40 per fortnight for a couple (and persons with children are eligible for higher amounts).
- Advance Payment - A lump sum Advance Payment of between AUD 250 and AUD 500 of future Social Security payments may be available if money is needed to help pay expenses. These advances are repayable and are not an additional entitlement.
- Education Entry Payment – A taxable payment of AUD 208 is payable to NSA and YA recipients have started or will start an approved education course, have not received an Education entry Payment in the last 12 months and who have continuously received their main payment for at least four weeks. An extra non-taxable supplement of AUD 950 is available for persons enrolling in courses between 1 January 2009 and 30 June 2010.
- Health Care Card - A Health Care Card entitles recipients to cheaper medicines under the Pharmaceutical Benefits Scheme and various concessions from the Australian Government; bulk billing for doctor's appointments (this is the doctor's decision and means that people do not pay for consultations with a General Practitioner), more refunds for medical expenses through the Medicare Safety Net; assistance with hearing services through the Office of Hearing Services; and discounted mail redirection through Australia Post. A Health Care Card also entitles holders to various concessions from State and Territory Governments and local councils including discounts on property and water rates, discounts on energy bills; a telephone allowance, reduced fares on public transport, discounts on motor vehicle registration and free rail journeys.
- Language, Literacy and Numeracy Program Supplement - Persons undertaking approved Language, Literacy and Numeracy training may be eligible to receive a supplement of AUD 20.80 per fortnight, to help meet the incidental costs associated with this training. Persons eligible include migrants subject to the two year waiting period, persons holding temporary or provisional visas, temporary humanitarian visa holders and citizens or permanent residents whose first language is not English.
- Pharmaceutical Allowance – Persons receiving NSA or YA may be eligible for a pharmaceutical allowance if they have a temporary illness or medical condition, if they are single but with responsibility for a dependent child, if they are assessed as having a partial incapacity for work, or if receiving NSA, they are aged over 60 years but have been continuously receiving payments for at least 9 month. The Pharmaceutical allowance is a payment of AUD 6 a fortnight for a single person and AUD 3 for each of a couple to help pay for prescription medicines.
- Remote Area Allowance (RAA) – RAA is a non-taxable payment of AUD 18.20 per fortnight for a single person, AUD 15.60 per fortnight for each of a married couple and AUD 7.30 per fortnight for each dependent child and are living in areas of Australia classified by the Australian Taxation Office as remote.
- Telephone Allowance – Telephone Allowance is a non-taxable payment of AUD 23.40 or AUD 35.20 every three months to help people with telephone or internet charges. NSA and YA recipients can be eligible if they satisfy the same conditions as for Pharmaceutical allowance (see above).

- Training Supplement - The Training Supplement of AUD 41.60 per fortnight is payable to eligible Newstart Allowance jobseekers with compulsory participation requirements who commence approved courses between 1 July 2009 and 30 June 2011. To be eligible for the Training Supplement a jobseeker must satisfy the following criteria: have not attained Year 12 or equivalent qualifications, or have attained their trade or technical qualification some time ago, which can be upgraded or enhanced to provide improved employment opportunities. The approved course must be less than 12 months duration, commence between 1 July 2009 and 30 June 2011, and be classified as full-time to meet the jobseeker's participation requirements.
- Work for the Dole Supplement - All Work for the Dole participants get an extra AUD 20.80 per fortnight. Work for the Dole is a programme to help job seekers improve their employment prospects by providing opportunities for work experience. Communities involve job seekers in local projects providing facilities and services of value to the community. Work for the Dole placements cover a wide range of activities, such as heritage and/or history, the environment, community care, tourism, sport, providing community services and restoring and maintaining community services and facilities. Work for the Dole services are managed by Job Services Australia and delivered through community or government organisations or agencies such as local government and community groups. Job Services Australia refers and supports job seekers in Work for the Dole activities. All Fully Eligible job seekers are able to take part in Work for the Dole, including persons aged 15 to 20 years not on income support and not in full-time education or training.

2.4 The income test

19. Payments for the unemployed in Australia are subject to both income tests and assets tests. The income test effective in January 2011 is shown in Table 2. The first AUD 62 per fortnight in income is disregarded; any income above this level reduces the rate of allowance payable by 50 cents in the dollar for incomes up to AUD 250 per fortnight, and income above this level reduces the allowance payable by 60 cents in the dollar. Table 3 also shows the "cut-out points" – the income levels at which no allowance is payable – for example for a single person this is just over AUD 876 per fortnight. (Given the current standard minimum wage of AUD 15.00 per hour, a Newstart Allowee could work for nearly 60 hours per fortnight and remain eligible for some payment.)

20. Partners in couples are income-tested separately, but once one partner's income exceeds their cut-out point, then income above this level reduces the partner's entitlements, that is, one partner's earnings do not reduce the other partner's benefit until it is AUD 800 a fortnight or higher.

Table 2. **Newstart Income Tests, January 2011**

Family situation	For full allowance (per fortnight)*	For part allowance (per fortnight)**
Single no children	up to AUD 62	less than AUD 876.17
Single, aged 60 or over after nine months continuous months on payment	up to AUD 62	less than AUD 940.34
Single with dependent child(ren)	up to AUD 62	less than AUD 940.34
Partnered (each)	up to AUD 62	less than AUD 800.00
Single principal carer of a dependent child (granted an exemption for foster caring/home schooling/distance education/large family)	up to AUD 62	less than AUD 1,113.17

Note: Fortnightly income between AUD 62 and AUD 250 reduces fortnightly allowance by 50 cents in the dollar. For income above AUD 250 per fortnight, fortnightly allowance reduces by 60 cents in the dollar. Partner income which exceeds the cut-off point reduces fortnightly allowance by 60 cents in the dollar.

Source: Centrelink, www.centrelink.gov.au.

2.5 Working Credit

21. The operation of the income test can be modified through the operation of the Working Credit. The Working Credit aims to encourage people of workforce age receiving income support payments to take up full-time, part-time, or casual work by allowing them to keep more of their payments while working. It also makes it easier for people to get their payments and benefits back if a short-term job ends.

22. When the total income from all sources of a NSA recipient is less than AUD 48 a fortnight, they automatically build up "working credits". If they then receive income from work, they can use these credits to reduce the effect that income has on their payment. Under Working Credit one credit equals one dollar. A person is able to collect up to 1000 credits, and for every credit they have they can earn one extra dollar before their payment is reduced. For example, if a person has accumulated 450 working credits, they can earn an extra AUD 450 before their payment starts to be reduced.

23. Normally, Newstart payments are cancelled as soon as a person starts full-time work, but the use of working credits means that a person could get some or all of their payment, in addition to pay, when they first start work. If a person's job ends, or if their wage drops within 12 weeks of their fortnightly payment becoming AUD 0, and they have continued to report fortnightly earnings to Centrelink, they can get straight back onto payment without having to fill out an application or attend an interview (*i.e.* thus encouraging temporary work).

2.6 The assets test

24. The rate of payment is calculated under both the income and assets tests. The test that results in the lower rate applies. Details of the assets test are shown in Table 3. For example, a single person is allowed assets of up to AUD 178,000 not including their family home, and if the person does not own a home then they are allowed assets of up to AUD 307,000. No Newstart allowance is paid if assets exceed these limits.

25. In addition, there is a liquid assets test of AUD 5,000 for single people and AUD 10,000 for a couple, or single with dependants.[2] If liquid assets exceed these levels then applicants are required to wait

2. The liquid assets thresholds were temporarily doubled between 1 April 2009 and 31 March 2011 in response to the GFC. Thus from 1 April 2011, they will return to their previous levels of $2500 for a single person and $5,000 for a couple.

for between one and 13 weeks before receiving payments. Liquid assets include cash on hand, shares and debentures, term deposits and a range of other money available at short notice, but do not include superannuation and termination payments or proceeds from the sale of homes in some circumstances. There are also a range of conditions under which the liquid assets test does not apply.[3]

Table 3. **Assets test for Newstart payments, January 2011**

Homeowners	**For Allowance***
Single	up to AUD 181,750
Partnered (combined)	up to AUD 258,000
Couple but separated due to illness (combined assets)	up to AUD 258,000
One partner eligible	up to AUD 258,000
Non-homeowners	For full Allowance
Single	up to AUD 313,250
Partnered (combined)	up to AUD 389,500
Couple but separated due to illness (combined assets)	up to AUD 389,500
One partner eligible	up to AUD 389,500

Source: Centrelink, www.centrelink.gov.au/internet/internet.nsf/payments/chartab.htm.

2.7 Waiting periods and other requirements

26. The unemployed are not usually paid for the first week they are eligible for Newstart Allowance. This is called an 'ordinary waiting period'. In addition to this, other waiting periods can also apply, including the Liquid Assets Waiting Period (see above), the Income Maintenance Period and the Seasonal Work Preclusion Period.

27. To keep receiving Newstart Allowance, unemployed persons need to complete and lodge an application for payment form each fortnight. This form must be returned in person to the nearest Centrelink Service Centre on the date shown on the form or the next working day.

2.8 Activity test

28. Persons receiving Newstart Allowance or Youth Allowance and who have the capacity to work have an obligation to show that they are actively looking for suitable work to remain eligible for payment. These are called “activity test or participation requirements”.

29. To meet activity test or participation requirements a recipient must demonstrate that they are actively looking for suitable paid work, accept suitable job offers, attend all job interviews, attend all interviews with Centrelink and their Employment Services Provider, agree to attend approved training courses or programs, not leave a job, training course or program without a valid reason and enter into and comply with an Employment Pathway Plan if asked to. Persons assessed as having a partial capacity to work have part-time activity test or participation requirements.

3. Persons can be exempted from the liquid assets waiting period if they or their partner have been subject to a liquid assets waiting period that started within the last 12 months, or are transferring from 1 payment to another within a 14 day period (in some circumstances), or have self-served the liquid assets waiting period i.e. claim a payment after the liquid assets waiting period would have expired, or are undertaking a rehabilitation program, a formal vocational training in a labour market program that has been approved by Centrelink; or become qualified for Newstart Allowance after a continuous period in receipt of another payment (in some circumstances).

30. Allowances are reviewed periodically to ensure that eligibility and entitlement conditions are satisfied.

2.9 Employment Pathway Plans

31. Mutual obligation responsibilities are spelt out in an Employment Pathway Plan. The plan is negotiated between recipients and the Centrelink Customer Service Adviser or Employment Service Provider when payment is granted and at other times as required. An Employment Pathway Plan is a legal document that replaces any previous agreement (for example Activity Agreements) and starts from the date it is signed. Factors considered in the negotiation include the individual's education, skills, experience and age, local labour market conditions and the availability of training facilities.

32. Activities that may be contained in an Employment Pathway Plan include job search, vocational education or training, paid work experience, participation in a labour market program, participation in a Work for the Dole project, rehabilitation, and other activities such as voluntary work if they are considered appropriate by Centrelink or the Employment Services Provider.

33. Applicants may not be paid income support if they refuse to enter into an Employment Pathway Plan when asked to do so. If they refuse to enter or delay entering into an Employment Pathway Plan and do not have a valid reason they may be penalised, by losing their payments until they meet their obligations.

34. A "No Show, No Pay" failure may occur if persons do not participate in any compulsory activity or program included in their Employment Pathway Plan, such as training or Work for the Dole, and do not have a valid reason. Persons having a "No Show, No Pay" failure lose one day of payment for every day they do not participate.

35. Persons having difficulty meeting activity test or participation requirements or repeatedly not showing up to activities and appointments are referred for a Comprehensive Compliance Assessment (CCA). Recipients will be referred to a Comprehensive Compliance Assessment if they receive three failures in six months for not participating in an activity or missing appointments without a valid reason.

36. Allowees who refuse a suitable job without a valid reason may receive a serious failure; a serious failure can also be applied if, following a Comprehensive Compliance Assessment, the recipient is found to have been persistently not meeting requirements. The penalty for a serious failure is an eight-week non-payment period. During the eight-week non-payment period the payment can be reinstated if the person agrees to participate in a Compliance Activity, generally 25 hours a week of full-time Work for the Dole for eight weeks.

37. Recipients on Parenting Payment (single or partnered) are required to enter into an Employment Pathway Plan once their youngest child is six years old. Under the agreement they will need to be working, or looking for at least 15 hours of suitable work per week or engaged in another activity approved by the Employment Services Provider or Centrelink.

2.10 Changes in unemployment assistance

38. Prior to 1990, the most important development in moving towards the current system related to changes in the income test. The income test for unemployment (and sickness benefits) was liberalized in 1980. Previously, there had been a "free area" of a small amount of income followed by a 100% withdrawal rate above this free area. The 1980 changes introduced a "graduated withdrawal rate":

39. An unmarried person aged 16 or 17 could earn up to AUD 3 per week without reduction of benefit, after which benefit was reduced by half the amount of 'other income' between AUD 3 and AUD 40 per week and by the full amount of 'other income' above AUD 40 per week.

40. A person aged 18 years or more could receive other income up to AUD 6 per week without reduction of benefit, after which benefit would be reduced by half the amount of other income up to AUD 50 per week and by the full amount of other income above AUD 50 per week.

41. This change was particularly important for starting the process of allowing unemployment beneficiaries to earn some additional income while looking for full-time work, a process significantly extended in later years. Subsequently, in 1982 the income tests for all classes of unemployment and sickness beneficiaries were standardised. All beneficiaries could now receive other income of up to AUD 10 per week without reduction in benefit; thereafter benefit was reduced by half the amount of other income between AUD 10 and AUD 60 per week, and by the full amount of other income over AUD 60 per week. The income test was further liberalized in 1983 (following a change of government), benefit levels were increased, and indexation provisions were extended to single people without dependents. The 1980s saw further increases in assistance for persons renting in the private market, including a relaxation of the income test on rent assistance, which had the effect of reducing effective tax rates on low levels of private income. In addition, assistance paid for families with children was increased very significantly in this period, benefiting a large number of unemployed families.

42. In the early 1990s, there were a number of initiatives to increase assistance for older unemployed people over 60 years of age who had been in receipt of benefit for six months or more, and the requirements to look for work were relaxed for those over 55 years. On the other hand, eligibility was tightened through the introduction of the test on liquid assets and new requirements restricting eligibility for recent migrants.

43. Major changes were introduced in 1991 when payments were restructured, with the payment of Job Search Allowance for persons aged 16 or 17 years, and those aged 18 years and over who had been unemployed for less than 12 month. Newstart Allowance was introduced to replace Unemployment Benefits for persons aged 18 years and over who had been unemployed for 12 months or more. Many of the features of the Newstart Allowance were the same as for Unemployment Benefit, but the work test was replaced with activity tests, and beneficiaries were required to sign activity agreements which increased requirements to actively look for work. (In 1996 the separate Job Search Allowance was absorbed into Newstart Allowance.)

44. As unemployment rose in the 1990s, in 1994 a more generous payment, the Mature Age Allowance – at first with pension conditions - was introduced for older unemployed people and their partners, being paid to persons aged between 60 and 64 years who had been unemployed for at least 12 months. From 1996 this was paid at the lower “benefit rate”.

45. In 1994, the individualization of benefits was enhanced. A new payment, Partner Allowance, was introduced. To qualify for the allowance: the claimant had to be a member of a couple; both members of the couple had to be at least 21 years old or, if one was younger, they had to have a dependent child; and the claimant’s partner had to be receiving a benefit. Partner Allowance (for persons meeting the age or ‘with child’ criteria) replaced the additional amount paid under the combined married rate to a beneficiary (usually the husband) in respect of a dependent spouse. The person had to put in a separate claim for the allowance and received a payment in his/her own right (in contrast to the previous add-on arrangement).

46. In 1995 there was a major reform of the income test for beneficiaries. Following the changes, the combined income test for a couple was replaced by a separate income test on each partner. Where each

partner was receiving a benefit, the non-benefit income of one partner did not affect the amount of benefit paid to the other until the first partner entirely lost entitlement to his/her benefit. Where only one member of the couple was receiving a benefit and his/her partner was not a pensioner, the partner's income was assessed for purposes of reducing the amount of benefit only to the extent that it exceeded the notional benefit cut-out point which would have applied to the partner if he/she had claimed a benefit. The permissible income limit (free area) of AUD 60 a fortnight applied to both single persons and to each partner of a couple, after which the benefit was reduced by 50 per cent for non-benefit income in excess of AUD 60 up to AUD 140 and by 70 per cent for income over AUD 140. These changes in 1994 and 1995 significantly extended assistance in order to encourage part-time work, and also gave partners of the unemployed entitlements in their own right, but were also part of the process of extending requirements to actively look for work.

47. In 1996 there was a change to pension policies with significant future implications for unemployment and other benefits. This was the decision to index pensions to wages as well as prices; since wages have generally grown faster than prices in subsequent years, this has meant that the gap between benefit and pension payment rates has widened, with implications for incentives, as well as for the long-term adequacy of benefit levels.

48. In the second half of the 1990s, activity tests for unemployment payments were significantly extended. One of the most notable provisions was in 1997, when the Work for the Dole program was introduced for Newstart Allowance recipients. Under the program, the activity test and Newstart Activity Agreement provisions were amended to enable a person to participate voluntarily in an approved program of work, or for participation to be required as a condition of retaining entitlement to Newstart Allowance.

49. The objective of the program was to reinforce the principle of mutual obligations applying to payments in respect of unemployment, by recognising that it was fair and reasonable that people in receipt of such payments participate in approved programs of work in return for such payments.

50. Participants in approved programs of work were engaged in the main on community assistance and development projects sponsored by community organisations, local or state government organisations and firms. Projects typically included the maintenance and improvement of community facilities and infrastructure, the development of new facilities and infrastructure, and programs of community care and assistance (for example, home maintenance and care of the elderly). The overall program was primarily targeted at young unemployed people aged 18 to 24 years who had been on unemployment payments for more than six months. People were required to participate in the program for no more than six months. Participants in the program received an addition to their Newstart Allowance (known as the 'Approved Program of Work Supplement') of AUD 20 a fortnight.

51. The introduction of Youth Allowance in 1998 involved another major restructuring of the social security system as it covered, in a single payment, young people who were studying, in training, looking for work or sick, contingencies previously covered by a number of separate payments. It replaced the Newstart Allowance for people under the age of 21 years.

52. Rate increases and other changes were made to all social security payments to compensate recipients for increases in prices flowing from the new Goods and Services Tax (GST), which was introduced from 1 July 2000.

53. There were also major changes in administrative arrangements in the late 1990s with major implications for the unemployed. In 1996/7 legislation was introduced into the Australian Federal Parliament to combine the functions of the Commonwealth Employment Service and the Department of Social Security. A new service delivery agency, Centrelink, was created

in 1997 www.comlaw.gov.au/comlaw%5Cmanagement.nsf/lookupindexpagesbyid/IP200401742?OpenDocument and primarily took over the service delivery functions of the then Department of Social Security (DSS) and the functions of the former Department of Employment, Education, Training and Youth Affairs (DEETYA) Student Assistance Centres. It also took on a referral role for employment assistance such as to the DEEWR-administered Providers of Australian Government Employment Services (PAGES), originally Job Network, which were created through the privatisation of the functions of the Commonwealth Employment Service (CES). The reforms aimed to simplify access to Commonwealth services by providing a 'one stop shop', and to encourage efficiency through a purchaser-provider service delivery relationship. The delivery of employment services was tendered out to Job Network organisations whose primary responsibility is to assist people into work (see below).

54. In the period since 2000 the main policy change has aimed to activate welfare recipients, particularly some of those of working-age receiving pension payments. The Government's Welfare to Work Bill was passed by Parliament in 2005 and introduced in 2006. The Welfare to Work policy included two significant changes: a move to put more people who would have been entitled to pension-level payments onto allowance-level payments with associated job-search requirements, and a change to the compliance system for people on allowance-level payments including a maximum eight-week no payment penalty.

55. The following policy changes were implemented from 1 July 2006: Certain new applicants for payments who would have been on pension-level payments (Disability Support Pension and Parenting Payment) are instead on lower payments (Newstart Allowance and Austudy). New activity requirements were applied to people with disabilities, single parents, very long term unemployed people, people on the personal support program and mature age unemployed people. A new compliance and penalty regime was implemented including a maximum eight week no payment penalty, applied after '3 strikes' (participation failures) or after 'one strike' if this was a failure to take a job or a failure to participate in Full Time Work for the Dole. Additional investment in employment assistance and child care services was provided for these groups (around AUD 400 million in 2008-9).

3. Trends in the labour market and reliance on income support

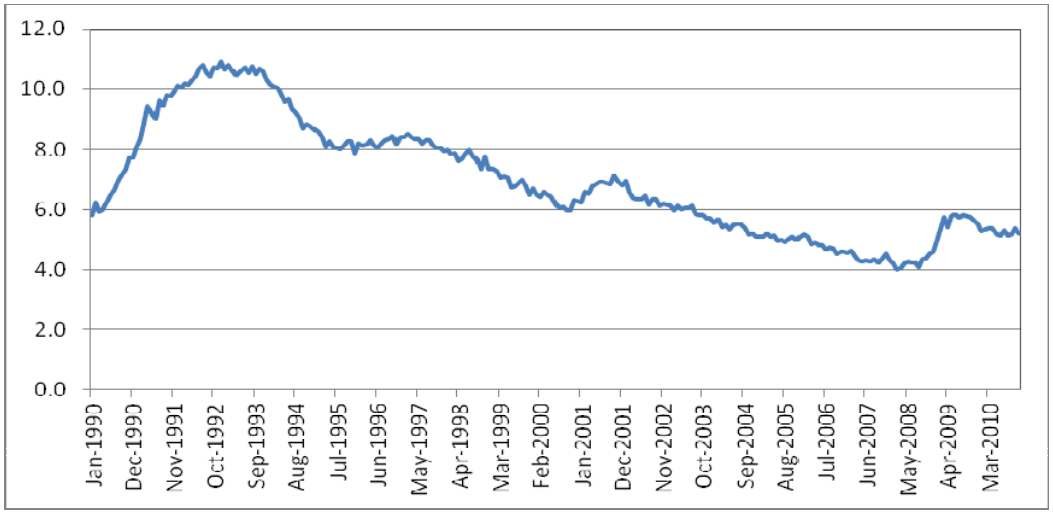
3.1 Labour market trends

56. Indicators of Australia's long-term labour market performance give a mixed picture, with periods where outcomes have been more unfavourable than in other rich countries as well as periods where outcomes have been more favourable, notably in the last decade.

57. In common with many other OECD countries, the labour market deteriorated seriously from the 1970s onward. Unemployment also increased significantly in the early 1990s, reaching close to 11% in 1993. There was also a fairly steady increase in the average duration of unemployment over this whole period-from 6 weeks in 1974 to 32 weeks by 1980, 50 weeks in 1985 and 60 weeks in 1994.

58. Figure 2 shows trends in unemployment from January 1990 to November 2010; the recession of the early 1990s is clearly observed. However, after its peak in 1993, unemployment fairly consistently declined (apart from a small upturn in 2001), so that in February 2008 unemployment was just below 4%, its lowest level since 1974. Since then, unemployment again started to increase, reaching 5.8% of the labour force between June and August 2009 before declining to 5% in December 2010. While the increase in unemployment since the beginning of 2008 has been significant, this is still well below the increases observed in most other OECD countries. In 2010, Australia had the 7th lowest unemployment rate in the OECD.

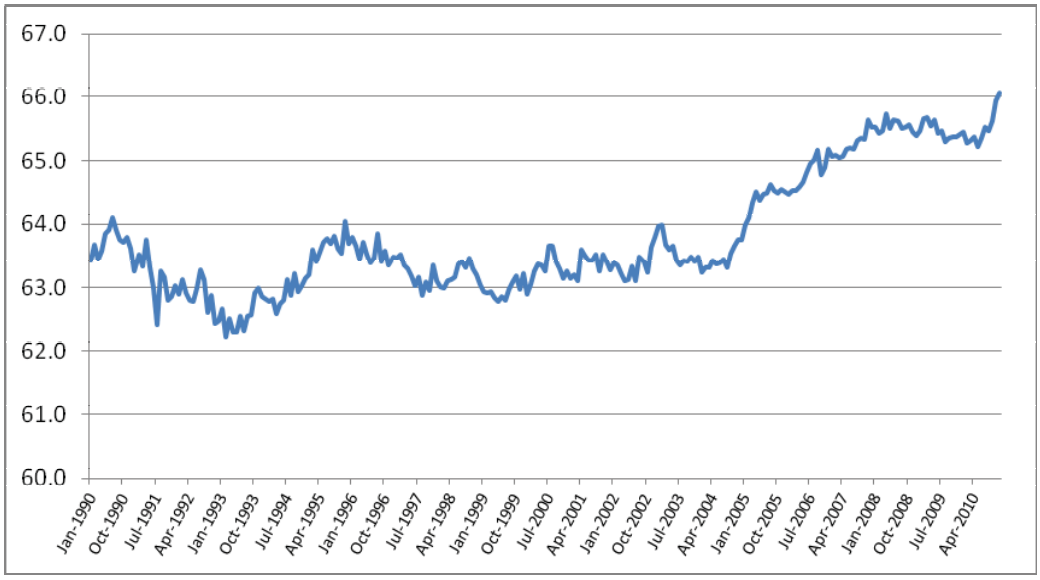
Figure 2. **Unemployment rate, Australia, 1990 to 2010**



Source: Reserve Bank of Australia.

59. Figure 3 shows trends in Australia's labour force participation rate since 1990. While the recession of 1990s saw a sharp decline in the participation rate, this then recovered in the late 1990s and fluctuated around 63% to 64% between 1995 and 2005. Strong economic and employment growth saw the participation rate then rise to around 65% in 2007. There was some stabilisation and then a minor fall following the GFC, but since late 2009 the participation rate has risen to a historic high of around 66%.

Figure 3. **Participation rate, Australia, 1990 to 2010**

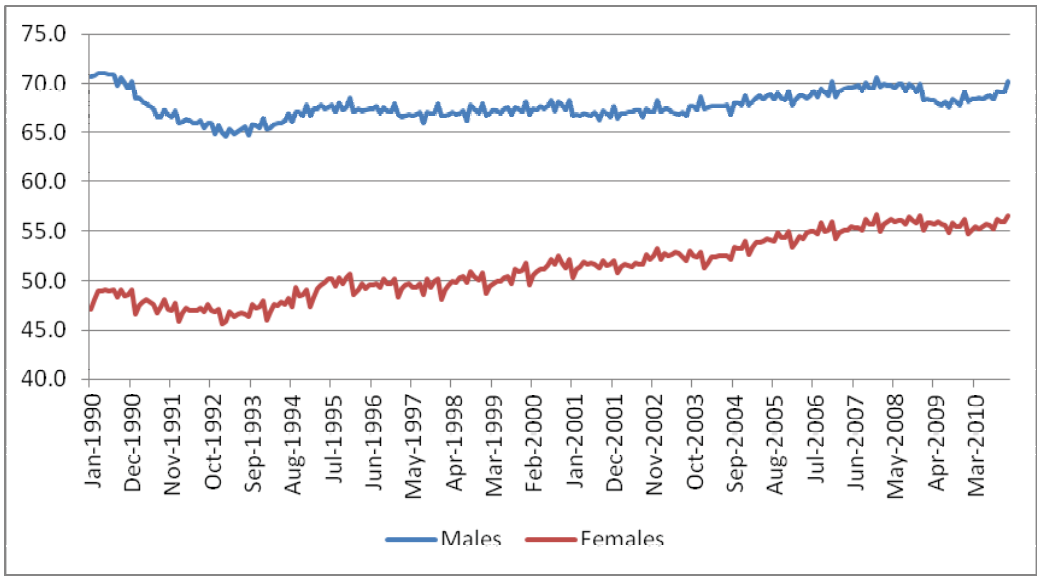


Source: Reserve Bank of Australia.

60. The increase in labour force participation rates shown in Figure 3 masks quite divergent patterns and trends for different groups. For men aged 25 to 49 years participation rates fell from around 95% to 90% between the late 1970s and the early 2000s, and for older men the decline was even more marked - for example, for men aged 60 to 64 years the decline was from 60% to 43% by the late 1980s. Since 2000, however, participation rates have been rising for most groups of men aged 50 years and over. The participation rates of women are much lower, but have generally been rising since the 1970s, so that for women aged 25 to 49 years the increase in participation rates was from just over 50% in the late 1970s to more than 70% in the early 2000s. For older women, the increase in participation has been even stronger.

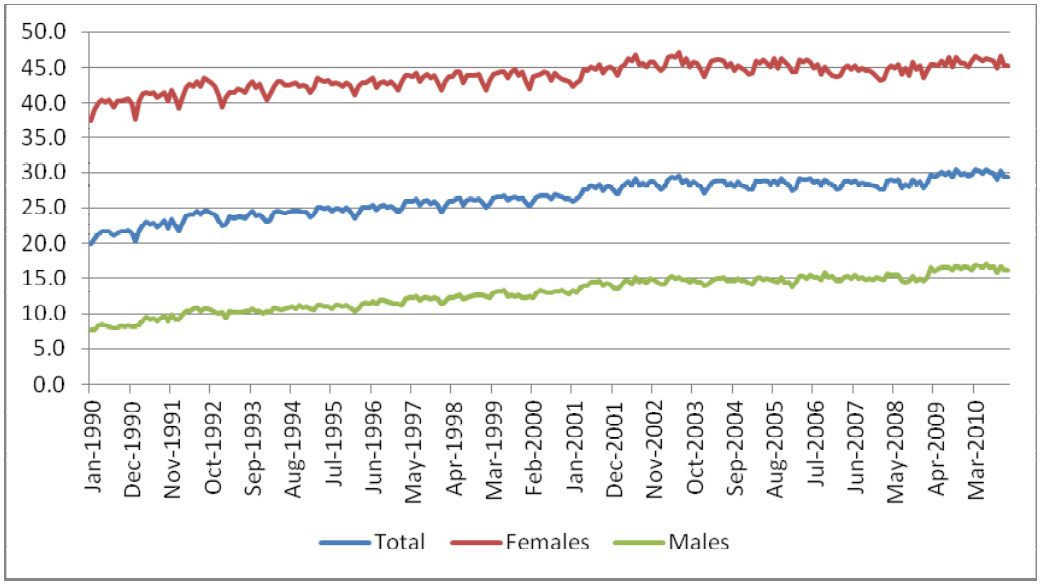
61. Figure 4 shows trends in employment to population ratios for men and women since 1990. There was a marked decline in male employment rates in the early 1990s, followed by a steady recovery up until the GFC, once again followed by an increase in the past year to around 70 per cent. For women, there was also decline in employment in the early 1990s, followed by a more rapid increase since 1993. The employment rate for women appears to have plateaued around the time of the GFC and has recently started to increase. The difference between the employment rates of men and women has also narrowed significantly since the early 1990s from around 24 percentage points to around half that difference in 2009, and 14 percentage points currently.

Figure 4. **Employment rates, males and females, Australia, 1990 to 2010**



Source: Australian Bureau of Statistics, Labour Force Survey.

Figure 5. **Part-time employment rates, males and females, Australia, 1990 to 2010**



Source: Australian Bureau of Statistics, Labour Force Survey.

62. The Australian workforce is characterised by a very high prevalence of part-time work. Figure 5 shows that in 2010 around 30 per cent of total employment was part-time, 45% for women and 16% for men. Most part-time workers are female — 70 per cent in 2010, but male part-time employment has grown more rapidly than female part-time employment, more than doubling since 1990. The level of part-time employment is the third highest in the OECD after the Netherlands and Switzerland.

63. In assessing Australia's comparative labour market performance, it is important to note that there are differences across the OECD in statistical practices, which may impair the comparability of published data. Adjusting for these statistical differences (Abhayaratna & Lattimore 2007), Australia's overall workforce participation rate in 2005 was 65.5 per cent, with Australia's ranking within the OECD being at 5th place, behind Iceland, New Zealand, Canada and Switzerland. Given subsequent labour market trends in Iceland and Canada in particular, it seems likely that Australia has improved its ranking. However, relatively low participation rates were recorded for prime aged males (25 to 54 years); child-bearing aged women (25 to 44 years); and older men and women (55 to 64 years). In contrast, for youth (15 to 24 years), Australia ranked 2nd highest among OECD countries. Thus, while Australia's overall employment performance has been strong this is largely due to higher levels of youth employment and high levels of part-time employment.

64. There is another area in which Australia's employment performance is comparatively very weak. Table 4 shows the relationship between individual, household and family joblessness in 2005. On this measure of individual joblessness, Australia ranks eighth lowest in the OECD[4] and is 6 percentage points below the OECD average. When looking at the share of the working age population living in jobless households, in contrast, Australia is the fifth highest in the OECD and more than 4 percentage points above the OECD average. On the measure of jobless households with children, Australia is again the fifth highest in the OECD and 5.5 percentage points above average.

4. These figures are not adjusted for the statistical differences referred to earlier.

Table 4. **Individual, household and family joblessness, OECD countries, 2005**

	Non-employment rate for working age population	Share of working age population living in jobless households	Share of households with children jobless	Ratio of household joblessness to individual joblessness	Ratio of family joblessness to individual joblessness
Australia	28.4	14.2	11.9	0.50	0.42
Austria	31.4	11.0	5.3	0.35	0.17
Belgium	39.0	18.6	12.0	0.48	0.31
Canada	27.5	6.2	3.9	0.23	0.14
Czech Republic	35.2	10.1	7.3	0.29	0.21
Denmark	24.5	9.2	4.7	0.38	0.19
Finland	32.0	7.3	3.9	0.23	0.12
France	37.7	11.6	4.4	0.31	0.12
Germany	34.5	19.4	16.3	0.56	0.47
Greece	39.7	6.5	1.4	0.16	0.04
Hungary	43.1	19.1	14.7	0.44	0.34
Iceland	..	2.1	1.7	..	..
Ireland	32.9	11.7	11.4	0.36	0.35
Italy	42.5	9.6	3.3	0.23	0.08
Japan	30.7	5.1	1.5	0.17	0.05
Korea	36.3	5.5	3.9	0.15	0.11
Luxembourg	36.4	7.1	2.3	0.20	0.06
Mexico	40.4	3.8	3.2	0.09	0.08
Netherlands	28.9	9.1	5.8	0.31	0.20
New Zealand	25.4	9.3	9.6	0.37	0.38
Norway	24.8	13.1	7.5	0.53	0.30
Poland	47.0	14.0	8.3	0.30	0.18
Portugal	32.5	5.9	3.9	0.18	0.12
Slovak Republic	42.3	10.6	6.4	0.25	0.15
Spain	35.7	5.8	3.5	0.16	0.10
Sweden	26.1	6.2	3.6	0.24	0.14
Switzerland	22.8	5.9	2.8	0.26	0.12
Turkey	54.1	10.4	7.5	0.19	0.14
United Kingdom	27.4	16.3	14.9	0.59	0.54
United States	28.5	6.3	4.5	0.22	0.16
OECD	34.1	9.7	6.4	0.28	0.19

Note:.Data not available.

Source: OECD, Growing Unequal (2008) and OECD Income Distribution questionnaire.

65. Looking at the ratio of household joblessness to individual joblessness, only three OECD countries have higher ratios than Australia (Germany, Norway and the United Kingdom), and when the focus is on families with children only Germany and the United Kingdom have higher ratios. The ratio of family to individual joblessness in Australia is more than twice the OECD average. In part, this reflects the fact that some countries have very low ratios between family joblessness and overall individual joblessness-– notably, the Southern European countries (Greece, Italy, Portugal and Spain), the East Asian

countries (Japan and Korea) and the low income OECD countries (Mexico and Turkey), but also a disparate group of high income OECD countries (the Nordic welfare states, except Norway), Luxembourg, Switzerland, Canada and the United States.

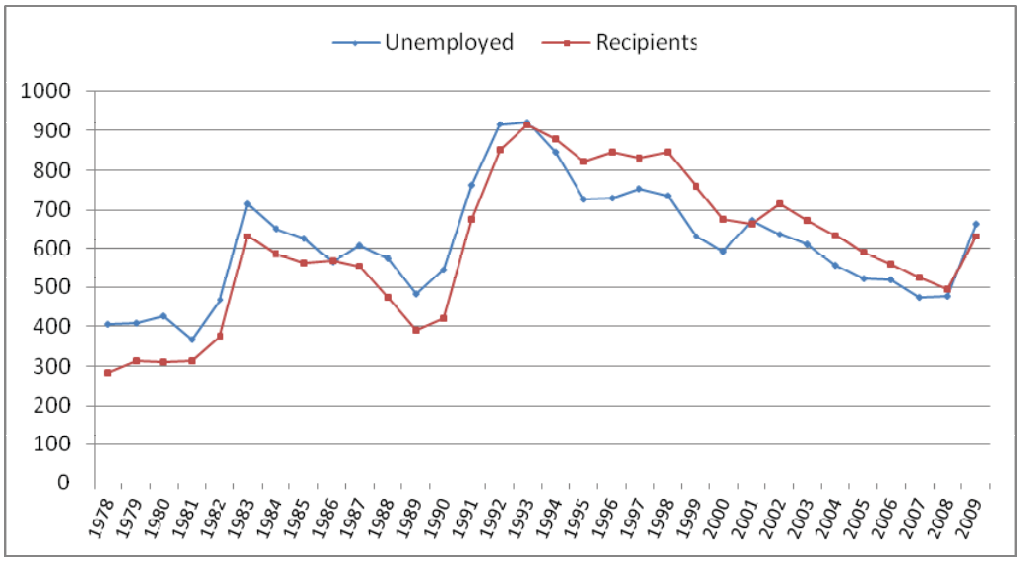
66. Australia also has relatively low employment rates among people with a disability (OECD, 2010), with Australia ranking 21st out of 29 OECD countries. The share of part-time employment among employed people with a disability is the seventh highest in the OECD, which is lower than its overall part-time ranking. In addition, unemployment rates among people with a disability are about 2.5 times the overall unemployment rate (OECD, 2010).

3.2 Recipients of unemployment benefits – trends and characteristics

67. Trends in the numbers of recipients of unemployment payments closely track trends in the numbers of unemployed in the labour force, as shown in Figure 6. The steep rise in unemployment and in benefit receipt in the early 1980s and again in the early 1990s is evident. Both series fell over the second half of the 1990s and up until 2008 and they rose sharply in the final year.

68. It is also apparent that for much of the period between 1993 and 2008, the number of recipients of unemployment payments exceeded the number of unemployed in labour force surveys, *i.e.* coverage of the unemployed appears to be greater than 100%. In part, this reflects some of the policy changes outlined earlier. For example, in August 2009 there were around 565 thousand people receiving Newstart allowance, but only around 340 thousand of these were classified as jobseekers. Among the 225 thousand recipients who were not looking for work, just under 24 thousand were not receiving a payment because of their own or their partner's incomes, but were still counted as recipients because they would be entitled to come back on benefits if their circumstances changed; a further 25 thousand were working part-time or on a voluntary basis; around 100 thousand were involved in other activities including training, education or self-employment development; nearly 31 thousand were temporarily ill or incapacitated; and around 40 thousand had other or temporary exemptions from job search.

Figure 6. **Trends in the number (000s) of unemployed and unemployment benefit recipients, 1978 to 2009**



Source: Australian Bureau of Statistics, Labour Force Survey; FACS and DEWR, Labour market and related payments series

69. Table 5, drawn from a Family and Community Services Department data series on recipients of social security payments, shows trends in the characteristics of people receiving unemployment payments between 1990 and 2009. The proportion who are single has fairly steadily increased from 70% to 77% over the period, while the proportion who are female has also increased from 25 to 30% in the 1990s to closer to 40% by 2009.

70. The table also shows trends for people by different activity types. There was a significant rise in the proportion of incapacitated unemployment beneficiaries from 1992 to 2002, followed by a decline. 'Other' activity types include customers involved in training, paid employment, full-time and part-time voluntary work, part-time study, self-employment development, or otherwise exempt from job search for reasons such as major personal crisis, remote location or jury duty. There was a very significant increase in the proportion in this group between 1998 and 1999 from 3.5% of recipients to 16% of recipients, followed by a period of decline, and an even larger increase between 2003 and 2004 from 12.6% to 38% of recipients, with an apparent decline in 2009.

71. Another data series (the Employment Department's 'Labour Market and Related Payments' series) classifies the activities and exemptions of unemployment payment recipients differently to the data series cited in Table 5. According to the Labour Market and Related Payments series:

- Since 2003 a reasonably consistent ratio of around one in five Newstart and Youth Allowance (Other) recipients (around 100,000 to 150,000 recipients) were exempted from activity requirements on grounds of 'incapacity', 'did not receive a payment', 'CDEP participant' or 'other exemptions'[5].

- In addition, a growing proportion of recipients were exempt from job search requirements because they met their activity requirements through other activities such as training, voluntary work or self employment development (probably mainly training but there is no detailed breakdown). This group grew from 7% of all recipients (less than 50,000) in September 2003, 16% (104,000) in July 2009 and 31% (209,000) in July 2010, though the growth may be due in part to reclassifications within the unemployment payments data set.

72. Trends in payment durations and the distributions of durations are complex – average and median durations will fall in the early stages of recession as the number of newly unemployed increase, and then rise in recoveries. So the median duration of benefit receipt was less than 33 weeks in 1996, but then increased to 85 weeks by 2007, before falling again to 50 weeks in 2009, following the GFC.

5. DEWR Labour market and related payments, various years, Tables 2 and 3. Note that the 'incapacity' category refers to a temporary illness or incapacity and replaces the previous Sickness Allowance payment. The 'other' category is not clearly specified. It includes small numbers of recipients exempted on grounds such as a family emergency, jury duty and recent domestic violence and may also include participants in the PSP program who are exempted from requirements apart from participation in that program. The 'did not receive a payment' category refers to individuals who had a fulltime job for less than 13 weeks (since they can remain on payments at a zero rate so that they don't need to reapply if they lose the job).

Table 5. **Characteristics of persons receiving unemployment payments, Australia, 1990 to 2009**

Year	No. (000)	Single (%)	Female (%)	Duration on benefit							With income (%)	Activity type		
				<1 year	1-2 years	2-3 years	3-5 years	5+ years	Mean (weeks)	Median (weeks)		Other (%)	Incapacitated (%)	Jobseekers (%)
1990	406.1	69.9	27.3	75.0	12.4	5.8	5.3	4.5	56.6	22.4	22.9	..	..	..
1991	650.9	70.1	25.8	78.1	12.8	3.5	3.1	2.6	44.0	21.1	23.4	..	..	..
1992	831.0	69.5	26.1	61.8	27.1	5.9	3.0	2.2	50.0	37.0	26.1	3.2	0.2	96.6
1993	889.6	69.5	27.4	60.9	18.8	10.7	9.7		66.0	35.0	26.8	3.9	1.0	95.1
1994	848.6	70.5	29.3	59.8	18.0	9.3	12.8		70.7	37.3	28.3	3.5	1.8	94.6
1995	794.8	71.0	29.6	61.7	16.6	8.0	13.6		71.5	34.0	22.8	4.1	1.7	94.3
1996	825.0	70.5	31.0	65.5	18.1	6.0	10.5		89.2	32.7	31.6	4.7	4.6	90.7
1997	801.8	71.8	31.2	51.4	23.8	9.6	15.1		85.7	51.0	37.5	4.3	8.1	87.6
1998	790.3	73.4	31.7	47.4	22.0	13.2	17.4		92.8	59.2	12.8	3.5	6.3	90.3
1999	713.4	73.4	31.2	42.9	18.6	13.8	14.4	10.4	82.7	67.9	10.9	16.0	8.4	75.6
2000	..	..	..	..	..	..	..	..	..	..	..	..	..	..
2001	621.5	74.7	30.4	43.2	15.3	13.2	13.8	14.5	126.6	72.0	15.8	10.8	12.9	76.3
2002	643.1	75.9	31.7	42.3	16.9	10.2	14.2	16.3	131.9	70.3	17.0	17.4	18.8	75.3
2003	595.6	77.6	32.9	40.9	15.7	11.0	13.7	18.6	144.7	80.1	14.4	12.6	9.7	77.7
2004	563.2	77.6	35.2	40.3	15.4	10.4	12.6	21.2	144.7	80.0	16.2	38.3	9.8	51.9
2005	533.2	77.3	36.2	41.3	15.2	10.0	12.1	21.5	158.0	78.2	16.8	42.9	9.5	47.5
2006	513.9	76.6	36.4	39.6	15.4	10.2	11.8	23.2	170.9	84.0	16.8	38.6	8.3	53.1
2007	486.5	76.0	38.9	39.8	14.8	10.2	11.5	23.8	178.8	85.0	18.2	43.2	8.0	48.8
2008	464.3	76.0	40.8	40.6	15.0	9.6	11.2	23.6	181.5	82.0	17.9	47.2	7.5	45.4
2009	603.1	76.8	38.6	50.8	14.1	8.5	8.9	17.7	146.8	50.0	16.6	42.4	6.2	51.5

Source: Whiteford and Angenent (2002) The Australian system of income protection, an overview; FACS (various years), Income Support Customers: a Statistical Overview. Data refer to June each year.

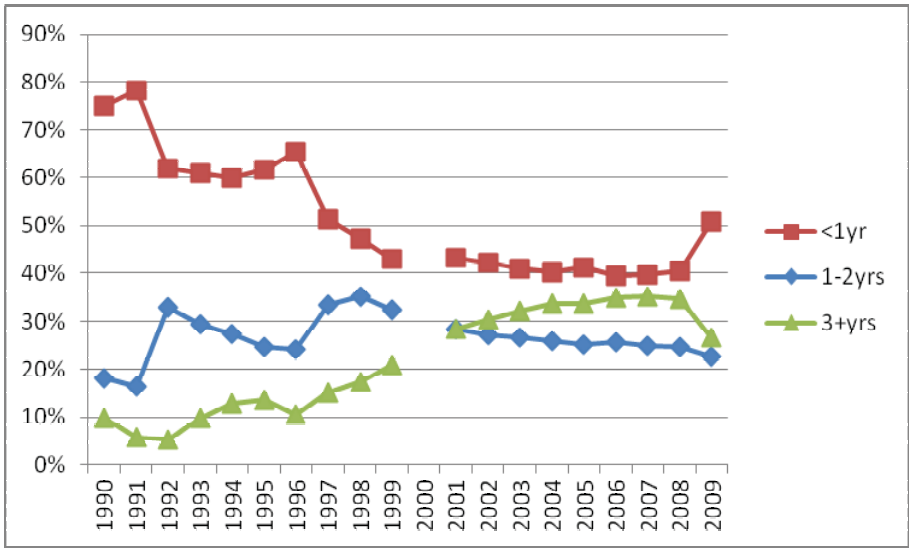
73. Trends in long term receipt of unemployment payments (over 12 months' continuous receipt) are of particular policy interest as long term reliance has fiscal costs and long term recipients have been targeted for more intensive forms of employment assistance (for example, 'Customised Assistance' within the Job Network as discussed later). Long term receipt of unemployment payments is, however, a different statistic to long term unemployment as measured by the Australian Bureau of Statistics (ABS). Its scope is defined by benefit rules rather than the labour market status of an individual. The population of long term recipients of unemployment payments is generally higher than long term unemployment as measured by the ABS since:

- Individuals may receive unemployment payments while employed, and may even remain registered on the payments for up to three months when their entitlement is zero due to the income test (generally, when employed fulltime), whereas the ABS excludes from the long term unemployment count individuals with at least two hour's employment a week for at least two weeks in a given year.
- They may continue to receive unemployment payments while not participating in the labour market, for example while they participate temporarily in fulltime training or while temporarily ill.

74. On the other hand, some individuals classified by the ABS as long term unemployed do not qualify for unemployment payments for reasons other than their labour force status (such as the income of their partner).

75. Figure 7 shows the distribution of unemployment payment recipients by duration on those payments. Over the period of (generally) falling unemployment from the mid 1990s to 2008 (the year prior to the GFC), the number of short term recipients fell more rapidly than the number of long term recipients. As a result, the proportion of long term recipients increased. The rise in the proportion on unemployment payments for more than three years was especially marked.

Figure 7. **Newstart and Youth Allowance (Other) recipients, by duration on payment**



Source: Whiteford & Angenent (2002), The Australian system of income protection, an overview, FACS (various years), Income Support Customers: a Statistical Overview. Data refer to June each year.

76. Table 6 shows the characteristics of Newstart and Youth Allowance recipients in February 2011, the most recently available figures. Of the 650 thousand persons receiving these payments, 87% were receiving Newstart and 13% receiving Youth Allowance; around half the Newstart recipients were long-term and had been receiving income support for 12 months or more. Around 61% of recipients are male and 39% female, with women being slightly more represented among long-term recipients and among Youth Allowance recipients. Among recipients who are current jobseekers around 56% are aged 30 years or over.

Table 6. **Characteristics of Newstart Allowance and Youth Allowance Recipients February 2011**

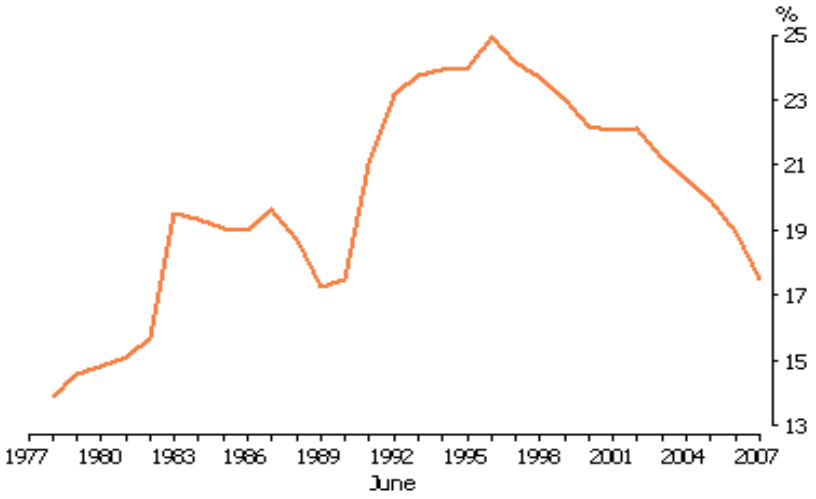
	Total		**Newstart Allowance**		**Youth Allowance (other)**
			Long-term	Total	
Total	683,249		356,375	588,824	94,425
Males	399,461		203,960	350,159	49,302
Females	283,788		152,415	238,665	45,123
Not seeking employment	342,454		217,007	285,691	56,763
Jobseekers	340,795		163,765	303,133	37,662
Age of Jobseekers	No.	%			
Less than 18 years	6,226	1.8			
18-20	31,431	9.2			
21-24	61,391	18.0			
25-29	50,142	14.7			
30-39	72,632	21.3			
40-49	63,126	18.5			
50-59	42,702	12.5			
60 years and over	13,145	3.9			

Source: DEEWR, Labour Market and Related Payments, February 2011.

3.3 Trends in receipt of income support among people of working age

77. In the last four decades an increasing proportion of the Australian population has received income support. In the early 1970s, 12% received income support and this increased rapidly to reach 23.5% in 1979. The proportion peaked in 1996 at 33% before declining to 27% in 2008. Part of the explanation for this trend has been the demographic ageing of the population. The proportion of working age people receiving income support also grew until the mid 1990s. The reasons for the increase in this proportion between June 1978 (about 14%) and June 1996 (around 25%) include declines in full-time employment, an increase in the proportion of people without partners, and higher levels of education participation among young people. Since 1996, however, the share of working-age people receiving income support has fallen significantly. Figure 8 shows these trends.

Figure 8. **Proportion of working age people receiving income support[1] - 1978-2007**



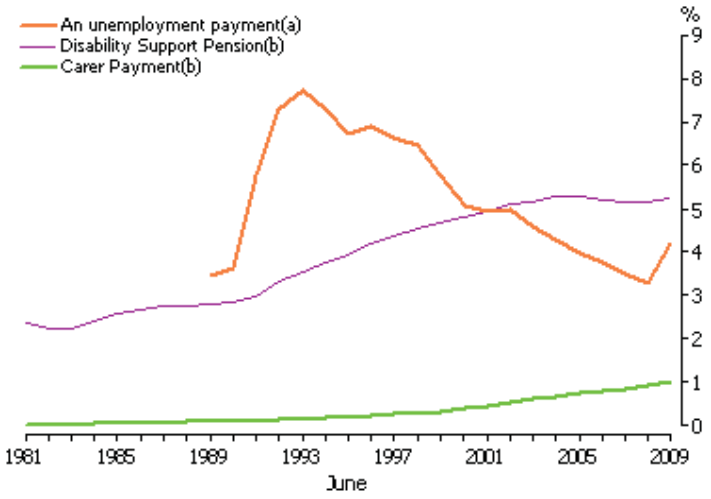
1. Excluding DVA Income Support Supplement, Exceptional Circumstances Relief Payment, and Farm Family Restart.

Source: Parliament of Australia Parliamentary Library 2008, Trends in the receipt of income support by workforce age people 1978 to 2007.

78. Factors contributing to this decrease in benefit receipt include strong jobs growth, the closure or phasing out of some payments, and tightening of eligibility criteria for other payments. A sustained increase in employment opportunities saw the proportion of working age people receiving an unemployment payment fall from 6.9% in June 1996 to 3.3% in June 2008 before rising to 4.2% in June 2009. These movements closely mirror changes in the unemployment rate, as discussed above.

79. The lower rate of receipt of unemployment payments, however, accounts for less than half of the 7.5 percentage point fall in the proportion of working age people receiving income support between June 1996 and June 2007. Given that the proportions of working age people receiving Disability Support Pension and Carer Payment increased over the same period (Figure 9), factors other than lower unemployment also contributed to the fall in income support receipt among people of working age.

Figure 9. **Proportion of working age people receiving unemployment- and incapacity-related income support payments**



(a) Currently comprises Newstart Allowance and Youth Allowance (Other). Some recipients of Youth Allowance (Other) are under 16. These recipients are in the numerator but not the denominator of the proportion.

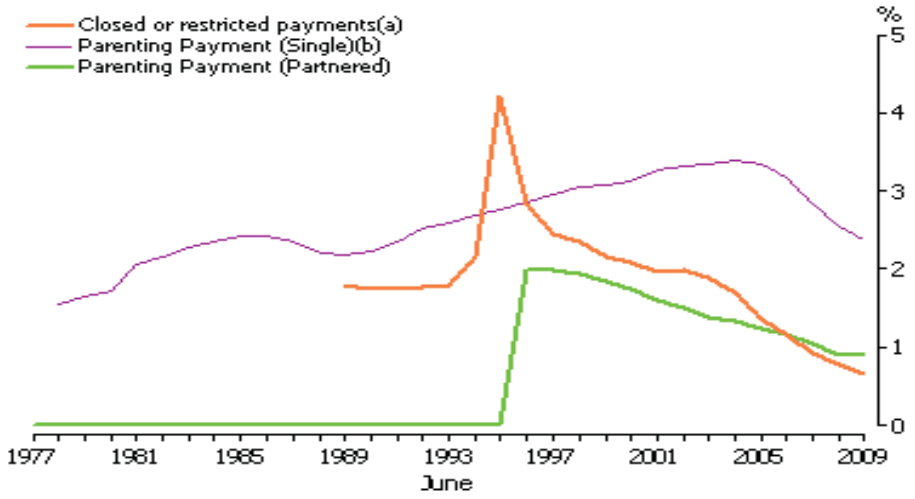
(b) Some recipients are 65 or over, and some live overseas. These recipients are in the numerator but not the denominator of the proportion.

Source: Australian Government Department of Families, Housing, Community Services and Indigenous Affairs Occasional Paper No.1 Income support and related statistics: a 10-year compendium, 1989-1999; Occasional Paper No.7 Income support customers: A statistical overview 2001; Statistical Paper No. 1 Income support customers: a statistical overview 2002; Statistical Paper No. 4 Income support customers: a statistical overview 2005; Annual Report 2005-06, 2006-07, 2007-08, 2008-09; Australian Government Department of Education, Employment and Workplace Relations Annual Report 2005-06, 2006-07, 2008-09; Population by Age and Sex, Australian States and Territories, June 2009 (ABS cat. no. 3201.0). 9 (ABS cat. no. 3201.0).

80. A major reason for the decrease in the rate of income support receipt among working age people between June 1996 and June 2007 has been the closure and/or phasing out of a number of income support payments (Figure 10). Wife Pension was closed to new entrants in 1995. Access to Widow B Pension was limited in 1987, and then closed to new entrants in 1997. Partner Allowance and Mature Age Allowance were both closed to new claimants in 2003, and by 2008 there were no longer any recipients of Mature Age Allowance. Since 2005, new grants of Widow Allowance have been limited to women born on or before 1 July 1955.

81. The proportion of working age people receiving Wife Pension, Widow B Pension, Partner Allowance, Mature Age Allowance or Widow Allowance decreased from 4.2% in June 1995 to 0.6% in June 2009. None of these closed or restricted income support payments have participation or activity requirements such as studying, training or searching for work. When introduced, payments like Wife Pension and Widow B pension reflected attitudes and policies of the time about which groups of working age people could not reasonably be expected to find paid work to support themselves. Other payments were introduced in conjunction with individualisation and included restrictions to ensure they would gradually phase out.

Figure 10. **Proportion of working age people receiving mature age, partner and child related income support payments**



(a) Comprises Mature Age Allowances, Partner Allowance, Wife Pension, Widow B Pension and Widow Allowance. Some recipients are 65 or over, and some live overseas. These recipients are in the numerator but not the denominator of the proportion.

(b) Recipients living overseas are in the numerator but not the denominator of the proportion.

Note: The spikes in Closed or restricted payments in 1995 and Parenting Payment (Partnered) in 1996 reflect the individualisation of payments to couples: the partner supplements previously paid to heads of households, which they replaced, are not included in the data series shown.

Source: Australian Government Department of Families, Housing, Community Services and Indigenous Affairs Occasional Paper No. 1 Income support and related statistics: a 10-year compendium, 1989-1999; Statistical Paper No. 1 Income support customers: a statistical overview 2002; Statistical Paper No. 4 Income support customers: a statistical overview 2005; Annual Report 2005-06, 2006-07, 2007-08, 2008-09: Australian Government Department of Education, Employment and Workplace Relations Annual Report 2005-06, 2006-07, 2007-08, 2008-09; Labour Market and Related Payments, January 2010; Parliament of Australia Parliamentary Library Trends in the receipt of income support by workforce age people 1978 to 2007; Population by Age and Sex, Australian States and Territories, June 2009 (ABS cat. no. 3201.0).

82. Another reason for the decrease in the rate of income support receipt among 16-64 year olds has been the gradual raising of the age at which women qualify for receipt of a pension for having reached retirement age. In June 1996, women needed to be aged 60.5 years to qualify for receipt of the Age Pension and 55.5 years to qualify for an equivalent retirement pension from the Department of Veteran's Affairs. By June 2007, these qualifying ages had risen to 63 years and 58 years respectively. This has resulted in progressively fewer working age people receiving the Age Pension. In June 1995 there were 211,685 women under 65 receiving the Age Pension (representing 1.8% of all working age people). By June 2009 the number of women under 65 receiving the Age Pension had fallen to around 81,000.[6]

83. Until 10 May 2005, people qualified for the Disability Support Pension if they had an impairment that prevented them from working (or being re-skilled to work) for 30 hours a week at or above the minimum wage for at least the next two years. This changed from 30 hours a week to 15 hours a week for some working age people applying for this income support payment between 11 May 2005 and 30 June 2006, and for all new claimants from 1 July 2006. After rising from

6. The decline in receipt of age pension by women thus contributes only about one-seventh of the total decline in working age income support, suggesting that lower unemployment and activation policies accounted for most of this decline.

1.7% in June 1972 to 5.3% in June 2004, the proportion of working age people receiving the Disability Support Pension changed little to June 2009 (5.2%).

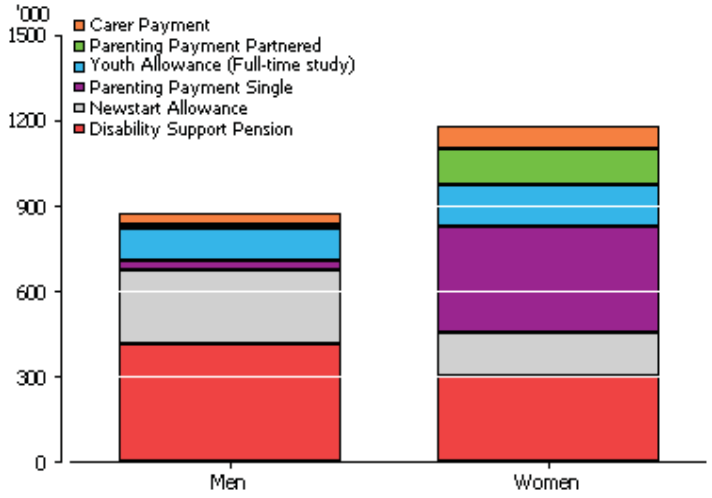
84. Figure 10 also shows declines in rates of receipt of Parenting Payments. Until July 2006, Parenting Payment was available (subject to means testing and residence rules) to the principal carer of a child aged under 16 years. Since 1 July 2006, new recipients need to have a child under six (if partnered) or eight (if single). New recipients were required to look for at least 15 hours work per week when their youngest child turned six, and existing recipients were required to do so on 1 July 2007 or when their youngest turned seven (whichever was later). The proportion of working age people receiving Parenting Payment (Single) increased from under 1.6% in June 1978 to 3.4% in June 2005. Over the next four years it steadily fell to 2.4%. The rate of receipt of Parenting Payment (Partnered) has also declined; from 2.0% in June 1996 to 0.9% in June 2009. It is also worth noting that the number of lone parent families in Australia has also fallen from just under 300 thousand in 2002 to 217 thousand in 2008, although it increased to 238 thousand in 2009 (ABS various years, Labour Force Status and Other Characteristics of Families, Catalogue No. 6204.0).

85. The age/sex distribution of working age income support recipients is shaped by factors such as the incidence of disability (which rises with age) and parenting activity (which increases for women when they have children then decreases as their children age).

86. In 2007-08, women represented nearly two-thirds (63%) of all working age income support recipients living in private dwellings (Figure 11). Men are more likely than women to receive certain types of payments. In June 2007, men comprised 63% of Newstart Allowees and 58% of Disability Support Pensioners. Rates of receipt of the Disability Support Pension rise with age for both men and women, which partly explains the relatively high proportion of working age income support recipients who are aged 55-64 years.

87. In June 2007, some payments to people of working age (*i.e.* Wife Pension, Widow B Pension, Widow Allowance and the Age Pension) were received by women only, while some others (*e.g.* Carer Payment, Partner Allowance and Bereavement Allowance) were mainly received by women. These payments also partly explain the relatively high proportion of working age income support recipients who are 55-64 year old women.

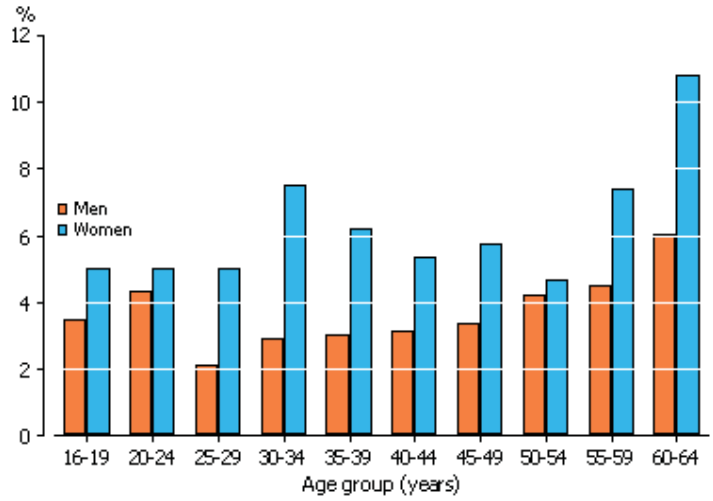
Figure 11. **Recipients of selected income support payments - june 2007**



Source: Harmer, J (2008) Australia's future tax system: Pension Review Background Paper

88. Among younger age groups, there were other reasons why there were more female than male income support recipients (Figure 12). High proportions of people receiving Parenting Payment (Single) (93%) and Parenting Payment (Partnered) (91%) were women, as were more than half (54%) of all students receiving either Youth Allowance (Full-time study), Austudy or Abstudy.

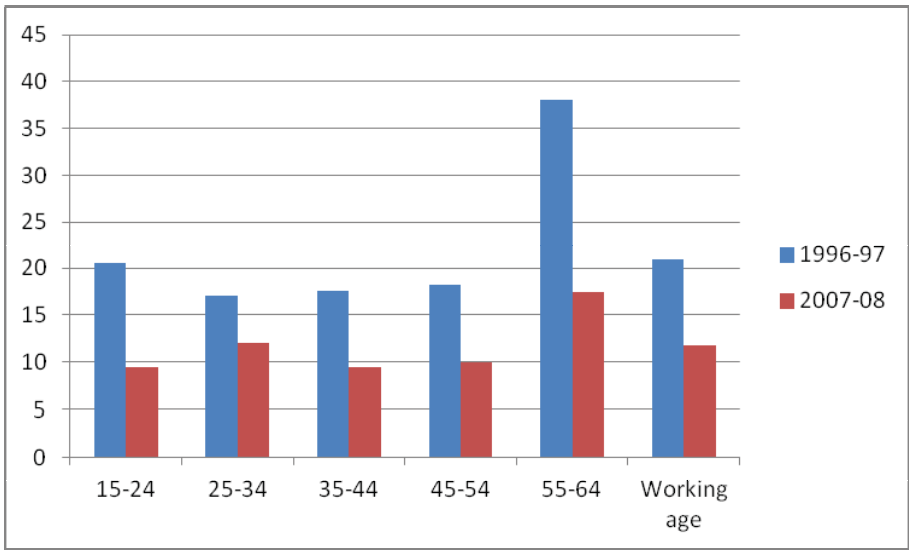
Figure 12. **Age/sex distribution of working age income support recipients (a) - 2007-08**



Source: ABS 2007-08 Survey of Income and Housing. Some income support recipients are excluded from this distribution because of the scope of the survey, and some are excluded because the survey did not determine that they were receiving an income support payment.

89. Figure 13 shows overall changes in the proportion of the working age population whose principal source of income was government cash benefits. Reductions in rates of receipt of income support were most marked for those aged under 25 years and those aged 55 to 64 years, where reliance on benefits more than halved. Other age groups saw smaller but still very substantial declines.

Figure 13. **Change in working age income support recipients -1996-97 to 2007-08**



Source: ABS 2007-08 Survey of Income

4. Activity requirements and the compliance system

90. 'Activation' policies redesign social security payments and employment assistance for jobless people to give priority to active engagement with the labour market. Common features of activation policies include the extension of activity requirements to a wider range of jobless people, their intensification through stricter requirements, closer monitoring and sanctions for non compliance, job search assistance, and more intensive labour market assistance for disadvantaged jobseekers (Carcillo & Grubb 2006, p138).

91. This part of the report deals with activity requirements and their enforcement in more detail, including the penalty regime for jobseekers. It assesses changes in the 'strength' of activity requirements across two dimensions: their coverage or scope, and their intensity (including monitoring and enforcement). Table 7 outlines the key policy changes across both dimensions from 1994 to 2007.

Table 7. **Key changes in activity requirements for unemployed people (1994-2007)**

Year	Coverage of activity requirements	Intensity of activity requirements/ penalties
1994	Newstart Allowance (NSA) and Youth Allowance (YA) are the standard unemployment payments, both have activity requirements incl. availability for work and active job search Introduction of non-activity tested Mature Age Allowance (MAA) for unemployed males 60-64 yrs; Individualisation of additional income support for partners of unemployed people via a non-activity tested Partner Allowance.	Long-standing requirements for fortnightly lodgement of income and job search statements in person at DSS (the benefits agency) in most cases (other than mature age or those participating in a LMP) Default requirement to report 2-8 jobs p.f. to the benefits agency, DSS (depending on duration of unemployment and location). Must seek any 'suitable' fulltime job paying the industrially regulated wage including jobs below the recipient's skill level; Must be prepared to commute up to 90 mins each way to a job; Requirement to participate in training and work experience programs as determined by the CES (public employment service) was introduced in 1988; More intensive interviews with DSS at 3 months' unemployment for 40% of recipients; universal 'Newstart Activity Agreement' interviews with CES and DSS at 12 months introduced in 1991; Penalties (administered by DSS): Complete loss of payments for 2-12 weeks, escalating with each breach of job search requirements; maximum penalty applies for leaving a job without good reason; lower penalties for 'administrative breaches' (*e.g.* failure to attend a CES interview); Access to review and independent social security appeals system (SSAT) to contest penalties
1995	Phase-out of dependency based payments (Widow Allowance, Wife Pension, Partner Allowance) begins; Pension age for women progressively raised from 60-65 years; Principal carers of a child under 16 years (mostly sole parents) still exempted from activity reqts until youngest child reached 16 years, via a new Parenting Payment;	'Working Nation' statement: Most Newstart Allowance recipients required to undertake 6 months' fulltime paid work experience or training at 18 months' unemployment ('Job Compact'); Increase in maximum penalties for breaches other than administrative breaches: to up to 18 weeks without payment, plus 6 weeks for 4th and subsequent breaches Measures for unemployed youth under 18 years: Default reqt. is participation in education and training rather than job search

1997	Phase out of Mature Age Allowance commences, but NSA recipients over 50 can meet reqts. fully with voluntary work or part time work, have reduced job search reqts (up to 4 jobs pf) and reporting reqts to DSS (12 weekly);	Job Seeker Diaries introduced to record job search efforts, mainly for short term unemployed; Employer Contact Certificates (evidence from employer of job search) introduced on a 'risk management' basis; Penalty for reducing employment prospects by changing location increased from loss of payment for 13weeks to 26 weeks Mutual obligation (MO) for young people (up to 25 years) at 6 months' unemployment: Must elect to participate in up to 6 months of part time activity (*e.g.* part time or voluntary work, training, Job Network Intensive Assistance, or part time Work for the Dole), job search requirements continue; default activity if no choice made is Work for the Dole; MO extended in 1998 to an annual requirement, and to 26-34 year olds; New penalty regime (administered by Centrelink): loss of 16% of payment for 13 weeks for 'administrative' breaches or 18-24% for 26 weeks for 'activity' breaches, complete loss of payment for 8 weeks on third breach.
1998	Community Support Program (CSP, later Personal Support Program or PSP) introduced for jobseekers with personal/social barriers to work (eg homelessness, mental health conditions, addictions), activity reqts were at the provider's discretion (usually limited to program participation); Job Placement Employment & Training (JPET) program introduced for homeless young jobseekers, with similar reqts to CSP	Working Nation programs phased out, CES replaced by Job Network (mainly non-govt. agencies), DSS replaced by Centrelink (new public benefits agency); Default job search reqt raised from 2-8 to 4-10 jobs p.f. More intensive monitoring of activity reqts by Centrelink and Job Network; 15 day fulltime Job Search Training courses introduced, initially after up to 6 months' unemployment; 9 month review interview with Centrelink replaces the 12 month 'Newstart' interview; Mutual obligation progressively extended to NSA recipients up to 50 years old; Sharp increase in no. of breaches applied from 1997-2001, approx.18% of recipients (26% of young unemployed) breached in 2001.
2003	Mature Age Allowance and Partner Allowance closed to new applicants from Sept 2003	Active Participation Model: Standard schedule of interviews with Job Network providers (usually monthly or bi-monthly); Commencement of 15 days Job Search Training standardized at 3 months' unemployment; Providers required to engage more intensively with long term unemployed during the 'Customised Assistance' phase at 12 months and 24 months' unemployment:

		– incl. 3 months of intensive work preparation or job search activity (25 hours per week) at 12 months' unemployment. Penalties: Efforts to reduce breaches and penalties including use of payment suspensions for non-attendance at interviews, improved identification of 'vulnerable' jobseekers, allowing those subject to 8 week non-payment periods to 'work them off' with Work for the Dole activities Breach rate falls to 8% of recipients
2006	'Welfare to Work' policy: Activity requirements (including a reqt to seek employment of at least 15 hours pw) for people with disabilities with a partial work capacity (assessed as able to work 15-30 hours per week) and principal carers of school age children (>6 years), mainly sole parents; A reduction in scope for jobseekers to combine job search and part time training to meet activity reqts except during MO; A reduction in scope for mature age jobseekers (over 50) to fulfill reqts through voluntary work New applicants who are principal carers with children over 7 years, and those with a partial work capacity receive Newstart or Youth Allowance rather than pension payments Existing Disability Support Pensioners with a partial work capacity excluded from the new requirements. Existing Parenting Payment Single recipients (sole parents) remain on the pension payment but face the same activity reqts as those on NSA once youngest child is 6 years	'Welfare to work' policy: Default requirement to seek 4-10 fulltime jobs per fortnight remains for most NSA recipients; A part time work reqt (15 hours pw) and a lower default job search reqt (up to 6 jobs p.f.) applies to principal carers and those with partial work capacity – Job Network and mutual obligation reqts also apply; Principal carers not reqd to take a job if suitable child care is not available, if they would not be at least AUD 25pw better off, or if the commute is more than 60 mins each way; - exemptions from reqts of 16 weeks to 12 months for those with a disabled child, recent victims of domestic violence - ongoing exemptions for foster carers, home-schoolers New compliance system for unemployed people – temporary loss of payment until unemployed people attend an interview, - removal of reductions in payments for 1st and 2nd breaches - retention of 8 week non-payment period for 3rd and subsequent breaches within a 2 year period - hardship assistance for some groups such as parents experiencing hardship during the 8 week non-payment period; Full-time Work for the Dole (25 hours a week for 10 months) for very long-term unemployed people assessed by Job Network provider as 'avoiding work': - non participation in this program results in an 8 week non-payment period

2007	Activity requirement exemptions for people in remote areas (mainly Indigenous people) phased out; CDEP (Indigenous work for the dole program) phased out in non-remote areas and in remote areas in the Northern Territory, standard activity requirements apply.	
2009	Modest easing of activity reqts for principal carers: - combinations of part time work and training allowed to meet reqts - reqts no longer apply during XMAS vacation period. - extension of exemptions in cases of domestic violence PSP and JPET abolished, services for people with personal and social barriers integrated into JSA as 'stream 4', with greater focus on labour market engagement (activity reqts are determined by the provider)	Job Services Australia (JSA) replaces Job Network More frequent contact with JSA providers (generally monthly) in first year of unemployment: - 60 hours of work preparation or job search training during first year of unemployment replaces 3 week's fulltime job search training after 3 months' unemployment - No mutual obligation reqt in first year, Removal of the 3 months of 'intensive activity' (Customised Assistance) at 12 and 24 months' unemployment: - more flexible mutual obligation reqts apply for 6 months of each year after first year of unemployment in 'work experience' phase of JSA Easing of fortnightly Centrelink 'contact arrangements' for many people unemployed over 3 months, who will typically attend in person on a 6 or 12 weekly basis New compliance system for unemployed people: - temporary loss of payment until a jobseeker attends an interview, but payment reinstated with backpay on attendance at re-booked interview; - if person does not attend the re-booked interview, a day's payment is deducted (without backpay) for each day they fail to attend - a day's payment is deducted for each day of non attendance at an 'activity' (eg work for the dole), without backpay on re-engagement - if there are three breaches in a 6 month period, Centrelink undertakes a 'comprehensive a compliance assessment' which may result in referral to more appropriate employment assistance or an 8 week non- payment period - jobseekers can still 'work off' an 8 week non-payment period

Source: Dapre, B 2006, Compendium of legislative changes in social security 1983-2000: DEEWR (2007a), The APM evaluation; DEEWR (2008g), Welfare to work evaluation; DEEWR (2010b), Submission to Independent review of the new jobseeker compliance framework; OECD (2007), Activating the unemployed, what countries do; O'Connor, B (2009), Improved participation requirements for parents and carers; OECD (2001), Innovations in labour market policies, the Australian way; Raper, M (various years), Independent social security handbook; Richardson, L (2002), Impact of the mutual obligation initiative on the exit behaviour of unemployment benefit recipients

4.1 Coverage of activity requirements

92. The coverage of employment-oriented activity requirements was extended in three 'waves' of policy reform from the mid 1990s. This was achieved by diverting more jobless income support recipients from non-activity tested payments to the main unemployment payments (Newstart Allowance and Youth Allowance), by applying activity requirements to other payments (notably Parenting Payment), and by removing exemptions from the standard unemployment payment activity requirements (notably for many Indigenous people).

93. In the first wave, mature age women and men were 'activated' through the quarantining or closure of access to dependency-based and mature age payments from the mid 1990s. Prior to 1995, only the primary income earner in a couple reliant on income support (usually the male) faced activity requirements. The Partner Allowance and Wife Pension payments were not activity tested. Apart from these payments, many mature age women received the Age Pension (payable from 60 years for women and 65 years for men) or Widow Pension (paid to widows over 49 years of age), which were also not non-activity tested. Jobless men aged 60 to 64 years were eligible for the non activity-tested Mature Age Allowance.

94. From 1995, access to these non-activity tested payments was phased out, either by closing entry to the payment or by restricting it to individuals above a certain age or born before a certain year (Dapre 2006). From July 1995:

- The pension age was progressively raised from 60 years for women born before July 1935 to 65 years for women born after December 1948.
- No new claims for Wife Pension were approved, with many recipients shifting to Partner Allowance.
- Partner Allowance was limited to those born before 1 July 1955 who had no recent work experience.
- Widow Pension was replaced by Widow Allowance for widows aged 50 years or more who had no dependent children under 16 years of age and no recent work experience. The legislation specified that no new grants of Widow Allowance were to be made after 30 June 2005 except to women born before 1 July 1955.
- Also, no new grants of Mature Age Allowance were to be accepted after June 1996, but this policy was rescinded by the incoming Government in that year.

95. Those who would otherwise have received these payments had to test their eligibility for other payments. Options included the Disability Support Pension for those with severe disabilities and the newly introduced Parenting Allowance (subsequently Parenting Payment) for the primary carer of a dependent child under 16 years of age, or Carer Payment for the carer of a person with a severe disability. Parenting Allowance also incorporated the existing Sole Parent Pension (subsequently called Parenting Payment Single), which continued to be paid at the higher pension rates. However, the default option was the activity-tested Newstart Allowance.

96. This process was extended in 2003, when Mature Age Allowance and Partner Allowance were closed to new claimants.

97. The second wave commenced in 2006 with the introduction of the 'Welfare to Work' policy. Activity requirements were extended to principal carers of school age children (6 years or over) and people with disabilities who were assessed as having a 'partial work capacity' (able to work for 15 to 30 hours a week only). The main requirements were to seek part time employment (at least 15 hours a week) to

participate in employment programs such as the Job Network and to meet the annual Mutual Obligation requirements described below (DEEWR 2008g).

98. The mechanisms for activation of these two groups were different. New income support claimants after June 2006 with a 'partial work capacity' (assessed as able to work 15-30 hours a week) could no longer obtain the non-activity tested Disability Support Pension (DSP) and had to test their eligibility for other payments, with Newstart or Youth Allowance as the default. The latter payments were paid at lower than pension rates and had more stringent income tests as well as activity requirements. This resulted in substantial reductions in income support entitlements for many new claimants, especially those in part time employment. Those who already received the Disability Support Pension at this time were 'grandfathered' on the pension (and not activity tested).

99. New claimants who were the principal carers of a child aged 8 years or more could no longer obtain Parenting Payment, which as noted above was paid at the higher 'pension' rate for sole parents. Most received Newstart Allowance instead. Those whose youngest child was 6 to 7 years old were still eligible for Parenting Payment, but the new activity requirements also applied to Parenting Payment recipients whose youngest child was at least 6 years old. This included those already on Parenting Payment prior to July 2006, who were 'grandfathered' on that payment.

100. There were limits to the grandfathering arrangements. A DSP recipient who sustained employment that would normally disqualify them from the pension would not be eligible to return to the pension if they lost that job after 2 year's employment. Those who left Parenting Payment for more than 12 weeks (due to fulltime employment) and subsequently re-applied for income support were assessed under the new rules. Similarly, those who re-partnered and subsequently left the Parenting Payment Single payment for more than 12 weeks were assessed under the new rules if they later reapplied for that payment. This was the case whether they left income support after re-partnering or transferred directly to the Parenting Payment Partnered payment (for partners of an unemployed person).

101. The third wave of activation mainly affected Indigenous Australians, though in many cases this changed the nature of activity requirements rather than introducing requirements for the first time. From 2007, activity test exemptions for recipients of Newstart and Youth Allowances who lived in remote areas (mainly Indigenous people) were phased out. At this time, the phase out of the Community Development Employment Program (CDEP) a form of Indigenous 'work for benefits' scheme run by local communities, also commenced in non-remote regions where Indigenous people were judged to have better access to mainstream jobs. The program was also phased out in remote communities in the Northern Territory (an Australian province with a large Indigenous population). Those affected by these policy changes were mostly referred to mainstream employment programs including Job Network and Work for the Dole, and standard activity requirements applied (Cultural & Indigenous Research Centre 2007; Altman & Jordan 2009).

4.2 Intensity of activity requirements

102. The 'intensity' of activity requirements as described here refers to the required intensity of active engagement with the labour market and participation in programs, the extent to which compliance is monitored by the benefits agency or employment service provider, and the nature of the penalties that apply for non-compliance (Grubb 2000; Hasselpflug 2005). Since unemployed people typically receive few job offers while in receipt of unemployment payments, employment programs also play an key role in activity testing (Dockery 2003).

4.2(1) History and background

103. There was a general policy trend to intensify activity requirements in Australia from the mid 1990s to 2009, though the requirements outlined in policy were not always applied or monitored consistently on the ground. Activity requirements were circumscribed by national government legislation, the Social Security Act, and detailed administrative guidance was provided in the Guide to the Social Security Act which was updated by the Government Department responsible for the relevant payment.7 (Raper 2004) Most of the requirements were specified in various 'activity agreements' negotiated between the jobseeker and either the benefits agency or employment service at different stages of the unemployment spell. Two Australian Government Departments were responsible for policy regarding income support payments prior to 2005, when these functions were amalgamated within a single Department. The Social Security (later Family and Community Services) Department was responsible for policy regarding payment levels, eligibility and activity requirements for income support payments while the Employment Department (variously designated Employment Education and Training, Employment and Workplace Relations, or Education, Employment and Workplace Relations) administered employment assistance programs such as the Job Network. From 2005, the latter Department also administered policy regarding activity-tested income support payments (mainly Newstart and Youth Allowance and Parenting Payment).

104. Administration of activity requirements on the ground was shared between the public benefits agency – the Department of Social Security prior to 1997 and subsequently Centrelink - and publicly funded employment services. Broadly speaking, the requirements were negotiated with the jobseeker either by the public benefits agency or the employment service (depending on their duration of unemployment) and then monitored jointly. Decisions to impose penalties for breaches of requirements ('participation failures') were reserved for the benefits agency but breaches were notified by the employment service through 'participation reports'. Prior to 1998, the primary employment agency was the public employment service (Commonwealth Employment Service) but this function was subsequently contracted out to non-Government providers (the 'Job Network', subsequently 'Job Services Australia').

105. While Job Network frontline staff (referred to as 'consultants') and administrative officers in Centrelink had a degree of discretion to impose or negotiate activity requirements according to individual circumstances, the scope of the requirements and penalty levels were broadly circumscribed by the social security legislation. Further, unemployed people had a legal right to a formal review or appeal against a decision to apply a penalty, initially to an administrative body called the Social Security Appeals Tribunal (SSAT), though they cannot generally appeal the contents of an activity agreement.

106. Throughout the period from the mid 1990s to 2009, the core or default requirement for Newstart Allowance (NSA) recipients (and Youth Allowance recipients who were not fulltime students) was 'availability' for 'suitable' work together with active job search, evidenced by regular reporting to the social security agency of approaches made to employers. 'Suitable work' was defined as a full or part time job paying the appropriate wage under employment relations regulations which could reasonably be performed by the person (including jobs below the individual's skill level). Individuals were generally required to accept a job that required up to 90 minutes' travel each way per day and until recently people living in 'remote areas' where employment opportunities were very limited were usually exempted from activity requirements. NSA recipients with part time jobs were still required to seek fulltime work paying a sufficient wage to remove their entitlement to income support.

107. This core requirement was usually incorporated into activity agreements signed with either the benefits agency or employment services. Up to 2000 Newstart or Youth Allowance recipients (other than

7. The link is at www.fahcsia.gov.au\legislation.

fulltime students) were required to seek between 2 and 8 jobs a fortnight, depending where they lived, their duration of unemployment, and any barriers to work identified. From 2000 this was increased to 4 to 10 jobs a fortnight. Thus for example, a newly unemployed jobseeker in an area where vacancies were plentiful was typically required to seek 10 jobs a fortnight and record them in a 'job seeker diary' presented to Centrelink, for the first three months of unemployment. This requirement was usually reduced later in the unemployment spell, for people in regions with fewer job vacancies, and for people assessed as having significant barriers to employment (Raper 2004).

108. In addition to the 'core' job search and attendance requirements described above, the Social Security Act provided that jobseekers may be required to participate in training and other programs pursuant to their activity agreement.

109. Recipients were generally required to attend interviews and negotiate activity agreements with either the benefits agency or employment service. Changes in the targeting and frequency of these interviews are described below.

110. Exemptions applied to a range of circumstances, including temporary illness or disability, significant family events such as funerals, and unavoidable responsibilities such as jury duty. Also, the legislation provided that unemployed people would not be penalised where they had a 'reasonable excuse' for non compliance, for example the non arrival of mail, or an illness or family emergency (Raper 2004).

4.2(2) Changes in the intensity of activity requirements

111. The most significant changes in the 'intensity' of the activity regime for unemployed people from the 1990s to 2009 concerned monitoring and compliance arrangements, including the frequency of interviews and intensity of engagement with employment service providers, participation in employment programs, and changes to the compliance and penalty system.

112. In the early 1990s, most recipients of unemployment payments faced job search requirements only, as access to employment programs such as training or work experience was neither guaranteed nor universally mandated. The main contact with the benefits agency was to lodge a fortnightly statement of circumstances (including evidence of up to four job applications and details of any earnings), an over-the-counter interview that typically lasted less than 5 minutes. Approximately 40% of unemployed people were interviewed more intensively at three months' unemployment, and almost all were interviewed jointly by Social Security and the Commonwealth Employment Service at 12 months' unemployment to negotiate a Newstart Activity Agreement. Beyond that point in the unemployment spell, few intensive interviews were undertaken to discuss job search or work preparation activities.

113. The 'Working Nation' policy that was implemented from 1994 to 1996 increased access to 'case management' and labour market programs for jobseekers unemployed for more than 12 months, together with a minority of jobseekers with shorter durations of unemployment who were identified as 'at risk' of long term unemployment using an assessment tool. Case management was a specialised stream of more intensive employment counselling and program referral offered by staff of the Commonwealth Employment Service or 'Contracted Case Management' agencies. Prior to 18 months' unemployment, case managers usually referred jobseekers to job search or short term training programs (Job Clubs, Skillshare or JOBTRAIN) lasting for 3 weeks to six months. At 18 months' unemployment, a mandatory period of at least six months' paid work experience commenced. This was referred to as the 'Job Compact'. While the job compact raised the intensity of activity requirements, it often reduced labour market participation for the duration of the program since participants were not required to continue seeking jobs in the open labour market. Participation in Job Compact programs was supervised by case managers, though the frequency of their contact with jobseekers and these agencies was not regulated (DEETYA 1997a).

114. In 1995 activity requirements for jobless young people under 18 years were changed to give greater priority to education and training over job search. The new requirements could be met through a range of training options, of which participation in fulltime education or training was the default (DEETYA 1997a).

115. From 1998, after the election of the Howard Government, most of the 'Working Nation' programs were abolished and replaced by the Job Network (see discussion of employment assistance in the next section of this report). Unemployed people were required, in addition to the 'core' job search requirement referred to previously, to attend three weeks of fulltime Job Search Training after up to six months' unemployment, after which (depending on their age) they were required to undertake 6 months of 'Mutual Obligation' activity (described below). The 12 month 'Newstart' interview was replaced by a '9 month review' interview with Centrelink. Most long-term unemployed people (and those short term unemployed people assessed as disadvantaged in the labour market) were required to participate in a minimum of 12 months of 'Intensive Assistance' with their Job Network agency. As discussed in the next section of this report, the frequency of contact with providers, the nature of the services offered and related activity requirements during Intensive Assistance were left largely to the discretion of providers so the impact of Intensive Assistance on the intensity of activation was not clear cut (DEWR 2002b).

116. Activity requirements were tightened in other ways from 1997. Job Seeker Diaries were introduced to record job search efforts in more detail, mainly for the first three months of the unemployment spell. Employer Contact Certificates were introduced to provide evidence from employers of applications in cases where Centrelink suspected that unemployed people were not meeting their job search requirements.

117. From 1998, young unemployed people up to 25 years old were required at six months' unemployment to participate in up to six months of Mutual Obligation activity. This was later extended to unemployed people up to 50 years old and made an annual requirement. People unemployed for five months were interviewed by Centrelink to choose a mutual obligation activity. Jobseekers had a number of options to meet this requirement, including at least six hours a week of part time employment, training or voluntary work for at least 12 weeks, relocation and intensive job search for 14 weeks, participation in Job Network Intensive Assistance (if eligible) and the default option of 26 weeks of 'Work for the Dole' for 15 hours a week. This comprised unpaid work on community projects while on benefits. The weekly work requirement was calibrated so that the hourly rate of 'payment' was roughly equivalent to the minimum wage. Those who did not nominate their choice of mutual obligation program were referred to Work for the Dole (Richardson 2002).

118. With the introduction of the Active Participation Model of the Job Network in 2003, a standard 'service continuum' was introduced in which jobseekers were required to attend interviews with Job Network providers at regular intervals, and to participate in a set sequence of programs. Unless they were assessed as 'highly disadvantaged' jobseekers still had limited contact with Job Network providers in the first three months of unemployment and mainly reported on job search activities to Centrelink. Their activity requirements were negotiated with Centrelink via a 'Preparing for Work Agreement' in the first interview. At three months' unemployment the 'Intensive' phase of Job Network assistance commenced with an interview with the provider to negotiate a 'Job Search Plan', followed by three weeks of fulltime job search training (brought forward from up to six months). At six months, most were required to participate in six months of Mutual Obligation as described above.

119. After the first three months of unemployment, Job Network providers were required to interview unemployed people at regular intervals, usually at least every one to two months, as follows (DEEWR 2007a, p26):

- at three months' unemployment, to negotiate the 'Job Search Plan' that replaced the Preparing for Work Agreement with Centrelink;
- at seven and ten months' unemployment;
- at 12 month's unemployment (when the first round of Customised Assistance usually commenced);
- fortnightly for the first three months of Customised Assistance;
- monthly for the remaining three months of Customised Assistance;
- at 20 and 22 months' unemployment;
- eight times during the second round of Customised Assistance (usually commencing at 24 months);
- every two months from 32 months of unemployment.

120. Together with the fact that the same provider usually offered assistance at all stages of the continuum (unlike previous iterations of the Job Network – see next section), this implied an intensification of engagement with and monitoring of jobseekers by Job Network providers. For example, a jobseeker who progressed through the standard service continuum over 24 months of unemployment might be interviewed 15 times, in addition to participating in job search training, mutual obligation, 25 hours a week of job search or work preparation activity during the first three months of intensive assistance, and any other program referrals made by their provider (for example to vocational training). However, (as discussed in the section of this report dealing with employment assistance) in practice the frequency of contact between providers and long term unemployed jobseekers was not consistently higher than in the previous regime.

121. The Customised Assistance phase of Job Network assistance, lasting for six months rather than 12 months, was introduced to replace Intensive Assistance in response to concerns that the level of activation for long term unemployed people during Intensive Assistance was too low (OECD 2001; DEWR 2002b), Jobseekers generally commenced Customised Assistance at 12 months and again at 24 months into their unemployment spell, or earlier if assessed as 'highly disadvantaged'. As noted above, during the first three months of this phase, unemployed people were supposed to be interviewed fortnightly by their Job Network provider. They were also required to devote at least 25 hours a week to intensive job search or work preparation activity, as prescribed in their Job Search Plan. The policy stipulated that were then to be interviewed at least monthly on average during the final three months of Customised Assistance. However, providers were given a degree of discretion over the frequency of contact and the official evaluation of the APM model found that the frequency of contact was often lower on average during Customised Assistance than in the previous Intensive Assistance regime. For example, 26% of Customised Assistance participants were interviewed less than monthly compared with 8% of Intensive Assistance participants (DEEWR 2007a, p84). The other activity requirements, including Mutual Obligation, continued to apply, so that in their second and third years of unemployment, most jobseekers alternated between six months of Customised Assistance and Mutual Obligation. However, as there was a limit of two periods of Customised Assistance in any single unemployment spell, only Mutual Obligation and the 'core' job search requirements described previously applied in subsequent years of the unemployment spell, during which interviews with Job Network providers were supposed to be scheduled bi-monthly.

122. The 'Welfare to Work' policy that commenced in 2006 included efforts to tighten the activity requirements and compliance regime for very long term unemployed people. Those entering the second phase of Customised Assistance at 24 months' unemployment who were identified by providers as 'avoiding' their activity test obligations could be required to undertake 'full-time Work for the Dole'. This

entailed 10 months of 25 hours a week of unpaid work experience, so the hourly rate of 'payment' was below the minimum wage. Those who failed to attend the program had their income support payments suspended for 8 weeks (Australian Government 2005).

123. The new requirements for parents of school age children ('principal carers') and people with disabilities that were introduced at this time were somewhat less stringent than the standard activity requirements and were to a significant degree adapted to the particular circumstances of these groups (Australian Government 2005; Faulkner 2009). They were required to seek part time employment (at least 15 hours a week) rather than a fulltime job, and to accept jobs involving commutes of up to 60 minutes (rather than 90 minutes). Further, 'principal carers' were not required to accept a job that did not leave them at least AUD 25 per week better off, or to take up employment before suitable child care was arranged. They were required to notify to Centrelink up to six job applications per fortnight rather than up to ten. However the extension of the standard requirement to report in person to Centrelink fortnightly (at least in the early stages of the unemployment spell) was a substantial tightening of previous income reporting requirements for principal carers on Parenting Payment, who were previously only required to report on their circumstances every three months either electronically or by returning a review form. Contact with Disability Support Pensioners was even less frequent. There were ongoing exemptions for the new requirements for registered foster carers and those providing home schooling for their children, and temporary (but renewable) exemptions for principal carers of child with a disability and victims of domestic violence where this had a material impact on their ability to seek employment. The temporary exemptions usually lasted for up to 16 weeks. Although data was not available to assess the incidence of these barriers to work among the sole parents who comprised the majority of principal carers, community agencies reported that sole parents on income support were relatively likely to have a disabled child. However the temporary exemptions were not widely used, possibly due lack of knowledge and non-disclosure by clients. The requirements for parents were later reviewed to increase their flexibility (see section 4.4. below).

124. At the same time activity requirements were tightened for mature age unemployed people (over 50 years). They could be required to seek up to 10 jobs a fortnight early in their unemployment spell, in place of the limit of four that applied previously. Also, jobseekers aged over 50 were no longer able to meet their activity test requirements through voluntary work only. Instead, those aged 55 and older could meet their requirements by combining part-time work and approved voluntary work for 30 hours or more per fortnight. However, they still had to be available for suitable paid work (DEEWR 2008g).

125. Consistent with the 'work first' approach adopted in the Welfare to Work policy, limitations were placed on participation in vocational training outside the annual periods of mutual obligation (during which jobseekers could opt to undertake part time vocational training to fulfill the mutual obligation requirements). This mainly affected principal carers, many of whom participated voluntarily in education or training while in receipt of the non-activity tested Parenting Parent under the previous regime. For example, time spent in training courses undertaken by principal carers did not count towards their requirement to seek employment of at least 15 hours a week, so they were required to continue seek such employment while participating in training. If they received an offer of casual work they were generally required to take this up regardless of the impact on participation in a course in which they were enrolled. Participation in fulltime courses was generally restricted to 12 months, after which they were required to apply for a lower education payment, Austudy Payment, and the fortnightly 'Pensioner Education Supplement' available to Parenting Payment Single recipients was not extended to Newstart Allowance or Austudy Payment recipients (ACOSS 2007).

4.3 Compliance and penalty regime

126. As shown in Table 7, from the mid 1990s to 2007 there were two major changes to the compliance and penalty regime. Prior to 1998, the penalty for non compliance with activity requirements was complete withdrawal of income support for periods that increased with each 'breach'. The maximum penalty was loss of 18 week's payments plus 6 weeks for each subsequent breach. However, the latter was rarely applied. The most common breaches were for failure to attend an appointment at either the benefits agency or employment service, which were referred to at one stage as 'administrative breaches', and the most common penalty was loss of a fortnight's payment.

127. The first major change occurred in 1997, when partial loss of payment was introduced in response to concerns from community organisations that full loss of payment for prolonged periods could lead to hardship, together with the fact that this very concern meant that the highest penalties were rarely used in practice. The penalty for the lesser 'administrative' breaches (such as failure to attend a Job Network interview) was loss of 16% of payment for 13 weeks and that for the more serious 'activity' breaches (such as failure to participate in a program or search for work) was the loss of 18-24% of payments for 26 weeks. The third 'activity' breach in a two year period resulted in complete loss of payment for 8 weeks. While this eased the financial impact of penalties for first and second 'breaches', it is likely to have contributed to a subsequent increase in the number of 8 week payment suspensions applied (either because providers were less reluctant to report the first and second breaches or because the penalty for these breaches had less impact on the actions of jobseekers, or both).

128. This change in the penalty regime, together with an administrative intensification of monitoring of compliance by Centrelink and Job Network providers directed by the employment department during a period of strong employment growth in the late 1990s, contributed to a substantial escalation in penalties over the latter half of 1990s (see later section of this report regarding assessment of the effects of activation). The incidence of sanctions expressed as a proportion of the number of current benefit recipients in 1997 was reported by the OECD at 15% of the total number unemployment payment recipients, with most sanctions imposed for 'administrative' infractions such as failure to attend interviews (OECD 2001).[8] By 2001, the number of sanctions imposed equalled 18% of the number of current recipients (DEEWR 2010b).

129. After 2000, when the number of penalties imposed peaked (see next section), concerns raised by community organisations about the incidence of 'breaching' and resulting financial hardship (including pressures on non-government emergency relief agencies) led to an easing of compliance enforcement efforts and the introduction of administrative measures to identify 'vulnerable' jobseekers such as homeless people and those with mental health conditions who might fall foul of activity requirements (Pearce 2002; Vanstone 2002).

130. The second major change occurred in 2006, in response to concerns that partial withdrawal of payments was ineffective in improving compliance. Partial penalties were replaced by temporary suspension of income support when a jobseeker failed to attend an interview (previously an 'administrative breach') and 'activity breaches' such as failure to make the required number of job applications resulted in a warning. However, third or subsequent breaches within a two year period still resulted in the withdrawal of payments for 8 weeks (Australian Government 2005).

131. Again, while 'on paper' the size of the penalties was reduced, a further intensification of compliance monitoring at a time of strong growth in employment (from 2006 to 2007) led to a substantial

8. Note that penalties were applied more to the same individuals in a given year, so the proportion of recipients breached would be significantly less than this.

increase in the number of breaches reported. While the first two breaches within a two year period generally attracted no penalty, there was a substantial rise in 8 week non-payment penalties, which doubled from 16,000 in 2006 to 32,000 one year later (DEEWR 2010b).

4.4 Recent developments

132. Following the election of the Rudd Government in 2008, a number of significant changes were made to activity requirements and the compliance and penalty regime.

133. The core job search and availability requirements remain essentially unchanged. However, there were significant changes to the requirements for principal carers, to the engagement of jobseekers with Centrelink and the new Job Services Australia (JSA) system of employment services that replaced the Job Network (for a detailed description of JSA see the next section of this report), and in the compliance and penalty regime.

134. Following a review of requirements for principal carers and mature age people by an independent 'Participation Task Force', the Government announced modifications to activity requirements for principal carers and mature age jobseekers, including:

- Relaxing the requirement to seek at least 15 hours a week of employment where principal carers combined shorter working hours with part-time study, voluntary work or vocational training;
- Easing the requirement to accept casual employment whilst undertaking an approved training course;
- Exempting them from participation requirements during the fortnight that includes the Christmas and New Year public holidays;
- Increasing access to temporary exemptions for parents experiencing domestic violence and providing greater discretion for these exemptions to be extended beyond the existing 16 weeks (though the incidence of domestic violence exemptions remains very low);
- Allowing those who work during school term more flexible arrangements over the long school holidays, if they are temporarily not employed but are likely to resume employment once the school term re-commences (Faulkner *et al* 2009; O'Connor 2009).

No substantial changes were made to participation requirements specifically relating to mature age jobseekers.

135. From July 2010, requirements for jobseekers to attend Centrelink interviews were changed (see box below). The purpose of this change was to increase the number of longer, more intensive interviews in revenue-neutral fashion by reducing the frequency of the shorter interviews (usually less than five minutes) at which jobseekers reported on their job search efforts and any changes to their earnings. A risk management approach was taken to the targeting of jobseekers for fortnightly interviews, with this arrangement confined to short term unemployed people (under three months). Longer interviews at four, six, or twelve weekly intervals are now being conducted with those unemployed for longer periods (for example the default requirement for principal carers and mature age jobseekers is 12 weekly) combined with more frequent reporting by email or phone. Detailed information on the duration and subject matter of these interviews is not yet published.

Box 1. New Centrelink minimum contact requirements from 1 July 2010

The minimum frequency of regular visits to Centrelink offices (for those able to commute to their local office) was changed to the following:

2 weekly

Weekly payment initiative job seekers
Job seekers in first 13 weeks and assessed as job ready

4 weekly

Early School Leavers
Young job seekers under 25 and with job search as their requirement and not undertaking an approved activity or training
Very long term unemployed and in receipt of an activity tested income support payment for more than 5 years
Job seekers who have a poor history of compliance and have had a Comprehensive Compliance assessment applied with penalty or finalised without penalty

6 weekly

Job seekers in stream 1, 2 or 3 undertaking job search or other approved activities and not VLTU. This includes those in the work experience phase.

12 weekly

Principal carer parents with participation requirements
Job seekers in Disability Employment Services
Job seekers undertaking a full time approved activity of more than 13 weeks
Mature age job seekers over 55
Job seekers with an exemption of more than 13 weeks
Remaining stream 4 job seekers

Source: Centrelink website, accessed at 6 December 2010

www.centrelink.gov.au/internet/internet.nsf/filestores/lw066_1006/AUD file/lw066_1006en.pdf.

136. Typical activity requirements and contacts with Centrelink and employment services providers before and after the APM model are compared in Table 8 below.

Table 8. **Typical activity requirements and contacts for a job-seeker (21-39 years old) not assessed as disadvantaged[1] in the labour market**

Duration of unemployment spell	APM model: 2006-2009	JSA model 2009-
0-3 months	1st Centrelink interview: Preparing for work agreement negotiated 1st Job Network interview: resume prepared, assisted to use vacancy data base Seek 10 jobs p.f. and attend Centrelink fortnightly	1st Centrelink interview: Employment Pathway Plan negotiated 1st Job Network interview: resume prepared, assisted to use vacancy data base Seek 10 jobs p.f. and attend Centrelink fortnightly
3-6 months	2nd Job Network interview: Job search plan negotiated 21 days of fulltime Job Search Training Seek 4-10 jobs p.f. and attend Centrelink fortnightly*	2nd Job Network interview: Skills assessment, Employment Pathway Plan re-negotiated 60 hours of 'intensive activity' (*e.g.* job search or vocational training) in a fortnight Monthly contacts with JSA Seek 4-10 jobs p.f. and attend Centrelink 6 weekly*
6-12 months	Mutual obligation: (*e.g.* 26 weeks of Work for the Dole for 15 hours a week or part time training or voluntary work for at least 12 weeks) At least 2 Job Network interviews Seek 4-10 jobs p.f. and attend Centrelink fortnightly*	Monthly contacts with JSA: Provider may refer to training or other work preparation programs Seek 4-10 jobs p.f. and attend Centrelink 6 weekly*
12-18 months	Customised Assistance (first 3 months): fortnightly interviews with Job Network provider; at least 25 hours a week of intensive job search or work preparation activity Customised Assistance (2nd 3 months): monthly interviews with Job network provider; job search or activity funded from job seeker account (*e.g.* training, work experience) Seek 4-10 jobs p.f. and attend Centrelink fortnightly*	Reassessment of labour market disadvantage: - if they remain in the same 'stream' they enter the Work Experience phase [2]: 6 months of work related activity every 12 months (*e.g.* at least 100 hours of part time study or 390 hours of Work for the Dole or 130 hours of part time work*)* Bi-monthly contact with JSA provider Seek 4-10 jobs p.f. and attend Centrelink 6 weekly *
18-24 months	Mutual obligation: *e.g.* 26 weeks of Work for the Dole for 15 hours a week or part time training or voluntary work for at least 12 weeks At least 2 Job Network interviews Seek 4-10 jobs p.f. and attend Centrelink fortnightly*	As above
24-36 months	As above (for those unemployed 12-18 and 18-24 months)	As above
More than 36 months	Bi-monthly interviews with Job Network provider Seek 4-10 jobs p.f. and attend Centrelink fortnightly*	As above

1. 'not assessed as disadvantaged' refers to jobseekers not assessed as 'highly disadvantaged' in the APM model and Stream 1' jobseekers in the JSA model. If the jobseeker is upgraded to a higher Stream, the intensity of contacts and requirements may be different than shown here (for example monthly rather than bi-monthly contacts with the JSA provider).

* Job search requirements vary according to vacancies in the region and participation in programs (e.g. training). Requirement will typically be less than 10 jobs p.f. at this stage unless Centrelink or the provider believes that the jobseeker is not complying with requirements.

Source: DEEWR (2008e) Request for tender for employment services 2009-12; DEEWR (2007a) The Active Participation Model evaluation.

137. Major changes were also made to the compliance and penalty regime from 2009. The Government's review of employment assistance concluded that the 'two warnings' system had failed to improve compliance, resulting in a higher number of 8 week payment suspensions and greater financial hardship. The main reason identified was that the delay in imposing a penalty (of up to two years after the breach) obscured the connection between infringements and penalties. The system of temporary suspension of payments for failure to attend an interview was regarded as more effective, and this was extended (O'Connor 2008; DEEWR 2010b). The present compliance regime, described in detail in the box below, penalises three types of breaches:

- 'connection failures' (non-attendance at a scheduled appointment) which result in suspension of payments until compliance;
- 'no show no pay failures' (non-participation in an activity such as work experience or training) which result in a loss of a day's payment for each day of non-attendance
- 'serious failures' (such as refusing a suitable job offer or 'persistent non compliance' - more than two connection or no show no pay failures in the previous 6 months), which may lead to an eight week non-payment period.

138. A new system of 'comprehensive compliance assessments' by Centrelink was introduced to identify the reasons for a jobseeker's persistent non compliance. This could lead to referral to more appropriate assistance where severe barriers to employment were identified (such as homelessness) or to the imposition of an eight week payment suspension where no such barriers were apparent.

139. The new compliance system was recently reviewed by an independent panel of experts, which recommended mainly administrative changes to improve information on activity requirements, information sharing and coordination between Job Services Australia (JSA) providers and Centrelink, and simplification of the penalty regime (Disney, Budduls & Grant 2010).

Box 2. Key elements of the new job-seeker compliance system (July 2010)

Penalty amounts below are calculated using the current (1 July 2010) basic rate of Newstart Allowance for a single adult with no children which is AUD 462.80 per fortnight. (Rent assistance and other add-on payments are not included in calculation but may have been affected in some circumstances.)

No Show, No Pay failures
A No Show, No Pay failure is applied if a job seeker, without a reasonable excuse:

- fails to attend an activity that they are required to attend on a particular day:
- fails to behave appropriately while participating in an activity;
- fails to attend a job interview; or
- intentionally acts in a manner during a job interview that may result in an offer of employment not being

The consequence of a No Show, No Pay failure is the application of a penalty amount equivalent to one "working day" of a person's payment (normally 10 per cent of a person's 14 day instalment) for each day on which a failure occurs to a maximum of 3 days within a fortnight. Thus, the penalty amount is AUD 46.28* per day.

Connection and Reconnection failures
A connection failure is applied if a job seeker, without reasonable excuse, fails to:

- attend an appointment with their provider;
- meet their job search requirements; or
- comply with a requirement to enter an Employment Pathway Plan

There is no immediate financial penalty for a connection failure. Instead, the job seeker is required to attend another appointment (a reconnection requirement). If they fail to attend that further appointment they may enter a reconnection failure period and will not be paid until they do attend an appointment. Thus, the penalty for a reconnection failure is AUD 33* per day.

Persistent non-compliance - Comprehensive Compliance Assessments

Following three connection or reconnection failures or three No Show, No Pay failures during a six month period, a job seeker is referred for a Comprehensive Compliance Assessment. During this assessment, Centrelink looks at why the job seeker has been failing to meet their requirements and identifies any barriers to employment and possible alternative service options.

Serious failures and Compliance Activities
A serious failure is applied if:

- following a Comprehensive Compliance Assessment, Centrelink determines that a job seeker has
- persistently failed to meet their requirements; or
- a job seeker, without reasonable excuse, refuses an offer of suitable employment or fails to commence suitable employment.

The consequence of a serious failure is an eight week period of non-payment. The non-payment period can end earlier if:

- the job seeker agrees to undertake a Compliance Activity (generally 25 hours per week for eight weeks of Work for the Dole); or
- the job seeker does not have the capacity to undertake a Compliance Activity and serving an eight week of Work for the Dole); or non-payment period would cause financial hardship.

Unemployment non-payment periods
A job seeker's participation payment is not payable for a period of eight weeks if they:

- are unemployed due to their misconduct as a worker; or
- voluntarily leave a suitable job (unless the voluntary act is reasonable).

For new claimants, this eight week non-payment period is effectively a waiting period as they will not have been granted payment yet. Job seekers cannot end unemployment non-payment periods by undertaking a Compliance Activity, although some vulnerable job seekers who are in hardship can have the penalty waived.

In financial terms, an eight week non-payment period, if fully served, amounts to AUD 1851.20*. Add-on payments, such as Rent Assistance for a job seeker without children, that are contingent on the payment of a job seeker's participation payment, are also non-payable during this period. (Note: Rent Assistance for job seekers with children is not affected as it is paid as part of their Family Payments.

Source: DEEWR (2010b) Submission to Independent review of the jobseeker compliance framework.
* 1/14 of the fortnightly rate of payment

140. During the October 2010 parliamentary election campaign the Government announced that some penalties would be increased, though at the time of writing this was not legislated (Gillard 2010):

- In the event of a connection failure (such as failure to attend a JSA appointment), payment would be suspended until the jobseeker complies (instead of a warning being issued and the appointment being rescheduled) and back-paid on compliance;
- In the event of a reconnection failure (failure to attend the rescheduled appointment), any penalty would be deducted from the next payment, rather than the payment after next.

141. At this time the Government also announced that a new penalty of a 12 week non-payment period would be introduced where a jobseeker, having received assistance to relocate to another area to improve their job prospects and obtained a job in that area, leaves that job within the next six months without adequate reason (Gillard 2010). The new penalty relates to participants in a trial of a program of relocation assistance of up to AUD 6,000 for unemployed people who move to another area to take up a job. No requirement for unemployed people to move to another area to seek employment was announced, and participation in the proposed relocation assistance scheme would be voluntary. Nevertheless, this is the first increase in the maximum penalty for many years.

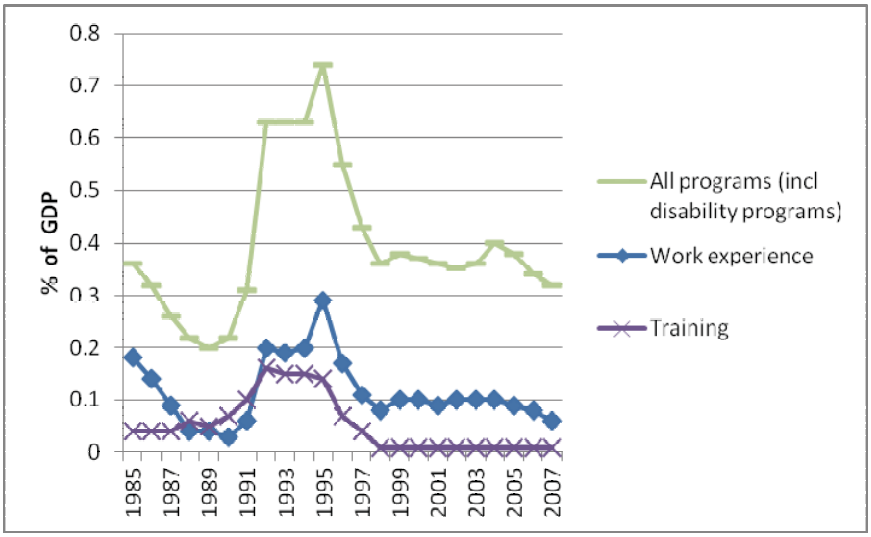
5. Employment assistance

142. This part of the report describes developments in policy and administration of employment assistance programs from the mid 1990s to the present, focusing on assistance for disadvantaged jobseekers. This includes the two 'mainstream' programs for jobseekers on activity tested income support payments – Job Network and Job Services Australia - and specialist programs for people with disabilities or social barriers to employment, and Indigenous Australians.

5.1 Expenditure on employment assistance

143. Until the mid 1990s, vocational training and work experience programs dominated public expenditure on labour market assistance in Australia (Figure 14).

Figure 14. **Australian Government expenditure on employment assistance (% of GDP)**



Note: All programs includes all 'active measures' (categories 10-70, including placement and related services and supported employment & rehabilitation but excluding expenditure on benefit administration and income support). 'Work experience' includes direct job creation and recruitment incentives (categories 40 and 60); 'training' includes institutional, workplace and integrated training (category 40).

Source: OECD social expenditure data base.

144. Investment in vocational training rose at the peak of the economic boom of the late 1980s, when concerns about skill shortages were elevated (Freeland 1998). Following the 1991 recession, when policy concern shifted to inadequate demand for labour, the balance shifted towards work experience programs. From 1994 to 1996, the 'Working Nation' strategy guaranteed unemployment payment recipients of 18 months' duration six months of subsidised employment paid at standard or trainee wages in either the

private, public or community sectors under a 'Job Compact'. The relatively high cost of these programs is reflected in a peak in overall expenditure on employment assistance at that time.

145. As the graph suggests, after 1997 overall expenditure declined substantially and the focus shifted away from training and work experience towards other forms of labour market assistance. This followed the replacement of the Job Compact and other employment programs with the Job Network.

5.2 'Working Nation' (1994-97)

146. Prior to 1994, the Australian employment assistance system resembled those in most OECD countries. At its centre was a public employment service, the Commonwealth Employment Service (CES) which was established in 1944. The CES assessed the employment prospects of unemployed people, matched them to vacancies using its national vacancies data base, and referred jobseekers with barriers to employment to labour market programs including vocational training programs of up to three months' direction (JOBTRAIN), a program to improve job search skills (Job Clubs), a job preparation and vocational training program run by non-Government agencies (SkillShare), a wage subsidy program providing around six months of paid work experience (JOBSTART) or the Jobskills program that combined 6 months' paid work experience in the public and community sectors with related vocational training. Referral was at the discretion of the CES and places in the programs were capped, so there was no guarantee of assistance beyond job matching (DEET 1994).

147. The Working Nation strategy adopted from 1994 partially privatised the employment counselling and referral function of the CES for long term unemployed people (over 12 months unemployed) and those assessed as facing a high risk of long term unemployment using a new assessment tool developed for this purpose. The CES and non-government providers assisting these jobseekers were paid partly on enrolment of the jobseeker and partly on the basis of employment outcomes achieved. An independent statutory body, the Employment Services Regulatory Authority (ESRA) purchased case management services from 'contracted case managers' and also regulated the emerging 'market' in these services. Case managers had access to the above programs as well as a new program called New Work Opportunities (NWO) which generally provided six months of fully subsidised paid work experience in a community or Local Government agency. Participation in the programs was compulsory and case managers were to negotiate suitable programs with each jobseeker pursuant to their individual activity agreement. A key component of the Working Nation strategy was the 'Job Compact' which guaranteed six months or more of paid work experience for unemployed people at 18 months into the unemployment spell. Existing 'very long term unemployed' people (over 24 months) were also required to participate in the Job Compact. This requirement was designed to have both a compliance effect and to improve their competitiveness in the mainstream labour market. It was envisaged that most of these positions would be funded pursuant to the JOBSTART partial wage subsidy program, which was found in evaluations to be relatively effective in improving employment prospects of long term unemployed people (DEETYA 1997a).

148. Although the Job Compact reduced long-term unemployment in a mechanical sense (after participating in paid work experience and leaving the benefits system for six months, the duration 'clock' was reset to zero), its results were disappointing. The official evaluation suggested that a guarantee of one form of relatively expensive labour market assistance for all long term unemployed people was an inefficient way to target employment assistance. Further, private employers were reluctant to take up JOBSTART clients on the scale required to implement the Job Compact and most of the work experience places were fully subsided positions in the public and community sectors funded through the New Work Opportunities program which had much lower employment outcomes (DEETYA 1997a).

149. Policy debate in Australia and other OECD countries at this time was informed by the findings of a raft of evaluations of the 'net impact' of labour market programs (the extent to which the programs

increased people's employment prospects as distinct from their gross employment outcomes – further discussion of program evaluations is in the next section of this report). Many of the evaluations published at this time, including the official evaluation of the Working Nation programs, found that the deadweight cost (the extent to which jobseekers would have obtained a job without assistance) of traditional employment programs such as subsidised public sector employment and classroom-based vocational training was high (Vanstone 1996; DEETYA 1997; Wiseman 2001; Calmfors & Forsland 2002). The OECD advocated careful targeting of more costly programs towards those individuals most likely to benefit from them, rather than a mass rollout of programs to categories of income support recipients such as long term unemployed people (Martin & Grubb 2000). Another criticism raised against the Working Nation strategy was that the requirement to refer long term unemployed people to nationally designed programs overwhelmed the system of case management that was intended to negotiate an individual pathway to employment with each jobseeker. High caseloads also made this vision difficult to achieve in practice. Over 25% of case managers had caseloads over 150 and another 30% had caseloads of 100-150 jobseekers (Considine 2001).

5.3 The Job Network from 1998-2003

150. The newly elected Howard Government's response to these concerns went well beyond a redesign of individual programs, though elements of the 'Job Network' system introduced at this time such as jobseeker profiling and funding to employment outcomes were already present in the Working Nation package (Vanstone 1996; Freeland 1998). Australia was the first OECD country to privatise its public employment services at the national level. On the introduction of the Job Network in 1998, the national employment assistance programs described above were abolished and the CES (which was initially rebadged as 'Employment National') was ultimately replaced by for-and not-for-profit agencies contracted by the Employment Department to deliver employment services over three-yearly contract periods. ESRA was also abolished. At the same time, the budget allocation for employment assistance was roughly halved, as part of a strategy to restore the Australian Government Budget to surplus. (Productivity Commission 2002; Finn 2008).

5.3(1) Contract structure and operations

151. The Employment Department initially tendered to purchase three 'levels' of employment assistance: Job Matching, Job Search Training, and Intensive Assistance. Job Matching provided basic job placement services. Job Search Training provided a three week full-time course to most jobseekers after six months' unemployment. The highest level of assistance, Intensive Assistance, lasted for 12 to 21 months and was confined to the most disadvantaged jobseekers though its providers were also required to contract for and offer Job Matching. Organisations were asked to bid separately for each of these three levels of service, and jobseekers were asked to choose a provider at the level appropriate to them. Thus, they were required to transfer from one service to another at different stages of the unemployment spell.

152. In the first Job Network contract from 1998 to 2000, there were 306 Job Network agencies, many of which provided services in more than one location. In the second tender round the number of providers in the network fell to 196 (Productivity Commission 2002). In the first round approximately one was a Government agency (Employment National, the successor organisation to the CES), and of the remainder half were for-profit organisations, and half were not-for-profit non-Government organisations. In subsequent tenders the number of public providers declined to close to zero (as Employment National was wound up) and there was roughly an even split between for-profit and no-for-profit organisations (Finn 2008). Providers tendered for 'business share' within one or more Employment Service Areas (ESA), of which there were between 100 and 150 across the country. In early Job Network tenders business share was divided between a minimum of five to six providers in most ESAs, but this was later

reduced to a minimum of three to five. Local Job Network 'sites' usually had less than a dozen staff though these were often part of much larger organisations (Finn 2008).

153. The target group for assistance mainly comprised recipients of the Newstart and Youth Allowances (income support payments for unemployed people in low income households), though towards the end of the first tender (in 1998) eligibility for Job Matching was extended to unemployed people outside the income support system who were working for fewer than 15 hours per week. Eligibility for Intensive Assistance was determined using an assessment tool administered by Centrelink called the Job Seeker Classification Instrument (JSCI). This was based on a set of personal characteristics associated with a high risk of prolonged unemployment, such as age, recent employment history, education and skills, and Indigenous status. In the first tender round, jobseekers were classified according to three levels of labour market disadvantage, but this was reduced to two in the second round after a review questioned the precision of the instrument in distinguishing three levels of labour market disadvantage (DEWRSB 2000b). In the first two contract rounds (up to 2003) long term unemployment (over 12 months on income support) did not entitle a jobseeker automatically to Intensive Assistance, though it carried a substantial weighting within the JSCI (Productivity Commission 2002).

154. Although the Government initially emphasised the role of jobseeker choice in driving competition in the new 'employment services market' (Vanstone 1996), few jobseekers chose their provider. Early efforts to encourage jobseekers to actively choose a provider in the first and second tender rounds included 'preparing for work information seminars' conducted at Centrelink, to which local providers were invited to explain the services available and the introduction of a system of provider 'star ratings' (discussed in more detail below). However, the ratings were not made widely available to jobseekers at this stage (Productivity Commission 2002; ANAO 2005a).

155. In 2001, approximately two thirds made no choice and were automatically referred to a provider, while most of those who made a choice based their decision on convenience of location (Productivity Commission 2002 p8.3, 8.4). One of the factors that potentially limited jobseeker choice (depending on the number of jobseekers who wished to exercise this) was the allocation of a fixed 'business share' (a percentage of potential Job Network clients) within each Employment Service Area to each successful tenderer. This was intended to ensure a degree of stability in the employment services market. There was scope for the number of jobseekers allocated to a provider to vary above and beyond its business share. Generally speaking, providers were guaranteed business share within a tolerance of 80% to 120% of their contracted share. This gave providers some scope to attract additional jobseekers, but only up to the maximum tolerance level. Those jobseekers who did not choose a provider were allocated to one by the Employment Department through its 'automated referral system', based on business shares and the geographic location of sites.

156. Fees for Job Matching services in the first tender round (1998-00), and for Intensive Assistance in the second (2001-03), were based on competitive bids from prospective providers (in the case of Intensive Assistance above a floor price set by the purchaser). Following a succession of business failures among Job Matching services in the first tender round, and a dearth of bids substantially above the floor price for Intensive Assistance services, competitive pricing was abandoned after 2003 (Productivity Commission 2002; Finn 2008). Fees were generally broken down into two components: a proportion paid on commencement of each jobseeker with the provider and a proportion paid on attainment of an employment or other outcome. Outcome fees were scaled according to the assessed level of disadvantage faced by each unemployed person. The highest outcome fees were paid for employment sustained for at least 13 weeks at a wage level sufficient to disentitle the person to income support (in most cases a low paid fulltime job). This was referred to as a 'primary interim outcome'. Additional fees for 'primary final outcomes' were paid when such employment (though not necessarily in the same job) was sustained for at least 26 weeks. 'Secondary outcomes' attracting lower fees included employment that paid below the level

required to remove individuals from income support, and successful completion of approved training programs.

157. Most of the program's funding was devoted to Intensive Assistance participants. For example, in 1999-00 the overall cost of Intensive Assistance was AUD 564 million compared with AUD 23 million for Job Search Training and AUD 58 million for Job Matching, although more people overall participated in the latter forms of assistance – 320,000 in Job Matching and 75,000 in Job Search Training compared to 279,000 in Intensive Assistance (Productivity Commission 2002, pp5.3 and 5.23). A summary of key elements of the fee structure, and how these changed over time, is provided later (Table 9).

158. Intensive Assistance contracts did not specify how employment outcomes should be achieved, though in the second tender round tenderers were required to submit a detailed 'Declaration of Intent' listing the services they intended to provide and to draw up an agreement with each Intensive Assistance jobseeker outlining activity requirements and the employment assistance to be provided. The purpose of outcomes based funding was to shift the risk of investment in employment assistance from Government to non Government providers, thereby encouraging them to invest efficiently in assistance such as employment counselling, work experience or training that improved the employment prospects of each jobseeker.

159. A further incentive to achieve employment outcomes was provided by the introduction of a performance management or 'star ratings' system from 1999. This gave providers a rating of between one and five 'stars'. Although it was initially designed to signal to jobseekers the relative effectiveness of local providers, star ratings were subsequently taken into account in the awarding of Job Network tenders. The principal component of the star ratings was a comparison of the contribution made by different providers to the short term (three to six months) employment or educational outcomes of jobseekers (the outcomes attracting the fees discussed above). This was measured using regression techniques to estimate differences in the employment prospects (in the absence of assistance) of jobseekers registered with each provider compared with the national average (for all jobseekers registered with the Job Network). The actual outcomes attained by each provider's jobseekers were then compared with these estimated outcomes in order to compare the impact of each service on people's job prospects (Productivity Commission 2002, p11.19). Star ratings compared the performance of each provider's site with those of other sites across the nation within a fixed distribution across nine levels.[9]

160. Providers faced two main sources of uncertainty regarding their future caseloads, and hence their future cashflows. These led to considerable turbulence in the employment services market at and immediately after each tender round.

161. First, the total number of jobseekers entering each of the three levels of assistance in each Employment Service Area was not known at the time that providers bid for contracts, as this depended on the business cycle and benefit eligibility requirements, among other factors. In the first two contracts the JSCI was adjusted in an attempt to smooth some of these variations in the number of referrals to Intensive Assistance, which provided the bulk of provider's incomes. The JSCI was subsequently used to control the overall cost of the Job Network to Government.

162. A second source of market turbulence associated with tenders was the redistribution of 'business share' within each ESA from unsuccessful tenderers to successful ones. Although 87% of organisations contracted in the first round were also contracted in the second, many lost or gained business shares within specific ESAs. In response to a sharp decline in provider performance around the time of the second tender (as providers adjusted to their new caseloads), the Employment Department altered the arrangements for

9. There were nine levels since half-star ratings were also calculated.

the third tender (commencing in 2003) so that 60% of contracts – the highest performing sites across the country according to star ratings – were rolled over, leaving the bottom 40% to compete in the tender (Productivity Commission 2002, pp11.2, 11.17). Still, a majority of jobseekers enrolled in the Job Network had to change providers after this tender, mainly because their provider could no longer offer them service (Senate Education Employment and Workplace Relations References Committee 2009).

5.3(2) Early reviews of the Job Network (2001-2003)

163. In 2002 the Productivity Commission (a statutory research and evaluation body) released the report from its Government-commissioned review of the Job Network. At about this time, the OECD released its report of labour market policies in Australia focusing on the Job Network and the Employment Department released the final report of the first official evaluation of the Job Network (OECD 2001; DEWR 2002b; Productivity Commission 2002). This was a time of critical evaluation of the model and debate among stakeholders over the shape that the next tender should take.

164. These evaluations found that the tendering of employment assistance services to non-Government service providers with a combination of funding to inputs and outcomes was a cost-effective approach. However, the following major criticisms of the model were raised in these reports and by other stakeholders:

- Concerns were raised that competition within the employment services 'market' was limited by a lack of job seeker choice and fixed business shares, though providers generally argued this was necessary to ensure stability (Productivity Commission 2002 pp 8.1, 11.1).

- It was argued that jobseekers perceived by Intensive Assistance providers to be further from employment were 'parked', receiving little support from the provider and that engagement with the labour market was not actively sustained (OECD 2001; ACOSS 2004). This view was tentatively supported by data indicating that most outcomes were achieved in the first few months of Intensive Assistance (around one quarter of interim or three-month employment outcomes were achieved in the first month (Productivity Commission 2002 p7.28). Although there was limited reliable data to indicate the range and intensity of services provided, an official survey of jobseekers found that almost a quarter had been interviewed only once or twice by their Intensive Assistance provider (Productivity Commission 2002 p6.12).

- These concerns were subsequently reinforced by official data indicating that 58% of fees obtained by Intensive Assistance providers were commencement fees which were paid regardless of employment outcomes (DEWR 2003). Apart from the star ratings system, there appeared to be little incentive for providers to invest in disadvantaged jobseekers since the bulk of the fees were paid on commencement, and jobseekers who were able to achieve employment outcomes without help still attracted outcome payments.

- Concerns were raised that the right balance had not been struck between flexibility for providers on the one hand, and activation and service provision for jobseekers on the other. The Employment Department lacked basic information on the frequency of contact between jobseekers and employment consultants and the range of services provided to those who were disadvantaged in the labour market. These concerns were reinforced by evidence of 'gaming' behaviour among some providers, such as the 'manufacturing of jobs' to secure outcome payments (Finn 2008).

- There was criticism of the fragmented nature of assistance and responsibility for employment outcomes within the system. Jobseekers had to engage with a number of different providers as

they moved from Job Matching to Job Search Training, and then to Intensive Assistance (OECD 2001).

165. The first official evaluation of the Job Network reported that Intensive Assistance, the level of Job Network services which assisted the most disadvantaged jobseekers and attracted the lion's share of Government funding, only very marginally improved average short term employment outcomes during 2001 (DEWR 2002b). This was a significant finding because it was this group that employment services could be expected to help the most, given their more limited job prospects in the absence of assistance.

166. It appeared that providers did not invest sufficient resources in their Intensive Assistance jobseekers. The Employment Department's submission to the Productivity Commission inquiry stated that:'The frequency and intensity of assistance provided to job seekers in Intensive Assistance decreases rapidly after the first six months of assistance. While levels of assistance vary considerably generally the assistance provided to jobseekers is most active, and contact with the jobseeker most frequent during the first few months. After this, many Intensive Assistance clients undertake relatively low levels of job search or related activity and receive relatively low levels of assistance from their provider.' (Productivity Commission 2002, p7.28).

5.4 The Job Network from 2004-2009: The Active Participation Model

167. In response to these concerns, the Government announced that the following major adjustments would be made in the third tender round which established the 'Active Participation Model' (APM) of Job Network assistance which operated, with some variations in its fourth and final contract, from 2003 to 2009 (DEWR 2003; DEEWR 2007a):

- The same provider would be responsible for employment assistance throughout a jobseeker's unemployment spell.
- Jobseekers progressed through a fixed 'service continuum' in which assistance was targeted on the basis of the duration of the unemployment spell. Significantly, those unemployed for 12 months and 24 months were automatically eligible for the highest level of assistance, 'Customised Assistance', regardless of their JSCI score.
- Untied 'commencement fees' were replaced by service fees tied to a schedule of interviews with jobseekers throughout the service continuum, and a 'jobseeker account' which was quarantined for expenditure on assistance to overcome individual barriers to work.
- Information on provider contacts with jobseekers and assistance provided using the jobseeker account was to be reported to the Employment Department using a central information technology platform, EA3000.

168. The APM represented a significant shift from the 'black box' model of contracting that left service delivery strategies largely in the hands of the providers, towards a prescribed continuum of service during which providers were paid to undertake regular interviews with each jobseeker. In the second tender round providers were already required to negotiate activity agreements with their Intensive Assistance clients and provide the details to their contract manager in the Employment Department. The introduction of a new IT interface between the Department and providers (EA3000) in which details of contracted interviews were reported (including whether the jobseeker attended) and the requirement to submit requests for approval of jobseeker account expenses to contract managers, increased the oversight of employment assistance by the Employment Department.

169. This increased oversight had the dual purpose of increasing provider accountability and keeping jobseekers actively engaged with providers. For example, the standard schedule of interviews was intended to both reduce 'parking' of jobseekers by providers and to test jobseeker compliance with activity requirements.

5.4(1) The APM service continuum

170. Eligibility for Job Network services was not substantially changed, yet the proportion of voluntary participants without activity requirements rose substantially after 2003, from 18% to 33% by 2006. This reflected in part an official policy of encouraging recipients of non-activity tested payments such as Parenting Payment to register. It also led to an increase in the overall number of Job Network participants despite falling unemployment levels. This had implications for program evaluation since voluntary participants, all things being equal, usually have better employment outcomes (DEEWR 2007a, p2).

171. The APM service continuum commenced with an initial interview at Centrelink where the JSCI was used to determine whether a jobseeker entered the Job Search Support phase or (if assessed as 'highly disadvantaged') progressed directly to the highest level of assistance, Customised Assistance. As in the second tender round, the JSCI was only used to discriminate between two levels of labour market disadvantage.

172. In the third tender round from 2003-2006 a 'streamlined referral process' to Job Network services was introduced whereby Centrelink administered the JSCI, assessed the jobseeker's income support claim, and made the referral within two weeks from the date of claim. This was designed to allow sufficient time for most jobseekers to attend a 'Preparing for Work Seminar' at Centrelink where activity requirements were explained and local Job Network providers would offer their services, while ensuring that they were engaged quickly with employment assistance.

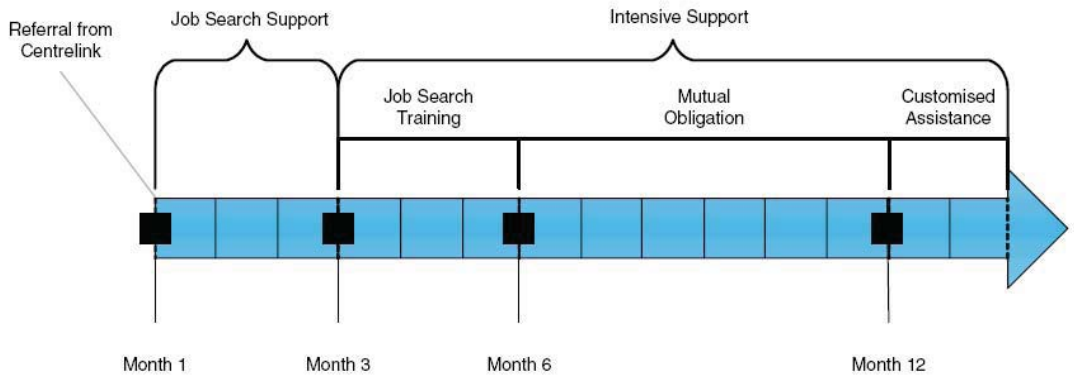
173. The seminars had a mixed impact of jobseeker choice of provider. Although 85% of jobseekers who attended a seminar also attended by Job Network providers indicated that they had enough information to make an informed choice, only 63% of jobseekers recalled attending a seminar and only 39% of seminars were attended by providers (ANAO 2005b, pp120-123). Further, presumably due to time pressures in the streamlined referral process, 37% of seminars were held after the Centrelink interview at which jobseekers were asked to choose a provider. Centrelink and DEWR both reported that jobseekers experienced 'information overload' at this early stage in the processing of their claim for income support and referral for employment assistance (ANAO 2005b p122).

174. From 2005, the streamlined referral process was replaced by a 'rapid connect' process where Centrelink was supposed to refer the jobseeker to a provider within two working days of the first Centrelink interview. The intention was to improve attendance rates at the first Job Network interview and to bring forward 'compliance effects' whereby income support applicants who are not actively seeking employment leave income support (DEEWR 2007a). At this time, preparing for work seminars were abandoned. Since the first interview with Centrelink involved assessment of the income support claim as well as provision of information about Job Network services, it is unlikely that this facilitated informed choice of a provider.

175. In the APM model it was difficult for jobseekers to change providers. The policy intention was that jobseekers would continue with the same provider until the end of their current spell of unemployment, to ensure continuity of service. Thus, a jobseeker could only change providers if there was evidence of an 'irretrievable breakdown' of the relationship, if they no longer qualified for Job Network

assistance, if they changed location, or if the provider was not longer able to offer them a service (DEWR 2005b). The APM continuum is outlined in Figure 15.

Figure 15. **The APM service continuum (2005)**



Source: ANAO

Note: Job seekers who are most disadvantaged in the labour market receive immediate access to ISca.

Source: ANAO (2005a).

176. In the first interview the Job Network provider would assist the jobseeker to prepare a resume, develop a vocational profile and register them with the Australian Job Search vacancy data base. For the first three months those not assessed as 'highly disadvantaged' were allocated to 'Job Search Support' and in practice had little contact with their provider for the next three months. Instead, they reported on their job seeking efforts to Centrelink, who would also negotiate their 'Preparing for Work Agreement'.

177. After three months' unemployment the jobseeker entered the 'Intensive Support' phase of assistance, commencing with three weeks of Job Search Training organised by the provider. At this time a 'Job Search Plan' was negotiated with the provider. This phase continued until the end of the unemployment spell, and included up to two periods of Customised Assistance (discussed below).

178. After five months' unemployment, the jobseeker was referred to their chosen Mutual Obligation activity (as indicated in their original Preparing for Work Agreement) and this commenced at six months' unemployment and continued for up to six months. Those who did not choose an activity were referred to Work for the Dole, which was operated by a separately funded network of 'Community Work Coordinators'. However, the Job Network provider (rather than the Employment Department as in previous contracts) was responsible for referring jobseekers to Mutual Obligation and was required to maintain contact with the jobseeker throughout this period.

179. After 12 months' unemployment (or from the commencement of the unemployment spell if classified as highly disadvantaged) the jobseeker was referred to the 'highest level' of Job Network services, 'Customised Assistance'. Unlike Intensive Assistance, long term unemployed people were automatically eligible for Customised Assistance as their duration of unemployment was considered sufficient evidence of labour market disadvantage. However, in response to concerns that the level of assistance offered to Intensive Assistance participants tapered off after six months, the standard period of Customsied Assistance was six months rather than 12 (with the option of extension to 9 months in cases of severe labour market disadvantage). For the first three months of Customised Assistance, providers were required to interview the jobseeker fortnightly and jobseekers were required to participate in three days a

week of 'intensive activity' such as job search, work preparation or training pursuant to their Job Search Plan (which was renegotiated at the commencement of Customised Assistance). This initial period of intensive activation resembled the 'gateway' phase of assistance in the British New Deals for young and long term unemployed people which had the dual objective of achieving immediate employment outcomes through activation for those closest to employment and better assessing the remaining jobseekers' needs for more extensive support such as training or work experience (Finn and Schulte 2008). However, the remaining three months of Customised Assistance was shorter than the duration of most of the New Deal Options (such as education and training or subsidised employment) which followed the gateway phase. After 18 months' unemployment, another annual cycle of six months' Mutual Obligation activity commenced.

180. After 24 months' unemployment (referred to as 'very long term unemployment'), a second phase of Customised Assistance commenced. In its 'APM Discussion Paper' released prior to the third tender, the Government at first announced that access to this second phase would be rationed so that only half of those jobseekers reaching 24 months' unemployment would have access, with the selection left to providers (DEWR 2002a). In response to provider concerns, this was abandoned and the cost to Government of the second round of Customised Assistance was instead reduced by halving the value of the Job Seeker Account credits available to providers to assist these jobseekers (see below).

181. After the second round of Customised Assistance, the level of assistance tapered off further. Apart from annual mutual obligation requirements, jobseekers were to be interviewed every two months by their Job Network provider and no further credits were made to the Jobseeker Account. Outcome payments (which increased with longer unemployment durations) and star ratings were the only remaining incentives for provider investment at this stage.

182. Changes were made in the service continuum after 2006 pursuant to the Welfare to Work policy affecting long term unemployed people (over 24 months) principal carers of school age children and mature age jobseekers.

183. If, after completion of the second round of Customised Assistance a 'very long term unemployed' jobseeker was still unemployed, they could be referred to a new 'Wage Assist' program if the provider considered they would benefit from a temporary wage subsidy, or to 'Full-time Work for the Dole' if the provider considered that were not compliant with job search requirements. Wage Assist provided a partial wage subsidy for 6 months in private sector employment (similar to the former JOBSTART program). However, only 3,000 places were available nationally (DEEWR 2008g). Full time Work for the Dole was described in the previous section of this report.

184. In addition, an 'Employment Preparation' stream of assistance was provided within the Job Network for principal carers and mature age jobseekers. Early in the unemployment spell, providers were required to offer these jobseekers more intensive employment counselling and referral to short vocational training courses or job search training, akin to the Transition to Work program for jobseekers ineligible for Job Network assistance (see below). Providers received service fees for additional interviews, and an additional AUD 300 per jobseeker was deposited in the Job Seeker Account to provide or purchase training. Those without recent work experience commenced Employment Preparation on entry into the Job Network and those with recent work experience received these services in lieu of Job Search Training after 3 months' unemployment (DEEWR 2008g).

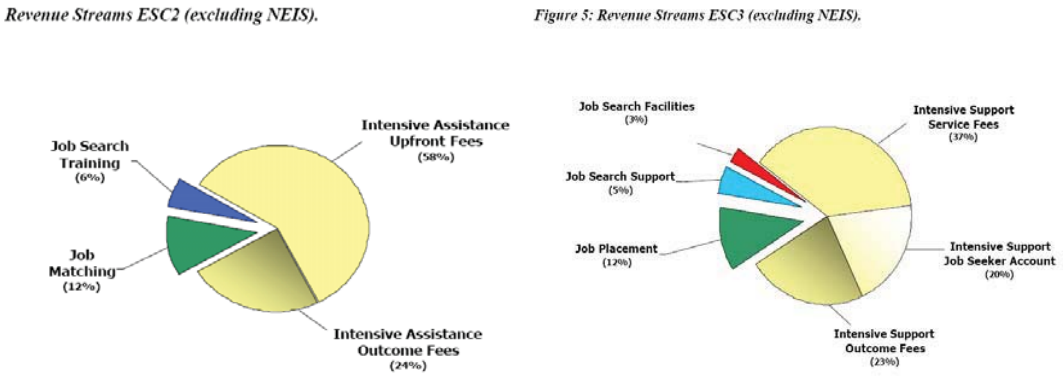
185. Providers could tender to specialise in employment assistance for certain disadvantaged groups of jobseekers such as Indigenous Australians, people from other than main English speaking countries, or people with a disability.

5.4(2) The APM fee structure and overall cost of the Job Network

186. The APM fee structure was divided into service fees, Job Seeker Account deposits, and outcome fees. These fees were all fixed by the Government, so tenders were assessed on performance or quality rather than price. The policy intention was to substitute service fees and Job Seeker Account funds for the previously untied commencement fees, in order to exercise a degree of administrative control over service inputs. Figure 16 compares the actual distribution of funding between input and outcome payments in the second contract with estimated expenditure in the third (APM) round (as estimated at the commencement of the APM by the Employment Department).

187. As in the second tender round, it was expected that the majority of APM funds would be expended on the 'intensive' stage of assistance for disadvantaged jobseekers, and on input payments rather than outcome payments (see figure below). As the APM model was implemented in the contract from 2003 to 2006, the proportion of funds expended on outcome fees rose modestly from approximately 30% to 35% (DEEWR 2007a, p100).

Figure 16. **Job Network revenue streams (second and third contracts compared)**



Source: DEWR (2002a), APM Discussion Paper

188. Table 9 compares a simplified outline of the fee structure for the intensive stage of assistance for long term and otherwise disadvantaged jobseekers in all four iterations of the Job Network.

Table 9. **Fees paid to Job Network providers in respect of a long term unemployed jobseeker receiving Intensive or Customised Assistance (in current AUD A)**

Pre-APM period	**1998-2000**				**2000-2003**			
JSCI score	input fees	primary outcome fees	secondary outcome fees	total (with primary outcome)	input fees	primary outcome fees	secondary outcome fees	total (with primary outcome)
Lowest level of disadvantage	1500	2700	1000	4200	1077	3586	1072	4663
Intermediate level	2250	4450	1000	6700				
Highest level of disadvantage	3000	6200	1000	9200	2122	7097	1072	9219
Post-APM period	**2003-2006**				**2007-2009**			
Duration of unemployment	input fees	'full' outcome fees [5]	intermediate outcome fees [5]	total (with full outcome)	input fees	'full' outcome fees [5]	intermediate outcome fees [5]	total (with full outcome)
0-12 months	821[1]	990	440	1811	853[1]	990	440	1,843
13-24 months	1769[2]	3025	1650	4794	1807[2]	3025	1650	4832
25-36 months [3]	1075[3]	5500	1650	6575	1099[3]	5500	1650	6599
Over 36 months [4]	n.a.	7150	2750	n.a.	n.a.	7150	2750	n.a.

Note: Amounts are not adjusted for inflation. 'Input fees' include commencement fees, service fees and Job Seeker Account deposits. Note that commencement fees were 'untied' whereas service fees were paid subject to jobseeker contacts and Job Seeker Account credits could only be spent on approved investment to overcome barriers to employment. 'Primary' or 'full' outcome fees were generally restricted to fulltime employment outcomes (precluding entitlement to income support) that were sustained for three to six months (including 'interim' payments at three months). 'Secondary' or 'intermediate outcome' fees were generally for part time employment outcomes or successful completion of approved training.

1. Includes AUD 11 in jobseeker account.

2. Includes AUD 900 in jobseeker account (plus AUD 250 if 'highly disadvantaged').

3. Or if assessed as 'highly disadvantaged'. Includes AUD 500 in jobseeker account (plus AUD 125 if 'highly disadvantaged').

4. Input fees depend on remaining duration of the unemployment spell, so are not reported here.

5. Includes Job Placement Fees of AUD 440 for short term unemployed and AUD 550 for long-term unemployed, on placement in a job lasting for at least 50 hours.

Source: Productivity Commission (2002) Independent review of the Job Network; DEWR (2002c), Request for tender, Employment services contract 2003-06; DEWR (2005), Request for tender for Job Network services.

189. The 'Job Seeker Account' was a key innovation in the APM model. This was a virtual fund into which set amounts were 'deposited' at various stages of each jobseeker's unemployment spell. The accounts were introduced in response to concerns about inadequate provider investment in disadvantaged jobseekers. The intention was to make funding conditional on provider investment in jobseekers without undermining their flexibility to tailor assistance according to individual circumstances (ACOSS 2004). In effect they replaced a part of the original commencement fees, which were untied and could be used to boost the profitability of providers rather than investing in assistance for jobseekers. The remainder of the former commencement fees were replaced with fees for service (mainly for interviews with jobseekers).

190. The only substantial 'deposits' into Job Seeker Accounts (of around AUD 500 or more) were made on entry to each of two rounds of Customised Assistance. Together with higher service fees at this stage (and a requirement to interview jobseekers more frequently) and a substantial rise in outcome payments at 12 months' unemployment, this signalled to providers that they should focus their investment on services for jobseekers at that stage. Providers were initially given wide discretion over the use of these funds, including to bank the amounts nominally allocated to a jobseeker for use to assist other jobseekers. Thus, the accounts did not guarantee a certain level of investment for each jobseeker. However, providers had to acquit any investments using the account through the EA3000 system. Over time, the Employment Department tightened the guidelines for expenditures using the account, for example by restricting its use in financing jobseeker incentives, purchase of mobile phones for jobseekers, and by capping assistance with transport costs in guidelines issued in 2005. By the time the APM model was reviewed in 2008, the strictness of these guidelines and the administrative cost for providers involved in acquitting funds was one of the chief complaints of Job Network providers about the APM model. For this or other reasons, the accounts were often under-spent, especially early in a new contract (Finn 2008; O'Connor 2008).

191. Tables 10(a) and (b) show that the total cost of the Job Network (which as indicated above mainly comprised costs relating to the highest level of assistance – Intensive or Customised Assistance) – rose substantially following introduction of the APM, then plateaued just before the fourth contract (in 2006). The official evaluation of the APM model attributes higher costs in the early stages of the APM to higher caseloads, especially among groups targeted for voluntary participation in the Job Network such as sole parents and people with disabilities.(DEEWR 2007a) Intensive Support caseloads (commencing at 3 month's unemployment) did rise substantially after 2003. The main reason for this was that, unlike Job Search Training or Intensive Assistance in the earlier iteration of the Job Network, the duration of Intensive Support was indefinite – a jobseeker remained in that stream of assistance until they exited unemployment payments. This also implied an increase in the overall level of outcome fees, which could now be claimed throughout the entire period of Intensive Support. On the other hand, caseloads in Customised Assistance – the stage of the APM attracting the highest fees - declined slightly compared to Intensive Assistance (Table 10(b)), and fell again after 2006 despite the extension of activity requirements to principal carers and people with partial work capacity under the Welfare to Work policy from 2006. This may be due to a combination of low numbers of people with a partial work capacity in the Job Network, high turnover of principal carers through the system (so that most left the Job Network before reaching the Customised Assistance phase), and offsetting reductions in the numbers of other long-term Newstart and Youth Allowance recipients as unemployment fell.

Table 10. **Total cost of Job Network/Job Services Australia and the intensive support caseload**

(a): Total cost of Job Network/Job Services Australia

Year	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (JSA)
AUD A millions	755	751	816	853	999	1,377	1,241	1,159	1,177	1,252	1,310

(b): Commencements in Intensive/Customised assistance

2000-01 (JN-IA)	2003-04 (JN-ISCA)	2007-08 (JN-ISCA)
276,600	228,600	210,103

Note: Cost of Job Network from 1999 to 2009, then cost of Job Services Australia in 2009-10; (b) Productivity Commission (2002); DEWR (2006a), Customised assistance, job search training, work for the dole and mutual obligation, a net impact study; DEEWR (2008), Labour market assistance outcomes, year ending June 2008.

Source: (a): Audit Office (2005b), Implementation of Job Network employment services contract 3, Audit Report 6 2005-06; Australian Government (various years), Portfolio Budget Statements for the Employment Department.

192. For comparative purposes, the cost of the Job Services Australia (JSA) program which replaced the Job Network from July 2009 is included in Table 10a. It should be noted that the cost of the two programs is not directly comparable as JSA also replaced a number of other programs such as the Personal Support Program. Both the overall costs of these programs and commencements in the highest level of assistance provided was reasonably stable from the mid 2000s, possibly reflecting the rationing of higher-level assistance via adjustments to the JSCI to contain the overall cost of the program (DEEWR 2008g).

5.4(3) Tenders and performance management

193. Job Network contracts specified three 'key performance indicators'. The first two were measured using the 'star ratings' system discussed previously which distributed providers among nine levels of performance, and the third by a qualitative assessment of compliance with the Job Network 'Code of Conduct' and 'Service Guarantee' for which the scores were simply 'pass' or 'fail':

- KPI1 – average time taken for jobseekers to achieve employment placements (which was designed to discourage 'parking' and the delaying of outcomes until higher outcome payments were available);
- KPI2 – the proportions of jobseekers for whom outcome fees were paid (which was designed to reinforce the focus on job outcomes);
- KPI3 – provision of services in compliance with the Code of Conduct and Service Guarantee (which was designed to enforce minimum standards of service and professional conduct)(ANAO 2005b p138).

Compliance with contract requirements, especially the regular interviews with jobseekers, was also monitored by the Department.

194. The star ratings measured net impacts or value added by providers compared with their competitors, rather than differences in the absolute number of outcomes achieved (which could be

expected to vary along with the relative labour market disadvantage of a provider's caseload). The star ratings compared a range of employment related outcomes attained by jobseekers in each site, but the most important of these (attracting 60% of the weightings within the star ratings) were those attracting full outcome payments: generally employment sufficient to take jobseekers off benefits for at least three to six months (Table 11).

Table 11. **Weightings used in calculating the Job Network Star Ratings (2005)**

Interim 'full' outcomes	Final 'full' outcomes	Intermediate outcomes*	Job placements
40%	20%	20%	10%

* Includes a 5% weighting for educational outcomes.

Source: (ANAO 2005a).

195. KPIs 1 and 2 were used to allocate 'business shares' to providers in each ESA in the three yearly tender rounds and subsequently between tender rounds. Thus, the star ratings (which were essentially based on employment outcomes) had a considerable impact on provider behaviour. KPI 3 was a 'pass-fail' performance measure that was expected to be used only rarely to adjust provider business shares.

196. There was a fixed distribution of star ratings among sites across the country, so changes in a provider's score reflected its ranking rather than its absolute performance.

197. In the 2003 tender, the 'top' 60% of providers based on star ratings had their contracts rolled over via an 'Invitation to Treat' leaving the bottom 40% to compete with new entrants to the market. After that tender the number of organisations in the Network was almost halved (to 109) with seven new entrants (Finn 2008). The top five providers by size had 39% of overall business share while the top 10 had 55% (Morell and Branosky 2005). To minimise the adverse impact on jobseekers and provider performance that was associated with large tenders, in the next tender in 2006 only 8% of business was removed from the lowest-performing providers and put out to tender (Finn 2008). However, in place of a single large tender a system of rolling six monthly performance reviews was introduced at that time. Providers whose sites within a given ESA had consistently low star ratings had their market share reduced, sometimes to zero, with remaining business either allocated by the Department to other local providers or put out to tender. This system attracted widespread criticism from providers on the grounds that it encouraged 'short-termism' in service delivery strategies and contributed to instability in the Job Network, especially high turnover of staff who could not be guaranteed employment throughout the three year tender period (O'Connor 2008).

198. In its administration of the APM model, the Employment Department was much more proactive than before in 'steering' service provision. It was assisted in this task by considerably improved access to information (via EA3000 and Job Seeker Account data) about provider contact with jobseekers and the services offered. The Department conducted seminars and published material on 'best practice', based on its analysis of this information together with detailed administrative data on employment outcomes.(DEWR 2006c) Contract managers closely monitored non attendance at interviews and followed up with providers if a Participation Report was not forwarded to Centrelink. For many providers, this close monitoring of service delivery called into question the flexibility of the Job Network model. Providers also complained of increased administrative burdens, especially relating to the need to claim reimbursement of costs from the Job Seeker Account (Murray 2006; O'Connor 2008).

5.5 Other employment assistance programs

199. In addition to the Job Network, a range of specialised programs for disadvantaged jobseekers operated throughout the period under discussion (Table 12). This table indicates commencements in and employment outcomes following participation in key nationally funded programs in 2008-09. State Governments also operated a range of employment programs, though on a much smaller scale than the Commonwealth.

Table 12. **Participation and employment outcomes and costs of national employment programs**

	Commencements (2008-09)	**% employed 3 months after participation (2008-09)** [1.]	**Budgeted Cost (**AUD **m) (2008-09)**
Work for the Dole	60,000	28%	AUD 192m
Disability Employment Network	40,000	39%	AUD 300m
Vocational Rehabilitation Services	38,000	32%	AUD 158m [2.]
Personal Support Program	42,000	17%	AUD 99m [2.]
Job Placement Education and Training	14,000		AUD 21m
Indigenous Employment Program (STEP)	15,000	64%	AUD 116m
Indigenous Employment Program (Wage Assistance)	3,000	71%	
New Enterprise Incentive Scheme	7,000	87%	

1. Jobseekers who commenced in the programs between April 2008 to March 2009.

2. Estimate for 2009-10.

Source: DEEWR 2009, Labour Market Assistance Outcomes, Year ending June 2009; DEEWR, (2009 and 2010) Annual Reports

5.5(1) Work for the Dole

200. The Work for the Dole program was introduced in 1999 as the centerpiece of the previous Government's Mutual Obligation initiative discussed previously in this report. It was the default activity where a jobseeker did not nominate an alternative option to meet their mutual obligation requirements. It was progressively extended from young people to jobseekers up to 50 years of age and from six month's participation in the first year of unemployment to six months each year.

201. The formal objectives of the program included providing work experience to improve motivation, self esteem and networks and to contribute to projects of benefit to the community, though not to improve individual employment outcomes (Borland and Tseng 2004). In practice, the program was used as an anchor for the benefit compliance system, as policy makers considered that requiring individuals to work for their benefits would encourage those who were reluctant to seek employment, or engaged in undeclared employment, to leave the benefits system on referral to the program (DEWR 2006a).

202. The program comprised six months of part-time (26-30 hours per fortnight) unpaid work experience in not for profit organizations, either working with other participants in a 'project' or on an individual placement with the organisation. Jobseekers could volunteer for the program but it was compulsory for those who did not select another mutual obligation activity and were not exempted from the requirement. The program was administered by Community Work Coordinators (CWCs), who linked jobseekers with suitable local placements. CWCs were paid according to completed Work for the Dole placements rather than employment outcomes. A small benefit supplement was paid to jobseekers to defray the direct costs of participation.

203. As part of the Welfare to Work policy, from 2006 a fulltime version of Work for the Dole was introduced. This required 10 months' participation for 50 hours a fortnight. This program was targeted towards very long term unemployed jobseekers (over 24 months) who Job Network providers considered were not compliant with activity requirements. Fulltime Work for the Dole broke the previous nexus between effective hourly rates of 'payment' for participation in the program and minimum wages.

204. The referral arrangements for Work for the Dole were also changed at this time. Job Network providers (in place of the Employment Department or Centrelink) were given responsibility for referring jobseekers to Community Work Coordinators and were expected to maintain contact, to assist them search for jobs while participating in the program.

205. From the early 2000s (when the program was extended to middle aged jobseekers), the number of commencements remained fairly steady at around 60,000 each year (DEWR Labour Market Assistance Outcomes, various years).

5.5(2) The Personal Support Program and Job Placement Employment and Training programs

206. The Personal Support Program (PSP) and Job Placement Employment and Training (JPET) programs were designed for recipients of unemployment payments with major social barriers to work such as mental health conditions, homelessness, addictions or family conflict.

207. The PSP replaced a previous program, the Community Support Program, that was introduced in 1998 following criticisms of the previous Government's decision to exclude from the newly established Job Network those jobseekers who were considered to lack a 'capacity to benefit' from the program – essentially the target groups outlined above. JPET was the equivalent program for young people aged 15-21 years, mainly focussed on homeless young people.

208. These programs had both work preparation and social participation objectives. Hence at first, they were administered by the Department of Family and Community Services (FACS) rather than the Employment Department. The basic model of assistance was to help individuals overcome social, health and housing barriers to employment rather than to place them in employment as soon as possible. It was acknowledged that for some jobseekers a job might be a 'very long term goal' (DEWR 2006d).

209. Recipients of qualifying income support payments were referred to the PSP program following assessment of their barriers to work using the work capacity tool that was also used to assess disabilities generally (currently the Job Capacity Assessment). Since places in the program were capped, there was a waiting list for assistance. In the later years of the program, the number of people on the waiting list was almost equal to those assisted. For example, when the program ended in 2009 the waiting list was 30,000 while 42,000 participated (Table 12 and DEEWR evidence to Senate Education, Employment and Workplace Relations Committee Estimates hearing, 31 May 2010). Jobseekers were ineligible for further PSP assistance for at least 12 months after participation in the program.

210. The program assisted jobseekers for two years, or until they left income support if this occurred sooner. It focused on provision of social support to participants, mainly through referral to relevant local services such as housing, family counselling, and budgeting assistance. Participants were excluded from Job Network assistance and activity requirements beyond participation in the program were at the provider's discretion. There was a minimum four weekly contact requirement with the provider.

211. Providers were funded on commencement, at 'milestones' in their program participation (at which time the provider had to submit a progress report), and for the attainment of an 'economic outcome' (13 to 26 weeks of continuous employment, participation in training, or commencement of Job Network or other employment assistance) or a 'social outcome' (essentially, continued engagement in the program for 24 months). For example, the overall payments made to a provider for a jobseeker successfully referred to the Job Network after 11 month's participation in PSP were AUD 4,015. For a jobseeker who continued in the program for 24 months without an economic outcome, the fee was AUD 3,630 (DEWR 2006d).

212. The program expanded considerably from 10,000 participants in the original Community Support Program in 1999 to a peak of 50,000 participants in 2008 (Department of Family and Community Services Annual Report 1990-00 and DEEWR Annual Report 2008-09). A possible reason for the program's expansion was an increase in the number of work capacity assessments undertaken from the mid 2000s, especially following introduction of the Welfare to Work policy.

213. The JPET program had similar objectives though there was greater focus on vocational preparation and training and on assisting homeless young people. Its target group included 'at risk' young people outside the income support system though JPET as also a mutual obligation option for young people within the target group. Participation in the program was expected to be of shorter duration (up to six months) though extensions were possible.

214. When the JPET program was administered by FACS, providers received annual funding to assist young people in the target groups within specified geographic areas, based broadly on the number of jobseekers assisted each year. They were required to submit an annual work plan detailing the services provided. Performance indicators included the number of young people assisted, improvements in their 'work readiness' following participation, and satisfaction with the program as reported by participants (FACS 2003).

215. JPET was a much smaller program than PSP. For example the number of commencements in 2008 was 14,000. At this time, the average cost per participant was AUD 1,556 and the average duration of assistance was six months (DEEWR 2007, Response to Question on Notice from Senate Education, Employment and Workplace Relations Committee W251-08).

5.5(3) Indigenous employment programs

216. The main Commonwealth programs targeted specifically to Indigenous Australians were the long standing Community Development Employment Projects (CDEP) program which was established in 1977 and the programs comprising the Aboriginal Employment Strategy established in 1987 (later referred to as the Indigenous Employment Policy or Program). These programs emerged in response to concerns about very low employment rates among Indigenous people and the social effects of the high incidence of prolonged reliance on income support in many Indigenous communities (Dockery and Milsom 2007).

217. The CDEP program's objectives included reducing reliance on 'passive' income support payments (especially in areas where there were few mainstream jobs available), promoting self determination for Indigenous communities, providing essential local services such as sanitation and home

care, and improving the employment prospects of participants. Participants worked part time for the equivalent of their unemployment payments and were paid a 'wage' by the local community organisation running the program. These were usually local Indigenous community controlled organisations. 'Top up' wages were sometimes available, in addition to the equivalent of income support, where alternative sources of funding to social security payments could be found.

218. The program grew substantially from 4,000 participants in 1985 to 35,000 in 2003, but by 2008 the number of participants had declined to 17,000 (Dockery and Milsom 2007; Altman and Jordan 2009). This followed the introduction of restrictions in access to the program by the previous Government. From 2007, the program was phased out in metropolitan and rural regions where the Government considered mainstream jobs were available to Indigenous people, and in remote Indigenous communities in the Northern Territory. These restrictions were imposed in response to criticisms that CDEP had become an ongoing alternative to mainstream employment for many people. For example, as early as 1994, surveys indicated that only about 10% of participants moved into unsubsidized employment each year. Subsequent evaluations suggested that CDEP had also become an alternative to the completion of schooling (Dockery and Milsom 2007, p24.) The phasing out of the program in the Northern Territory was designed to facilitate the introduction of compulsory 'income management' as part of the previous Government's strategy to deal with social problems in remote Indigenous communities. The decision to limit access to CDEP was controversial. Opponents of this policy change argued that the program filled a critical gap in job opportunities in chronically jobless communities, strengthened community cohesion and self determination, and that in any event the program was being re-oriented towards the promotion of transitions to 'mainstream' employment. These critics were concerned that mainstream employment programs that replaced CDEP would fail, and leave people reliant on individual income support payments for prolonged periods (Altman and Jordan, 2009).

219. .The Aboriginal Employment Strategy comprised a range of programs designed to either improve individual's prospects in the mainstream labour market (through training and wage subsidies) or to assist aboriginal communities in areas where few job opportunities existed to achieve economic independence (through business development assistance and the CDEP). Its successor, the Indigenous Employment Program introduced in 1999, was an umbrella program that included programs designed to assist Indigenous people transition from the CDEP to mainstream jobs, a Corporate Leaders for Indigenous Employment Project, an Indigenous small business fund, an Indigenous cadetship project, Wage Assistance, and the Structured Training and Employment Projects (STEP) program. The latter two programs were the largest budgetary components of the strategy. These provided (respectively) temporary marginal wage subsidies for employers engaging Indigenous jobseekers and combinations of paid employment experience and related training for jobseekers engaged by employers participating in the STEP program. These programs typically achieved high employment outcomes (three months after program participation) of between 50-70%, though it should be noted that they were not confined to recipients of income support payments. Net employment impacts (the increase in the probability of employment arising from the program) were only estimated for Wage Assistance, at 11% (Dockery and Milsom 2007).

220. From 2002-03 to 2007-08, Indigenous participation in Job Network assistance for disadvantaged jobseekers (Intensive and Customised Assistance) increased substantially. From April 2002 to March 2003, the number of jobseekers exiting Job Network Intensive Assistance identified as having Indigenous background was 22,000 (8% of all exits from Intensive Assistance). From April 2007 to March 2008, 53,000 or 12% of exits from Customised Assistance were of Indigenous background (DEWR 2003 table 1.3 and DEWR 2008, table 1.6). Policy measures introduced from 2007, including the phasing out of alternative programs such as the CDEP, and the removal of remote area exemptions to activity tests discussed in the previous section of this report were intended to further boost participation in mainstream programs such as the Job Network.

5.5(4) Disability employment programs

221. Since the passage of the Disability Services Act in 1986, specialist employment services for people with disabilities have been divided into three streams: sheltered employment services, open employment services, and vocational rehabilitation services. Sheltered employment services, subsequently called 'business services', offered alternative employment to mainstream jobs for people whose severe disabilities were assumed to rule out recruitment to a regular job. Open employment services, subsequently called Disability Employment Network, were also targeted towards people with severe disabilities that were expected to be long lasting, but they adopted a different strategy. They aimed to close the gap between the expectations of employers and work capacity of people with disabilities, and once the jobseeker obtained employment, to support them and the employer to ensure that their client kept the job. A key condition for entry to the program was that the person required ongoing support to sustain employment. These two strands of disability employment assistance emerged out of not for profit disability services and the disability consumer movement, and many of the providers at first specialised in assisting people with specific disabilities such as intellectual disabilities, physical disabilities, or a mental illness.

222. Vocational rehabilitation services aimed to prepare people with disabilities for a return to employment through a combination of paramedical treatment or therapy, employment counselling, work experience and training. Many of their clients were former workers whose disability arose from an accident. Historically, a statutory authority called the Commonwealth Rehabilitation Service (subsequently called CRS Australia, which was established after World War Two to assist with the rehabilitation of injured soldiers), dominated this sector.

223. For-profit providers increased their share of both open employment and vocational rehabilitation services as funding arrangements changed and quasi markets were established in those two sectors during the 2000s. Disability employment services were mainly targeted towards people whose disabilities qualified them for Disability Support Pension. Consequently, participation in these services was at first voluntary. In the late 1990s, 'business services' were funded by the Department of Family and Community Services (FACS) rather than the Employment Department, and this arrangement remained in place because the program did not have a formal objective of increasing employment in the open labour market.

224. Open employment services were also originally funded by FACS, through a system of block grants without tenders. In the early 2000s, FACS undertook trials of 'case based funding' for these services, in which providers received a combination of commencement, employment assistance, and employment outcome payments for each jobseeker. The program was transferred to the Employment Department in 2004, two years before the Welfare to Work policy required people with a 'partial work capacity' to seek part time work. It was subsequently renamed Disability Employment Network (DEN), and began to take on some of the features of the Job Network program, including star ratings. There was policy discussion of the possibility of replacing part of the employment assistance funding with a jobseeker account but this was resisted by the providers, among other reasons because they considered it would increase administrative costs (DEWR 2005a). Following the Welfare to Work policy changes in 2006, there were two streams of DEN services - a voluntary stream targeted to DSP recipients the funding of which was capped, and a new compulsory stream (targeted to Newstart and Youth Allowance recipients) which was 'uncapped' (along with Job Network funding).

225. Eligibility for DEN services was predicated upon having a permanent (or likely to be permanent) disability, together with having a reduced capacity for communication learning or mobility, and requiring support for more than six months after placement in employment and/or specialist assistance to build capacity in order to meet participation requirements. DEN services were divided into two phases – an employment assistance phase and an employment placement phase. Participants were classified according to four levels of reduced work capacity at the commencement of the pre-employment phase using a

'Disability Pre-employment Instrument' (DPI) and again at the commencement of employment using a Disability Maintenance Instrument (DMI). Providers received commencement fees, employment assistance fees and employment milestone payments once employment outcomes were sustained over four, 13 and 26 weeks. Employment assistance and employment milestone fees varied in accordance with the jobseeker's classification. The capped program was of unlimited duration, whereas the uncapped program was generally limited to 24 months' participation, apart from further help for people with conditions such as mental illness who required 'intermittent support' to sustain a job. There was also a separate 'Job in Jeopardy' stream of funding for currently employed workers with disabilities at risk of losing their job (DEWR 2006b).

226. A separate Vocational Rehabilitation Services program (VRS) was also established at this time, removing the CRS monopoly over Commonwealth funding for this type of service though it remains the dominant player. As with the DEN program this also had a voluntary 'capped' stream and a compulsory 'uncapped' stream (DEWR 2006e) Eligibility for these services was based upon having a 'disability, health condition or injury that was attributable to an intellectual, psychiatric, sensory or physical impairment or a combination of such impairments; resulted in a substantially reduced capacity of the person to obtain or retain unsupported paid employment; and required specialist rehabilitation assistance to gain or retain paid unsupported employment' (DEWR 2006e). At least 90% of a service's clients had to be income support recipients, though as with DEN there was a separate 'Job in Jeopardy' stream of funding for currently employed workers at risk of losing their job. VRS services were of shorter duration than DEN (up to 18 months overall), and generally ceased 26 weeks after a jobseeker obtained employment. The exception was 'intermittent post placement support' for people with episodic conditions such as a mental illness.

227. A trial was conducted in 2004 to encourage Disability Support Pension recipients to volunteer for Job Network services. Key findings of the evaluation included that Disability Support Pensioners were reluctant to seek employment for fear of losing pension entitlements if the job fell through, that people with severe disabilities needed more intensive assistance over longer periods than other jobseekers, and that Job Network providers needed to improve their knowledge of disability specific issues (DEWR 2004a). However most of the subsequent growth in employment services for people with disabilities was in specialist disability services rather than the Job Network, despite growth in the number of Newstart and Youth Allowance recipients with disabilities (who were required to participate in employment services). From 2003 to 2008, the number of people with a disability participating in the Job Network rose marginally from 25,000 to 26,000 (DEWR 2003 and DEEWR 2008, Labour Market Assistance Outcomes). From 2003 to 2009, the number of participants in the voluntary streams of DEN and VRS rose from 46,000 to 56,000 (partly due to increases in the funding caps for these programs) while the number in the new compulsory streams of these programs rose from zero to 44,000 (FACS 2004; DEEWR 2009, Response to Senate Education, Employment and Workplace relations Question on Notice EW33_10 2009, Disability employment services).

5.5(5) Vocational training

228. Prior to the Job Network, the Australian Government invested substantially in short vocational training courses (typically of three to six months' duration) for jobseekers through the JOBTRAIN and SkillShare programs. The Employment Department (through JOBTRAIN) and not for profit providers (through SkillShare) purchased training places from State Government-run Technical and Further Education colleges and from a growing number of non government providers. A critical mass of knowledge and expertise in the provision of vocational education and training to disadvantaged jobseekers was developing.

229. With the introduction of the Job Network in 1998, the above programs were abolished and training was. in theory, to be funded by the Job Network providers after assessing the potential benefits for each jobseeker. In practice, investment in training for jobseekers declined substantially as providers focused on less costly forms of job search assistance to boost the short term employment outcomes for which they were rewarded in outcome payments and star ratings (the exception was payment of full outcome fees for early school leavers under 21 years old who completed two semesters of an qualifying course). A further limitation on access to training for jobseekers was the benefit rules that generally limited fulltime participation in education or training to courses of one year's duration, beyond which recipients of unemployment payments were expected to transfer to education payments. For individuals over 20 years of age, the education payments (such as Austudy payment) were substantially lower than Newstart Allowance.

230. Prior to 2006, these restrictions did not apply to sole parents on the Parenting Payment Single (PPS) payment, as the payment was not activity tested. PPS recipients also received a Pensioner Education Supplement of around AUD 30 per week to assist with the costs of education and training. Training for recipients of that payment was also encouraged by programs such as the Jobs Education and Training (JET) program that provided employment counselling through a network of JET advisers within Centrelink who purchased short courses and organized subsidised child care services. Participation in the program was voluntary. In 1999-00 around 61,000 parents commenced in JET and 15,000 training courses were organised (OECD 2001). JET was progressively wound down in the early 2000s and eventually replaced by a smaller 'Transition to Work' program that had a broader remit to also assist carers of people with disabilities and parents and carers who were not on income support.

231. As discussed in the previous section, the introduction of the Welfare to Work policy in 2006 heralded a tighter policy focus on immediate transitions to employment. This mainly affected sole parents with school age children, who were generally required to participate in the Job Network rather than the previous voluntary programs such as JET, could no longer undertake longer courses without financial penalty, and no longer had access to the education supplement (ACOSS 2007). The Employment Preparation stream of Job Network assistance referred to previously (which was offered to jobseekers either on commencement with Job Network or three months later and shared some features with the JET program especially the purchase of short training courses) was designed in part to fill the gap in service provision left by the winding down of voluntary education and training schemes for parents on income support.

232. In the same year, the broader employment policy pendulum began to swing towards investment in training for low skilled workers and jobseekers with the introduction of Work Skills Vouchers. Under this scheme, from 2007 30,000 individuals aged 25 years and over who lacked Year 12 or equivalent qualifications were eligible each year for vouchers of up to AUD 3,000 to purchase approved vocational education and training courses. Roughly half of the places went to jobseekers and the other half to existing workers (Howard 2006). The main barriers to training for jobseekers at this time remained the risk of transfer to lower educational payments, a lack of incentive for Job Network providers to refer them to training, and a lack of adjustment of training courses to the particular needs of disadvantaged jobseekers (for example in regard to the timing of courses, their lack of direct connection to employment, ancillary costs, and the need for mentoring in many cases) (Barnett and Spoehr 2008).

233. Other significant long standing programs to assist jobseekers with specific training needs included the New Apprenticeships Access Programme (NAAP), the Language, Literacy and Numeracy Programme (LLNP) and the Adult Migrant Education Program (AMEP). The NAAP provides disadvantaged jobseekers with pre-vocational training and support to help them enter an apprenticeship. The LLNP offers from 160 to 450 hours of training in basic literacy skills (English and mathematics) to

assist them to obtain employment or to participate more effectively in further training. The AMEP provides up to 510 hours of free English language tuition to new migrants.

5.6 Recent developments: Job Services Australia

234. In 2008, the newly elected Rudd Government announced a major review of employment services (O'Connor 2008). The Government's discussion paper and submissions to the review identified the following problems with the previous arrangements:

- The Job Network offered inadequate support to those jobseekers who were more disadvantaged in the labour market, who formed a growing proportion of the register;
- The employment services and vocational training systems offered inadequate assistance to jobseekers with low education and skill levels to upgrade their skills;
- The Job Network service continuum was too inflexible;
- Administrative costs for providers were too high;
- Employment services were too fragmented (for example, jobseekers entered separate programs such as Work for the Dole at different points in the service continuum, and jobseekers with barriers to employment also lost contact with the 'mainstream' Job Network services while they participated in specialist programs such as the Personal Support Program;
- Providers lacked incentives to work more intensively with employers.

235. The Government subsequently announced that from July 2009, seven existing programs – including Job Network, Work for the Dole, PSP, JPET and NEIS and Harvest Labour Services – would be rolled into a single program called Job Services Australia (JSA). This was modelled on the Job Network, but with major adjustments described below (DEEWR 2008e).

5.6(1) Targeting of JSA assistance

236. Within the JSA program, targeting for higher levels of assistance (higher service fees and 'Employment Pathway Fund' credits - the new job seeker account) is governed mainly by each jobseeker's JSCI score rather than their duration of unemployment (though duration is now a major component of the JSCI). Thus, there are no longer stages of assistance equivalent to Intensive Support or Customised Assistance. The new targeting regime follows the logic of the first tender round of the Job Network. Jobseekers are streamed on entry to JSA into three levels of assistance using the JSCI – 'streams' one to three. In addition, a fourth stream, attracting higher fees, replaces the former PSP program for jobseekers with social barriers to employment. Access to this stream is via a Job Capacity Assessment (designed to measure the impact on employment capacity of a disability). Thus, there is no guarantee of higher 'input payments' to assist long term unemployed people, though the inclusion of unemployment duration as a factor within the revised JSCI means that jobseekers in Streams one and two are likely to be upgraded eventually if their unemployment is prolonged. However, Stream three jobseekers can only be upgraded to Stream 4 via a Job Capacity (disability) Assessment and Stream four jobseekers cannot be upgraded. It is not possible for jobseekers to 'downgrade'.

237. The closest equivalent to Customised Assistance in the JSA system is the first year of assistance for those in the highest streams (Streams three and four) which attract the largest 'input payments' (service fees and Employment Pathway Fund deposits).

5.6(2) Sequence of assistance

238. Jobseekers have more opportunities to change JSA providers than was the case in the Job Network though it is still expected that they will generally remain with the same one throughout the unemployment spell. For example they can elect to change providers whether or not there is an irretrievable breakdown in their relationship with the current provider, as long as the two providers agree. Jobseeker choice on entry to the system is still limited by fixed provider business shares within each ESA. Referrals of new jobseekers can vary within the 30% tolerance range of each provider's business share, which modestly increases the scope for jobseeker choice compared to the 20% tolerance range that applied previously (DEEWR 2008b). Subsequent transfers are outside each provider's market share.

239. As with the Job Network system, Centrelink administers the JSCI and refers the jobseeker to a provider shortly after a claim for income support is made. In the case of Stream one jobseekers, Centrelink negotiates their first 'Employment Pathway Plan' (EPP) containing their activity requirements, and most of their contact is with Centrelink for the first three months. Jobseekers in other streams negotiate their EPP with their JSA provider.

240. Apart from a requirement to undertake interviews every one or two months with jobseekers, the service continuum is much more flexible than the APM model. While Stream one jobseekers must engage in 60 hours of intensive 'activity' in a fortnight by the fourth month of unemployment, the activity is negotiated between the provider and each jobseeker. This replaces the three weeks of Job Search Training in the Job Network model. It follows a 'skills assessment' conducted by the provider at three to four months' unemployment.

241. There is no mutual obligation requirement in the first year of unemployment, though providers may refer jobseekers to work experience or training activities during that year. Providers have discretion to determine the level of any job search requirements for stream four participants (Personal Support Program participants generally did not have job search requirements).

242. After 12 months' unemployment (up to 18 months in the case of Stream 4 jobseekers), most jobseekers are expected to enter the 'Work Experience' phase. This resembles the assistance provided to jobseekers unemployed for more than three years in the APM continuum after their entitlement to Customised Assistance expired, and comprises interviews every two months with the provider and up to six months of mutual obligation activity each year. However, jobseekers are reassessed at 12 months' unemployment in a 'Stream Services Review' and may be upgraded to a higher stream, in which case their entry to the Work Experience phase is postponed for up to a year. Instead, they 'start again' in their new stream, which generally means that the provider obtains higher 'input payments'. Stream four jobseekers may be extended in that stream for a further six months, after which they are expected to enter Work Experience.

243. 'Work Experience' is a misnomer. The range of mutual obligation activities during the Work Experience phase (called 'Work Experience activities') is similar to the previous Mutual Obligation arrangements described above, including Work for the Dole (which remains the default activity), part time employment or study, and voluntary work (though the term 'Mutual Obligation' is no longer used). The main difference is that the required hours of participation are more flexible, being expressed as total hours over a 13 or 26 week period rather than weekly or fortnightly hours. Also, providers have more control over the timing of intensive activities within each 12 months of the Work Experience phase. This is designed to give them more flexibility to meet individual needs and to organise suitable group activities such as unpaid work experience or vocational training. In the first year of the JSA program, DEEWR anticipated that around 59% of Work Experience participants will be required to undertake a Work Experience activity (DEEWR 2008e*).*

244. Providers are expected to interview jobseekers monthly during the first year of unemployment (apart from the first three months for stream one jobseekers) and every two months during the Work Experience phase. JSA providers are directly responsible for organising Work for the Dole placements using Employment Pathway Fund resources, since there is no longer a separate stream of funding for Community Work Coordinators (though providers can sub-contract this role). The former NEIS and Harvest Labour Services programs remain essentially in place. Organisations can apply to join a panel of prospective tenderers for these services. As in the APM model, JSA providers can also specialise in assisting segments of the jobseeker population, including homeless people (many of whom would have previously received JPET or PSP services). However, providers cannot specialise in providing services exclusively within one or more of the four JSA streams, and must accept jobseeker referrals outside their field of specialisation.

5.6(3) Fees paid to JSA providers

245. The JSA fee structure broadly resembles that for the Job Network, except that fee levels are linked to a jobseeker's Stream as well as unemployment duration (Table 13). Service fees are higher for higher streams and during the first year of unemployment, reflecting the more frequent contact required. The Employment Pathway Fund (EPF) that replaces the Job Seeker Account is also higher for higher streams and lower for long term unemployed jobseekers. For example, there is only a single 'deposit' into the Fund when a jobseeker commences the Work Experience phase, regardless of the remaining duration of unemployment. This reduction in 'input payments' for long term unemployed jobseekers is a major departure from the Job Network model, which concentrated assistance on the second year of unemployment (the first round of Customised Assistance).

246. On the other hand, outcome payments still rise with a jobseeker's unemployment duration as well as the level of their stream, though they only rise twice, at 13 and 61 months' unemployment. Another significant change to outcome payments is a shift towards higher rewards for outcomes that are sustained for 26 weeks (as distinct from 13 weeks). While Job Network providers received higher payments for the first 13 weeks of sustained outcomes than for the next 13 weeks, JSA outcome payments are the same for 13 week and 26 week outcomes. In addition to the previous distinctions between different fees for types of employment outcomes, providers receive lower payments for jobs which the jobseeker found themselves, as distinct from those resulting directly from provider referrals ('provider brokered' jobs). This change was designed to encourage greater engagement of providers with employers, though it comes at a cost of greater complexity in the payments system. [10]

247. Providers receive a 20% bonus on outcome payments if they achieve an employment outcome following qualifying vocational training including an apprenticeship. This is designed to encourage providers to refer jobseekers to training that will improve their future job prospects.

248. There is also a 70% loading for 'input' payments (service fees and EPF credits) for jobseekers in remote areas of the country.

10. Further, organisations can apply to join an Employment Broker Panel to tender for projects designed to improve the flow of information and engagement between providers and employers, especially large national employers.

Table 13. **Job Services Australia fee structure and allocation of jobseekers between Streams**

	Stream 1	**Stream 2**	**Stream 3**	**Stream 4**
Initial phase of JSA assistance (first 12-18 months' unemployment)				
Equivalent programs in previous system [1.]	Job Search Support Only	Intensive Support (apart from Customised Assistance)	Customised Assistance	Personal Support Program
Planned distribution of commencements between streams	53%	22%	10%	15%
Actual 'active' caseload' to 31 March 2010 [2]	201,700	173,500	133,900	81,700
Duration of initial phase of each stream	12 months	12 months	12 months	12-18 months
Typical service fees [3]	AUD 781	AUD 885	AUD 1,120	AUD 1,919 (AUD 2,736 for 18 mnths)
Employment Pathway Fund [4.]	AUD 11	AUD 550	AUD 1,100	AUD 1,100 (AUD 1,650 for 18 mnths)
Typical placement and 'full' outcome fees (provider brokered)[5]	AUD 440	AUD 440-AUD 2,456	AUD 440-AUD 3,940	AUD 440-AUD 3,940
Total fees (for 'full' outcomes)	AUD 1,232	AUD 3,891	AUD 6,160	AUD 6,950-AUD 8,326
'Work experience phase' after 12 – 18 months' unemployment (equivalent to Mutual Obligation - active commencements: 54,700) [2]				
Typical service fees [3]	AUD 722 for first 12 months, AUD 398 p.a. thereafter	AUD 722 for first 12 months, AUD 398 p.a. thereafter	AUD 722 for first 12 months, AUD 398 p.a. thereafter	AUD 722 for first 12 months, AUD 398 p.a. thereafter
Employment Pathway Fund [4.]	AUD 500 (AUD 750 if directly trans-ferred to work experience from Job Network	AUD 500 (AUD 750 if directly transferred to work experience)	AUD 500 (AUD 750 if directly transferred to work experience)	AUD 500 (AUD 750 if directly transferred to work experience)

Typical placement and 'full' outcome fees (provider brokered) [6.]	AUD 550-AUD 2,258 (13 – 61 months)	AUD 550-AUD 3,350 (13 – 61 months)	AUD 550-AUD 5,550 (13 – 61 months); AUD 550-AUD 7,150 (61+ months)	AUD 550-AUD 5,550 (13 – 61 months) AUD 550-AUD 7,150 (61+ months)
Total fees (for 'full' outcomes)	AUD 3,156-AUD 3,730	AUD 4,248-AUD 4,822	AUD 6,448-AUD 8,622	AUD 6,448-AUD 8,622

1. The Streams are not directly comparable with the stages of Job Network assistance, as the latter were mainly based on unemployment duration.

2. Active commencements by 31 March 2010, excluding pending or suspended (eg activity test exempt) cases (Source: Senate Standing Committee on Education Employment and Workplace Relations (2010), Response to Question on Notice EW0165_11). Over time it is likely that a much higher percentage of job seekers will progress into Work Experience after people transferred into the new system from the existing one complete 12-18 months in one of the four streams.

3.. For jobseekers completing assistance and not living in a remote area (remote areas attract a 70% loading). Higher Stream 4 services fees are for those who continue in the initial phase for 18 months.

4. This is equivalent to the Job Seeker Account in the Job Network. It does not include a remote area loading. Note that there is only one deposit into the fund at the commencement of the Work Experience phase regardless of the remaining duration of unemployment.

5. Includes job placement fees (which are AUD 440 - or AUD 385 for 'principal carer' and 'partial work capacity' jobseekers). Stream 1 jobseekers only attract placement fees, not outcome payments, for the first 12 months, and placement fees are not available for the first three months. The upper limits represent a combination of job placement fees and 'full' outcome payments for jobs to which the jobseeker is directly referred by the provider (non 'provider brokered' jobs attract lower fees) that result in a zero entitlement to income support for 6 months, or for a semester's continuous participation in a qualifying educational course for an early school leaver under 21 years. There is an additional 20% loading for employment outcomes attained within 12 months of completion of related training (not included here). Note that lower 'pathway outcome' fees, not shown here, are also payable for less substantial employment or educational outcomes. These are equivalent to the 'intermediate outcome' fees in the Job Network.

6. Includes job placement fees (which are AUD 550 - or AUD 385 for principal carer and partial work capacity jobseekers). The upper limits represent a combination of job placement fees and 3 and 6 month 'full' outcome payments (as described above) for job seekers unemployed for 5 years or more.

Source: DEEWR 2008e, Request for tender for employment services 2009-12

249. Although no estimates have been provided of the breakdown of overall expenditure by stream or duration of unemployment, a comparison of the previous and new fee structures in Tables 9 and 13 suggests that resources have been redistributed in favour of Stream 4 participants (former PSP and JPET participants[11]) and Stream 3 participants (jobseekers at high risk of long term unemployment) in their first year of unemployment. Jobseekers in their first year in JSA who face a low risk of long-term unemployment, and long-term unemployed people generally attracted lower fees than in the Job Network model.[12] For example, the EPF credits available to jobseekers in the Work Experience phase are less than the cost of a place in the former Work for the Dole program (around AUD 2,000) and are only available once during that phase of assistance.

11 PSP providers typically received $2,145 in 'input payments' for the first 12 months of assistance, and $1,540 for an employment outcome (roughly equivalent to a JSA 'pathway outcome') that was sustained for 26 weeks. In respect of stream 4 participants, JSA providers receive a total of $3,019 in 'input payments' and $2,200 for a pathway outcome sustained for 26 weeks.

12. Although long term unemployed jobseekers attract higher outcome fees (for example a jobseeker unemployed for 12 months in Streams 3 or 4 attracts full outcome fees of up to $5,500), the Government estimated at the commencement of JSA that only 35% of Work Experience participants would exit income support within three months of commencing Stream 3 and 15% within three months of commencing Stream 4. DEEWR (2008c). If these estimates prove accurate, then the proportion of long term jobseekers attracting full outcome payments (which require periods of continuous employment) would be much lower.

250. The new fee structure thus represents a substantial shift in resources from long term unemployed jobseekers to those at greatest risk of long term unemployment, though many existing long-term Job Network participants first entered the JSA system at the start of their stream rather than the Work Experience phase. Around 30% of Job Network participants who had completed at least one round of Customised Assistance (those who were unemployed for over 24 months) were transitioned to the commencement of their stream rather than directly to the Work Experience phase (DEEWR 2008e).

251. This means that if the overall unemployment rate remains stable, JSA services are likely to be better resourced in the first half of the three year contract period than the second half, because as noted above the transitional arrangements 'restarted the clock' for many jobseekers. If unemployment continues to decline, then the overall resources for providers could be expected to decline for two reasons. First, there would be fewer jobseekers in the system. Second, lower unemployment implies an increasing proportion of jobseekers with longer unemployment durations, who would join the Work Experience phase. Providers can smooth their incomes over the three year period to some extent by hoarding EPF deposits, since these do not have to be spent immediately or on the same jobseeker. Anecdotally, providers under-spent their EPF credits during the first year of the contract.

252. Providers have also reported that the overall number of jobseekers registered with them was often lower than anticipated. One reason for this is that the Australian economy was widely expected to slow in response to the Global Financial Crisis at about the time that the results of the JSA tender were announced in April 2010 (though this was not anticipated at the time that the JSA system was designed). For example, the Government's Updated Economic and Fiscal Outlook released in February 2009 estimated that the unemployment rate would average 7% in 2009-10 (up from 5.5% in 2008-09), but the actual outcome for 2009-10 was 5.2% (which is estimated to fall to 4.75% in 2010-11) (Commonwealth of Australia 2009; Commonwealth of Australia 2010).

253. Overall, the new system was estimated to cost AUD 370 million less than the programs it replaced over the next four years (had those programs continued), with most of the savings occurring in the third and fourth years. This may be due to the lower 'input payments' (service fees and Employment Pathway Fund deposits) for long-term unemployed people (DEEWR 2008c).

5.6(4) Contract and performance management

254. Following the JSA tender in 2009, the market consolidated further. The 280 organisations delivering the programs replaced by JSA have been reduced to 141 providers and over 48 sub-contractors (Jobs Australia 2009). This was a full tender, and as a result there was considerable disruption in the market. Approximately half of Job Network participants had to change providers, though the transition was better managed than previous tenders (for example the 2003 transition). For example, personal referrals from Centrelink and previous providers (instead of letters to the jobseekers) were used to minimise 'no shows' at interviews with the new provider. The main concern about the tender raised by providers was the low weighting (30%) given to previous performance, which appeared to contribute to a significant number of high performing providers losing business share (Senate Education Employment and Workplace Relations References Committee 2009).

255. Efforts have been made to reduce administrative burdens for providers, especially by simplifying the process for claiming EPF funds. However, concerns about disproportionately high administrative costs remain among providers (Ashkanasy 2010). A 'Charter of Contract Management' was formulated by DEEWR in consultation with providers to signal a more collaborative approach to contract management (O'Connor 2008). The Key Performance Indicators for JSA are similar to those for Job Network, except that KPI3, the 'quality indicator', has been revised:

- KPI1 – average time taken for jobseekers to achieve employment placements (but time taken to participate in approved training courses is excluded so as not to discourage referrals to training);
- KPI2 – the proportion of jobseekers for whom outcome fees were paid;
- KPI3 – this 'quality indicator' is based on four factors: organisational health, compliance with Employment Service Deed requirements, ensuring that services are individually tailored and provided in specified timeframes, and client experience of services.

256. The Star Ratings system was reviewed by an expert reference group. The outcome was that ratings will be based on the percentage difference between each site's performance and the national average. This replaces the previous arrangements where there was a fixed distribution of star ratings and providers could be awarded low or high ratings even if their performance was close to average. Further, 'half star' rankings were removed, so that there are now five rankings instead of nine.

257. The weightings used to compare provider performance in the star ratings have also changed. Significant changes include a heavier weighting towards outcomes attained by jobseekers assessed as the most disadvantaged (70% in total for those in Streams 3 and 4 – though weightings are not necessarily higher for those with longer unemployment durations), greater weighting of 26 week outcomes compared with 13 week outcomes, the introduction of a weighting for 'bonus outcomes' for employment obtained after training, and a weighting for 'social outcomes' for jobseekers that complete Stream four assistance (Table 14).

Table 14. **Weightings used for JSA Star Ratings**

	Stream 1 (overall weighting of 10%)	**Stream 2 (overall weighting of 20%)**	**Stream 3 (overall weighting of 30%)**	**Stream 4 (overall weighting of 40%)**
KPI1 ('Speed to place')	18%	7%	5%	2%
KPI2: Interim 'full' outcomes	10%	23%	25%	19%
KPI2: Final 'full' outcomes	10%	30%	30%	21%
KPI2: Intermediate outcomes	10%	20%	20%	18%
KPI2: Paid placements	42%	10%	10%	10%
KPI2: Completion of Stream 4	n.a.	n.a.	n.a.	20%
KPI2: 'Bonus' outcomes	10%	10%	10%	10%
Total	100%	100%	100%	100%

Note: 'Speed to place' refers to time taken to achieve outcomes; 'Interim and final full outcomes' refers to employment outcomes sufficient to remove entitlements to income support, or participation in a educational program, that is sustained for 13 and 26 weeks, respectively; 'Intermediate outcomes' refers to part time employment or a less substantial educational program; 'Paid placements' refers to employment that is sustained for at least 50 hours; 'Bonus outcomes' refers to employment outcomes attained within 12 months of completion of a qualifying training program, or outcomes attained by Indigenous people.

Source: DEEWR (2008e), Request for Tender for Employment Services (2009-12).

258. Star ratings will continue to be used to determine future 'business shares' among local providers, but reallocations will occur on an 18 month cycle rather than the present six months. For example, half way through the present three year tender period providers whose sites were awarded one star only are at risk of losing business share within the ESA if their performance does not subsequently improve. At the time of writing a decision had not been made on whether a full tender or partial tender (based on providers' performance over the current tender period) will be undertaken to determine business shares in the next round of contracts.

5.6(5) Participation in and outcomes of JSA services

259. At March 2010 there were 826,000 people registered with JSA (Table 15) of whom 591,000 were 'active' and 235, 000 were 'pending' (referred but not yet commenced) or 'suspended' (either already employed and still registered until the provider is entitled to a paid outcome, or exempt from participation). The number of participants in Work Experience is likely to rise substantially over the next 12 months (to at least 300,000 in 2011) as more jobseekers complete their first 12 months in JSA and transition to the Work Experience phase.

Table 15. **JSA caseloads at March 2010**

Table1: Active caseload at 31 March 2010

	Stream 1	Stream 2	Stream 3	Stream 4	Current commence-ments	Pending andsuspende d	Total caseload
Stream Services	201,695	172,863	82,712	79,778	537,048	215,229	752,277
Work Experience		642	51,144	1,874	53,660	20,127	73,787
Total Caseload	201,695	173,505	133,856	81,652	590,708	235,356	826,064

Job Services Australia Caseload by Stream as at 31 March 2010

Age Grouping	Eligibility Under Assessment	Stream 1 Ltd	Stream 1	Stream 2	Stream 3	Stream 4	Total
15-24 Yrs	2,066	3,950	79,059	78,609	36,740	34,897	**235,321**
25-50 Yrs	4,044	20,514	125,192	120,957	108,178	77,208	**456,093**
Over 50 Yrs	716	4,819	22,231	40,902	53,034	12,945	**134,647**
Total	**6,826**	**29,283**	**226,482**	**240,468**	**197,952**	**125,050**	**826,061**

Job Services Australia Indigenous Caseload by Stream as at 31 March 2010

	Eligibility Under Assessment	Stream 1 Ltd	Stream 1	Stream 2	Stream 3	Stream 4	Total
Indigenous	1,129	1,256	3,953	15,132	51,569	22,214	**95,253**

Job Services Australia Caseload by Gender and Stream as at 31 March 2010

Gender	Eligibility Under Assessment	Stream 1 Ltd	Stream 1	Stream 2	Stream 3	Stream 4	Total
Female	4,319	16,800	95,798	108,718	106,903	51,583	**384,121**
Male	2,507	12,483	130,684	131,750	91,049	73,467	**441,940**
Total	**6,826**	**29,283**	**226,482**	**240,468**	**197,952**	**125,050**	**826,061**

Source: DEEWR 2010, Senate Employment Education and Workplace Relations Committee, Response to question on notice EW163_11 and EW165_11.

260. At this stage, limited outcomes data are available though the first Labour Market Assistance Outcomes report featuring JSA outcomes was just released at the time of writing this report. Table 16 shows preliminary data from the Employment Department's Annual Report on the proportion of JSA participants in employment and off unemployment benefits (note that this includes people who transfer to non-activity tested payments such as DSP) three months after participation in JSA for a cohort of jobseekers who commenced during 2009. It should be noted that categories of Job Network and JSA assistance are not directly comparable (for example access to Stream services is based mainly on the JSCI assessment whereas access Job Search Training and Customised Assistance was based mainly on unemployment duration). Further, labour market conditions were different in the years during which these outcomes were recorded and employment outcomes usually decline at the end and beginning of an employment services contract in which a substantial proportion of jobseekers change providers.

Table 16. **Employment and off-benefit outcomes three months after participation in JSA, Job Network and Personal Support Program**

	JSA (2009-10)		Job Network & PSP (2008-09)	
	% in employment	% off benefits		% in employment
Stream one	53%	55%	Job placement	67%
Stream two	53%	49%	Job Search Training	45%
Stream three	31%	37%	Customised Assistance	44%
Stream four	15%	32%	Personal Support Program	17%

Note: Jobseekers who participated in JSA during 2009-10 or in Job Network between April 2008 to March 2009. Categories of JSA and Job Network assistance are not directly comparable. 'Job placement' refers to 'fully Job Network eligible' participants only (those on income support). 'Off benefits' includes transfers to non activity-tested payments.

Source: DEEWR (2010), Annual Report 2009-10; DEEWR (2009), Labour Market Assistance Outcomes year ending June 2009.

5.7 Recent developments in other employment and training programs

5.7(1) Vocational education and training

261. In 2008, the Government announced the introduction of the Productivity Places program to provide free vocational education and training courses for low skilled employees and jobseekers. The program is targeting provision of 711,000 training places over four years. Of these, 319,000 were notionally allocated to job seekers (including 20,000 apprenticeship places) and the remainder were targeted to existing employees. The program is designed to distribute training for various occupations in accordance with industry demand, represented through national Industry Skills Councils. Jobseekers are mainly referred to training places via Job Services Australia and other employment service providers though they can self refer. Around two thirds of the places for jobseekers were originally intended to be allocated to Certificate three courses (trades assistants) and above. Courses are operated by Registered Training Organisations (RTOs) including Technical and Further Education (TAFE) colleges and private providers (and many JSA providers) who receive and account for the Productivity Places funding (DEEWR 2008d).

262. The program replaced the Job Skills Vouchers which had funded 30,000 places for jobseekers annually. It was initially administered by the Employment Department (which had recently merged with the former Education and Training Department) but from July 2009 administration was transferred to State Governments (who also administer the TAFE systems) in accordance with an inter-governmental agreement.

263. As indicated previously, JSA providers are encouraged to refer jobseekers to approved vocational education and training programs by a 20% bonus on their employment outcome payments where there was

a direct connection between the training and a subsequent job. Full outcome payments are also made to providers where an early school leaver under 21 years of age completes two semesters of a qualifying training course (as was the case with the Job Network). At the same time, as discussed previously the activity requirements for sole parents were adjusted so that they could combine training and employment in more flexible ways. For example, they are no longer required to take up full time casual job opportunities that would interfere with completion of an approved training course in which they are already enrolled.

264. A report published by the National Centre for Vocational Education and Training Research (NCVER) indicated that some 24,000 jobseekers completed their training with funding from the Productivity Places Program during 2008. It should be noted that 'job seeker' is 'a person aged 15 years or over who is not currently working but is seeking or intending to seek paid employment or self-employment after completing the qualification', a broader group than income support recipients or employment service clients. The four main industry categories of courses completed were community services (26.7% of jobseekers), transport and logistics (19.2%), property services (14.3%) and retail services (11.6%). Some 47% of those who competed training were employed afterwards (NCVER 2009).

265. By March 2010, 53,000 jobseekers had completed courses funded through Productivity Places to which they were referred by employments service providers. Of these students, 11,000 were in employment 13 weeks after completion (DEEWR 2010, Response to Question on Notice from Senate Education, Employment and Workplace Relations Committee, No EW0859_10). On the face of it, this suggests that the original targets for jobseeker participation in the program are not being met and that the employment outcomes of jobseekers participating in the program have declined since 2008. However, it is likely that the measure of employment outcomes used here is different to that used in the NCVER report.

266. Commencing in 2009-10, State Governments agreed with the Commonwealth under a 'Compact with Young Australians' to offer an 'entitlement' to an education or training place for all 15 to 24 year olds leading to Year 12 or equivalent qualifications. Entitlement places are mostly in schools or TAFE colleges, and are subject to admission requirements (which may include fees) and course availability. This was introduced in conjunction with the 'earn or learn' activity requirements that were introduced at this time for young income support recipients who lack Year 12 or equivalent qualifications (these prioritised education and training over job search, as discussed in a previous section of this report).

5.7(2) Disability employment services

267. The Disability Employment Network (DEN) and Vocational Rehabilitation Services (VRS) programs were reviewed alongside JSA during 2008, and subsequently replaced by a single Disability Employment Services (DES) system with two programs: the Disability Management Service program which corresponds to the former VRS program, and the Employment Support Service program which corresponds to the former DEN program. Thus, Disability Management Services are targeted to job seekers with a disability, injury or health condition who require the assistance of a disability employment service but are not expected to need long-term support in the workplace while Employment Support Services are targeted to those with a permanent disability and an assessed need for long term regular ongoing support in the workplace.

268. The changes to the DEN program were informed by an evaluation of the case based funding system for DEN services in 2007. This found that case based funding was fairer, and more efficient in improving employment outcomes, but the report was critical of an over-emphasis on service fees (which comprised 60 percent of total fees), the complexity and administrative cost of the assessments and fee structure (especially the requirement for a separate assessment tool to measure the needs of those in the employment maintenance phase), and the funding caps on provider caseloads. The evaluation also found

that the system was not well designed to meet the particular needs of people with psychiatric illnesses, who generally obtained the lowest employment outcomes (DEEWR 2007b).

269. The most significant change to the two programs was the decision to remove the funding caps on places for voluntary participants (mainly DSP recipients). This should lead to a progressive reduction in waiting lists. A number of features of the JSA fee structure were incorporated into the new program, including a 70% fee loading for remote areas and a 20% bonus payment for employment outcomes attained following qualifying training. The performance framework focuses on a combination of star ratings and quality indicators, including the legislated 'Disability Service Standards'.

270. The Disability Management Service program has one funding level only. CRS Australia will be allocated approximately 50 to 60 per cent of the total Disability Management Service business nationally. The Employment Support Service program has a simpler fee structure than the former DEN services. Four funding levels were collapsed into two. The payment structure is weighted more towards employment outcome payments as distinct from service fees. The separate assessment of the needs of those in the employment maintenance phase remains. Jobseekers are expected to complete the service within 18 months, with an additional six months of funding available where there is a demonstrated 'capacity to benefit'. Jobseekers who require 'Ongoing Support' to retain a job beyond the 26 week employment outcome payment will receive one of three support options, 'Flexible Ongoing Support' (available in both programs) or 'Moderate' or 'High Ongoing Support' (available in the Employment Support Service program only).

271. The Government intended to offer 65% of business share in Employment Support Service program contracts to high performing existing DEN providers and put the rest out to tender. However, providers did not support this option in consultations and existing contracts were rolled over.

272. In addition, tenders were called for a JobAccess program to provide an information and advice service on disability employment related matters to people with disabilities and employers. The service will also manage a new Employment Assistance Fund which replaces a set of previous workplace modification programs. The Fund offers financial assistance to employers for the costs associated with adjusting workplaces for employees with disability.

5.7(3) Assistance for deeply disadvantaged jobseekers

273. Pursuant to its Social Inclusion Strategy, the Government focussed attention on the needs of 'deeply disadvantaged' jobseekers (Gillard, Macklin & Stephens 2009) The target groups for these interventions include those with social barriers to work who receive Stream four services within JSA, and more generally jobseekers with 'multiple barriers to work' such as combinations of mental health problems, homelessness and/or family violence. Although this target group is not clearly defined, the Government is concerned that they form a growing minority of jobseekers and believes that they need new forms of service interventions.

274. The Government has conducted a series of pilots of new service delivery models to assist these jobseekers. A common theme is the idea of 'joined up servicing' where a range of specialist services collaborate to meet the complex needs of specific target groups. Another key theme is an emphasis on locally driven solutions to the problems of regions with high levels of joblessness.

275. A 'Local Connections to Work' program is being trialled, initially in four regions with high unemployment. The target groups are young people disconnected from employment and training and very long term unemployed adults (five years plus). These jobseekers are selected from local Centrelink registers for a joint interview with Centrelink case managers and their employment service provider

(usually JSA, DEN or VRS). The interviews, which proceed from a 'strengths based approach' are more intensive and open ended than the usual Centrelink or employment service provider interviews. Their purpose is to better understand the aspirations and barriers to employment of each jobseeker so that they can be connected to relevant local services. Further interviews follow to discuss the jobseeker's progress with those services, and towards employment. An innovative feature of these trials, borrowed from the New Zealand 'Community Link' program, is the location of local community service staff (including employment services, health and housing services) within the Centrelink office on a rotating shift basis, to improve the accessibility of these services (DHS website accessed at 21/12/10 at www.dhs.gov.au/publications-policies-and-plans/annual-reports/0910/chapter02/03.html).

276. The 'Family Centred Employment Project' is being trialled in three regions with high levels of unemployment. It adopts a community development approach as well as a case management approach to servicing. Its target group is parents and carers in local communities identified as deeply disadvantaged, such as African refugee communities. The purpose of the trials is to assist parents and carers to improve their employment prospects by working with individuals, their families and communities to identify their strengths and barriers to work and develop a local service model to assist them. This includes, for example, individual and family counselling, linking parents and carers to services such as child care, and work with groups of jobseekers to encourage them to support each other in their efforts to secure employment (DEEWR website accessed at 21/12/10 at www.deewr.gov.au/employment/Pages/FCEP.aspx).

277. An earlier initiative to bring specialist services together to assist deeply disadvantaged jobseekers was taken by the previous Government in 2007, when AUD 5 million was allocated for projects to trial a new model of employment assistance for people with mental illness, as part of a 'National Action Plan on Mental Health'. The Queensland Centre for Mental Health Research was contracted to coordinate a 10 site Trial of the Individual Placement and Support (IPS) model of employment assistance for people with mental illness for three years from 2007. The main target group was people with severe mental illness or psychiatric disability such as schizophrenia or bipolar disorder. The key features of this model were collaboration between Disability Employment Network services and State Government mental health services, and an emphasis on assisting people with mental illness into employment as soon as possible and supporting them to keep the job (Stone 2007). The trials encouraged more widespread experimentation with the IPS model (Bowman and Taylor 2010).

6. The impact of activity requirements and the compliance system on jobseeker engagement and employment

278. Systems of 'activation' or labour market engagement of income support recipients include the following elements: activity requirements linked to payment eligibility, monitoring of compliance, sanctions for non-compliance, and advice and assistance to secure employment. Key challenges for policy makers in designing systems of activation include striking the right balance between policies that:

- are strict and comprehensive enough to deter people who can obtain work from remaining on income support but not so severe that jobless people in need of income support are discouraged from applying or placed in financial hardship;
- are fair and consistent and keep people engaged with the labour market while responding to individual barriers to work and labour market circumstances;
- provide individual assistance yet are cost effective.

279. This part of the report focuses on the effects of activity requirements, their monitoring, and sanctions for non compliance. The next part deals with the effects of employment assistance. Clearly, these two dimensions of the overall system of activation are closely integrated so that it is often difficult to identify their effects separately. Thus, the analysis in the next two parts of the report overlaps in places,

and there is a linking section dealing with activity requirements and the efficiency of employment assistance.

6.1 Effects of activity requirements on newly-activated jobless people

280. Evidence from international studies suggests that the imposition of activity requirements or sanctions for non-compliance where none previously existed, and improved monitoring and enforcement of poorly enforced requirements can substantially increase exits from income support to employment (Dolton & O'Neill 1996; Wells 2001; Van den Berg & Van der Klaauw 2001; Van den Berg, van der Klaauw, & Van Ours 1998).

281. This view is supported by Australian evaluations, though it is difficult to disentangle the effects of activation in itself from those of employment assistance.

6.1(1) Effects of the introduction of Newstart interviews and activity agreements

282. In 1991, 'Newstart interviews' were trialled in 1991 for Australians who had received unemployment payments for 12 months. The interviews focused on 'activity agreements' which included active job search and referrals to training and work experience programs where appropriate. Previously, long term unemployed people faced the same job search requirements as other unemployment payment recipients, but in the absence of regular in depth interviews with the Commonwealth Employment Service they were not rigorously enforced. On average, even among those who did not receive further assistance from labour market programs (such as vocational training) long term unemployed people who participated in Newstart interviews were 8% more likely to be employed six months later than a similar group who were not interviewed. This impact is of a similar magnitude to the effects of the introduction of the equivalent Restart interviews in the UK (Kalisch 1991; Dolton & O'Neill 1996, *op. cit.)*.

6.1(2) Effects of the 'Welfare to Work' policy on sole parents and people with disabilities

283. The extension of job search requirements to sole parents with school age children and people with a 'partial capacity to work' under the Welfare to Work policy appears to have significantly increased exits from income support, the majority of which (over 70%) were to employment (DEEWR 2008g).

284. The official evaluation of the Welfare to Work policy did not separately assess the impact of the policy on employment outcomes, the incomes of those affected, or their ability to combine job search and caring responsibilities (though the impact of employment programs on incomes is not generally a major focus of Australian evaluations). By contrast, these dimensions of the impact of Welfare to Work policies affecting sole parents in the United States have been examined in detail in both official and independent academic studies (Schoeni & Blank 2000).

285. The official evaluation of Welfare to Work used a 'natural experiment' method to compare exits from income support over a twelve month period after the Welfare to Work policy was introduced in 2006 with exits one year prior to the change (DEEWR 2008g).

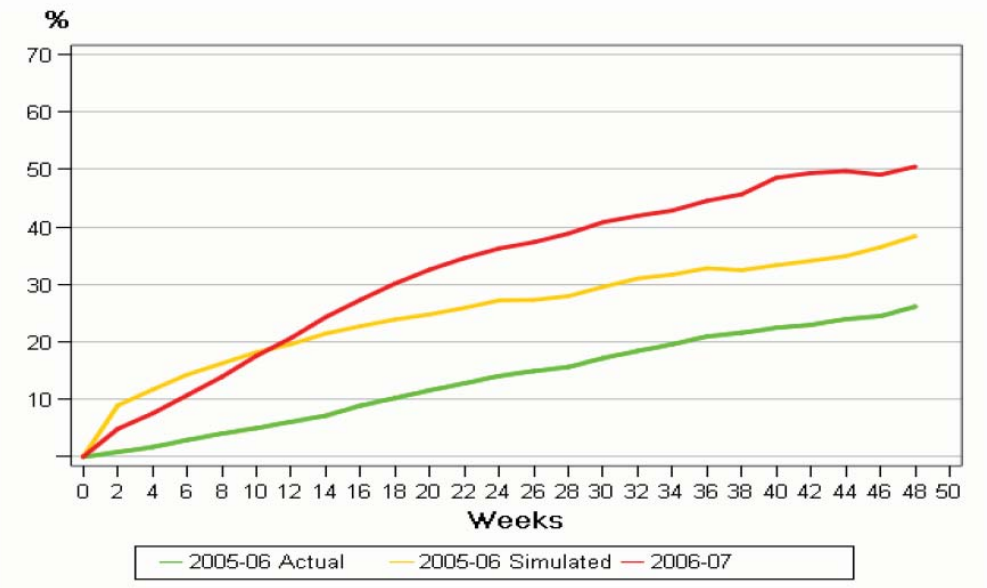
There were two groups of sole parents affected by the new activity requirements in 2006:

1. new applicants for income support after July 2006 whose youngest child was over eight years old who were diverted from Parenting Payment Single to Newstart Allowance – which was paid at lower rates and had a tighter income test as well as activity requirements;

2. new applicants whose youngest child was aged six to seven years, who obtained Parenting Payment Single but faced similar activity requirements.[13]

286. The evaluation controlled for the impact on payment exits of the tighter income test applying to Newstart Allowance compared with Parenting Payment Single. It found that one year after the policy change, the proportion of sole parents off income support six months after commencing payments rose by 12 percentage points for those sole parents diverted to Newstart Allowance (those in the first group identified above), and by 11 percentage points for those who remained on the higher Parenting Payment Single payment but nevertheless faced identical activity requirements (the second group) (DEEWR 2008g, pp36, 37). Figure 17 shows the results for those who received Newstart Allowance instead of Parenting Payment (the first group identified above). The impact of the policy is estimated to be the gap between the top two lines in the graph.

Figure 17. **Exits from NSA in 2006-07 compared to exits from PPS in 2005-06 — single principal carer parents with youngest child 8-15 yrs**



Note: '2005-06 Actual' refers to exits from PPS in the year prior to the policy change. '2005-06 Simulated' refers to the estimated rate of exits from income support if the more stringent NSA income test had applied to the PPS payment in the year before the Welfare to Work policy was introduced. '2006-07' refers to exits from NSA for sole parents affected by the policy after July 2006. The impact of the policy change was thus estimated to be the difference between the top and middle lines.

Source: DEEWR (2008g), Welfare to Work evaluation, p36

287. The estimated impact of the Welfare to Work policy on exits from income support was therefore similar for those single single who stayed on the more generous PPS, and those with older children who experienced a significant reduction in their benefit level. This suggests that the employment impact did not come mainly from the shift to the lower Newstart Allowance payment, but rather from the new activity requirements and the employment programs to which sole parents were referred. That is, setting aside the effects of the more generous income test for Parenting Payment Single, similar rates of exit from income

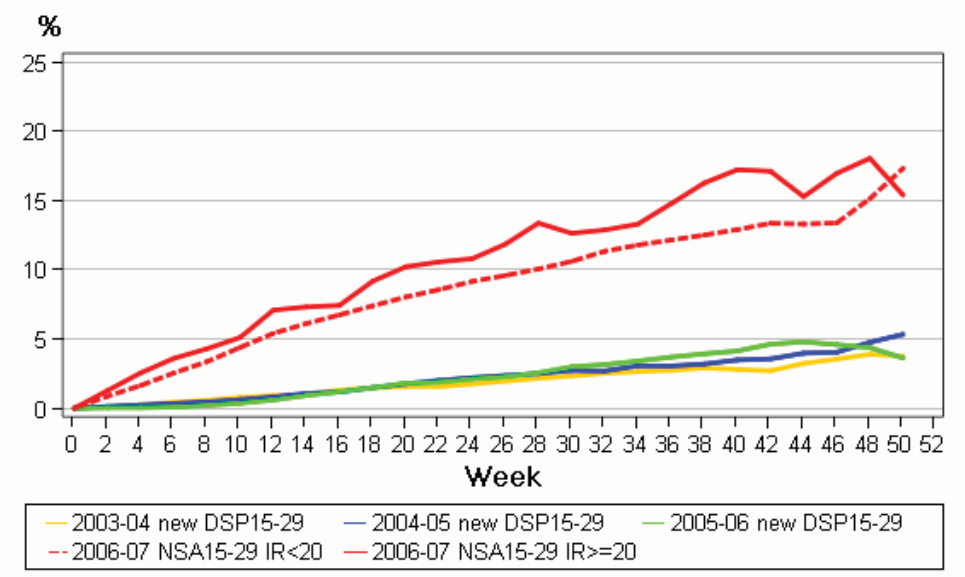
13. Existing recipients of Parenting Payment Single whose youngest child was six years or over remained on that payment but faced similar activity requirements from July 2007 (the effect of which was not assessed by the evaluation). Partnered parents whose youngest child was aged six years or over were also subject to the same activity requirements, but there were no changes to their income support rates or income tests as those for the Parenting Payment Partnered payment were identical to Newstart Allowance.

support occurred whether sole parents were diverted onto the Newstart Allowance or were instead 'activated' on the higher Parenting Payment Single payment.

288. Following the introduction of the Welfare to Work policy there was also a substantial decrease in entries to income support among sole parents. In 2006–07, commencements by single principal carers (with no earnings) of school age children on Newstart Allowance were 44% below the previous year's commencements on Parenting Payment Single among a demographically similar group (DEEWR 2008g, p22). Although there was an increase in commencements by sole parents on other payments such as DSP and Carer Payment, as discussed later, this was small in comparison to the total number of claims not pursued in response to activity testing. Six months after the notification that participation requirements would be applied, the apparent impact on the percentage that had transitioned to the latter payments was only 0.5 percentage points of the single parent caseload.

289. The Welfare to Work policy also closed access to the DSP for those new income support applicants with disabilities who after July 2006 were assessed as having a 'partial capacity to work' (an ability to work between 15 and 30 hours a week). The default option for this group was also Newstart Allowance, where new activity requirements applied. Exits from income support after six months among new claimants with a partial work capacity rose by 10 percentage points compared with those of a comparable group who had entered DSP the year before, but this was off a very low base. Only 2% of the 2005-06 comparison group of DSP recipients had left income support after six months on that payment (DEEWR 2008g, p50). Figure 18 shows these results. The impact of the policy was estimated to be the gap between the top unbroken line and the three bottom lines.

Figure 18. **Effect of Welfare to Work on exits from income support (NSA in 2006-07 compared to DSP in 2005-06) — people with a partial capacity to work**



Note: The bottom lines show outcomes for DSP recipients with a partial capacity to work under the pre-Welfare to Work regime. The top line shows outcomes for a comparable group on Newstart Allowance post Welfare to Work. The impact of the policy is thus estimated to be the gap between the top two unbroken lines.

Source: DEEWR (2008g), Welfare to Work evaluation, p51.

290. In contrast to the impact of the Welfare to Work policy on sole parents, the policy had no discernable impact on entry to the DSP payment, despite the seemingly tighter eligibility requirements (DEEWR 2008g, p31) Possible reasons for this identified by the Welfare to Work evaluation included

increased entries to DSP by income support recipients no longer eligible for other payments such as PPS and the increased incidence of JCAs which may have encouraged more people to apply for the pension.

6.1(3) Potential impacts of further extensions of activity requirements

291. The impact of activation on groups with no or poorly enforced requirements suggests that there may be benefits in closing remaining 'gaps' in activity requirements for those who might reasonably be expected to seek or prepare for employment. One such potential 'gap' is the lack of activity requirements for those with a partial work capacity who were 'grandfathered' on the DSP by the Welfare to Work policy, whose circumstances are similar to those of new applicants for income support after 2005 who were diverted to Newstart Allowance. One barrier to the extension of the 2006 Welfare to Work policy to this 'grandfathered' group is the growing gap between the NSA and DSP payment rates (at February 2011 this was AUD 123 per week for a single adult), which raises questions about the equity of shifting people with disabilities onto the lower payment. Further, if job search requirements applied to this group while they still received the DSP (as was the case for existing PPS recipients in 2006), they face the risk of having to rely on Newstart Allowance if they leave income support and subsequently lose their job. There is evidence to suggest that this risk discourages DSP recipients from seeking employment or participating in employment programs voluntarily (DEWR 2005). A number of policy changes have been made to ease this concern. Eligibility for DSP is preserved for a two year period where recipients obtain employment that might otherwise disqualify them and DSP eligibility is no longer automatically reviewed when a person with a disability volunteers for employment assistance (Australian Government 2009).

292. In contrast, sole parents with school age children who were grandfathered on PPS are activity tested while on the higher 'pension' payment, and the effects of activation appear to be similar to those for sole parents diverted to Newstart Allowance. A potential barrier to workforce participation for this group is that if they obtain three month's continuous fulltime employment at around the average wage or above they may lose entitlement to Parenting Payment Single (due to the PPS income test) and subsequently move to the lower Newstart Allowance if they lose the job. The difference between PPS and Newstart Allowance for an adult in February 2011 is AUD 62 per week.

293. Whiteford has suggested that the future job prospects of principal carers on Parenting Payment could be improved if they were required to undertake training and work preparation activities (while on that payment) before their youngest child reaches six years of age (Whiteford 2009).

294. Some Newstart and Youth Allowance recipients face activity requirements that are either very modest or likely to be poorly monitored. As discussed previously, they include mature age unemployed people (who can meet their requirements through voluntary work or combinations of voluntary work and part time employment) long term unemployed people in the Work Experience phase of the JSA program and those in Stream one of that program (since providers have limited resources to interview them and engage them in employment programs such as work experience and training).

6.2 Effects of more activities on those already activity-tested

295. The impact of activation measures appears to be commensurate with the change in overall intensity of activation. Once a group of income support recipients is subject to a range of activity requirements that are regularly monitored and effectively enforced, the addition of 'low intensity' activation measures such as another interview may make little or no difference to employment outcomes (OECD 2005, Employment Outlook, p191; Van den Berg & Van der Klaauw 2001). For example, the successor of Newstart activity interviews in Australia - the 'nine month review interviews' for recipients of unemployment payments that were in place from 1996 to 2000, were found to have no significant employment impact (Borland & Wilkins 2003) These interviews were similar to the Newstart interviews

they replaced but they were brought forward three months into the payment spell. As indicated previously, by the late 1990s activity requirements and compliance systems were much stricter than in 1991 when the Newstart interviews were introduced.

296. Similarly, a 'contact model' introduced in 2006 to increase the frequency and intensity of Centrelink interviews with jobseekers on unemployment payments had only modest effects on exits from income support. The greatest impact – a 1.4 percentage point increase in exits at the end of a seven month trial – was experienced by income support recipients who were required to visit Centrelink fortnightly in place of less frequent arrangements (for example four or six weekly). In addition, their interviews were longer and reporting of job search efforts was more comprehensive (DEEWR 2007c).

297. 'Activation effects' may also be weaker for those who face greater hurdles to employment, unless accompanied by assistance to overcome barriers to work. The introduction of a Job Seeker Diary for unemployed people to report their job search efforts in detail to Centrelink had weaker employment impacts among long term unemployed people than short term unemployed people (Borland & Tseng 2003). Regardless of the impact of activation on the most disadvantaged jobseekers, their job prospects may still be limited. For example, Figure 18 indicated that in 2006-07 over 80% of people with a partial work capacity on Newstart Allowance who were required to seek part time employment were nevertheless out of work and on that payment for at least 12 months.

6.3 Attendance at interviews

298. Along with referrals to jobs, one of the staples of Australian activation policy is regular interviews and referrals to activities that are designed at least in part to test compliance with activity requirements. These interviews are also the key gateway to employment assistance programs. As discussed previously, this was a hallmark of the Active Participation Model of the Job Network from 2003 to 2009 (APM). While it was not possible to measure the overall impact of the APM model on contacts with Centrelink and Job Network providers, referrals to employment programs, and subsequently on employment or exits from income support, official evaluations did attempt to estimate the impacts of specific policy changes introduced after 2003.

299. In 2005 (and subsequently), a 'Rapid Connect' process was implemented in which new applicants for unemployment payments were referred to their first Job Network interview much quicker - within two days of their first Centrelink appointment instead of 14 days under the previous system. Rapid connect was intended to reduce claims for income support, increase attendance rates at the first Job Network interview, and bring forward job referrals. The official APM evaluation found that 69% of Rapid Connect jobseekers attended their first Job Network interview within two weeks compared with 62% under the previous arrangements, and that a higher proportion (63% compared to 58%) attended the interview once scheduled (DEEWR 2007a, p24). Only 57% of those referred under Rapid Connect went on to claim income support compared to 73% previously, though the evaluation does not indicate how many of those not taking up income support found employment. A slightly higher proportion (4.3% compared with 1.1%) of Rapid Connect jobseekers obtained employment within the first two weeks than was previously the case. A significant disadvantage of the Rapid Connect process, however, was that initial assessment and advice to jobseekers about employment assistance was rushed and the process left little scope for jobseekers to make an informed choice of provider. This could lead to poor matching of jobseekers with providers, and a negative initial impression of employment services, especially if the level of service jobseekers receive early in the unemployment spell is generally low. These factors were not assessed in the APM evaluation, but a Government Audit report indicated that jobseekers had inadequate information to exercise choice of provider; (ANAO 2005b)..

300. The APM model was designed to increase the frequency of contact between Job Network providers and jobseekers, especially in the Customised Assistance phase, in order to keep jobseekers engaged with the labour market and maximise 'compliance effects' (also called 'tree shaking') where jobseekers not actively seeking a job or in undeclared employment are either identified or leave the system. For example, during the first three months of the first phase of Customised Assistance, fortnightly contact was generally mandated by the Employment Department in employment services contracts. However, in practice the frequency of contact with jobseekers declined after the introduction of Customised Assistance compared with the previous system of Intensive Assistance. For example the proportion interviewed at least fortnightly fell from 70% to 52%, though this included the last three months of Customised Assistance when only monthly contact was mandated (DEEWR 2007a, p84). The evaluation of the APM model reported that there was no evidence that the lower frequency of contact had an impact on the services provided to jobseekers. One possible reason for the reduction in contacts with jobseekers in the APM model of the Job Network is that providers found that increasing the number of interviews also increased the resources they had to devote to rescheduling them and submitting Participation Reports when jobseekers failed to attend (discussed below).

301. An attempt was made to measure and interpret compliance effects arising from the transition of jobseekers to the new APM system at the commencement of the third Job Network contracts in 2003, which illustrates the difficulty of accurately measuring those effects in the absence of random assignment trials or a 'natural experiment'. As indicated previously, the majority of jobseekers had to change providers following this employment services tender. All existing Job Network clients were advised by mail to attend an initial interview with their provider (whether or not their provider changed at this time). About six months after the commencement of the transition process for jobseekers, 22% of activity tested jobseekers had failed to attend. Based on estimates of the proportions of jobseekers who left income support on receipt of the letter (between-0.7% and 1.4% each month), DEWR estimated that AUD 30-60 million a year would be saved in income support expenses through compliance effects arising from the transition process. However this was contested by the Department of Family and Community Services (responsible for income support payments at that time) which estimated a saving of a little over AUD 1 million a year. The Government Audit Office concluded that it was difficult to assess whether the initially high rate of no-shows was due to deliberate avoidance of activity requirements or poor initial engagement of jobseekers with the transition process (ANAO 2005b, p116-119). Evidence for the latter interpretation included improved attendance rates after Centrelink followed up the letters by contacting jobseekers directly, when jobseekers were advised of interviews closer to the date of the appointment, and when income support payments were suspended until the jobseeker attended (ANAO 2005b, pp101-102).

302. The effect of referral methods on attendance rates at employment service interviews was also evidenced by changes in attendance rates at Job Search Training sessions. Prior to March 1999, jobseekers were referred to these courses by Centrelink and attendance rates exceeded 50%. Subsequently, a system of 'automated referral' was introduced to speed referrals after providers indicated that they were not receiving the number of referrals anticipated when they tendered. The new system relied on letters generated by the Employment Department rather than personal contact with Centrelink. More jobseekers were referred but attendance rates fell quickly to less than 30%, in part because there was no intermediary organisation to contact jobseekers, assess the appropriateness and timeliness of referral and to personally encourage them to attend (DEWR 2002b, p46*).*

303. Conversely, the replacement of automated referral to Work for the Dole interviews with a more personalised system substantially improved attendance rates. Prior to 2002, when jobseekers were referred to the program by letters generated by the Employment Department, only 20% attended. After 2003, Job Network providers referred them directly to the program, taking greater care to match jobseekers to an appropriate project, and the attendance rate rose to 70% (DEWR 2006a, p11).

304. Non-attendance at employment service interviews was a persistent problem throughout the APM model, and remains so. Slightly over half of scheduled Customised Assistance appointments were attended by the jobseeker between 2003 and 2006, and the proportion attending interviews was even lower at earlier stages of the APM continuum, for example around 40% for Job Search Training (DEEWR 2007a, p27; DEWR 2006c, p26). In the first three quarters of the new Job Services Australia system, the average attendance rate at JSA interviews was 58%, slightly higher than the last year of the Job Network at 56% (Disney, Budduls & Grant 2010).

305. The reasons for non-attendance were often unrelated to deliberate avoidance of activity requirements. By 2006, 36% of jobseekers receiving Job Network assistance were not activity tested (for example, they were not on income support or received a non activity-tested payment) and were not therefore required to attend (DEEWR 2007, *op. cit.*, p21). A survey in 2004 of jobseekers who failed to attend an interview found that the main reasons given included that the jobseeker was unaware of the interview (11%), had found employment (27%), forgot or did not wish to attend (13%), and personal reasons such as illness or family reasons (31%). Separate research by the Employment Department found that groups over-represented among those who failed to attend an interview included Indigenous people, young people, single people and those with less than Year 10 education (DEEWR 2007a, pp 27-28) Significantly, these characteristics were either associated with low 'net impacts'[14] on exit from income support from participation in the Job Network (in the cases of youth and single jobseekers - see DEEWR 2010a) or with low rates of transition to employment among program participants generally (in the cases of Indigenous jobseekers and those with low education). It is not clear whether causation ran in the direction of disengagement from the program leading to poorer outcomes, or social disadvantage and/or poor program design to meet the needs of these jobseekers leading to low rates of attendance.

6.4 Compliance system and sanctions

306. The vast majority of breaches of activity requirements during the APM model represented failures to attend Centrelink or employment service provider interviews rather than inadequate job search or non-participation in activities such as training or Work for the Dole once the jobseeker was engaged with the service (DEEWR 2007a). This continued to be the case with the new compliance system introduced in July 2009, as 75% of participation failures from July 2009 to March 2010 were failures to attend interviews (ACOSS 2010).

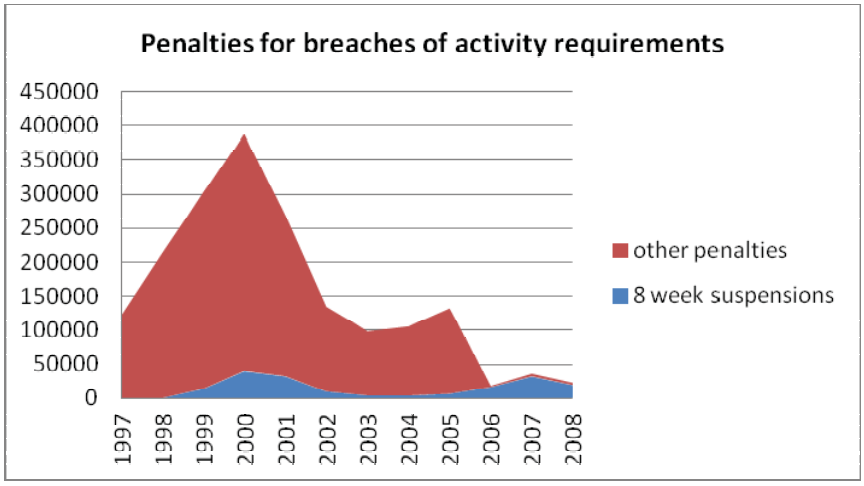
307. Young people and Indigenous people continued to be over-represented among those breaching requirements. In the last three quarters of the APM model (2008-09), 64% of participation failures were attributed to young people under 30 years and 13% to Indigenous people. In the first three quarters of the new system (from July 2009) 70% were attributed to young people (who represent 44% of Newstart and Youth Allowees) and 16% to Indigenous people (ACOSS 2010).

6.4(1) The APM compliance regime

308. There have been sharp fluctuations in the number of financial sanctions imposed for activity test breaches since the late 1990s (Figure 19).

14. The difference between 'net' and 'gross' impacts is discussed later in this report.

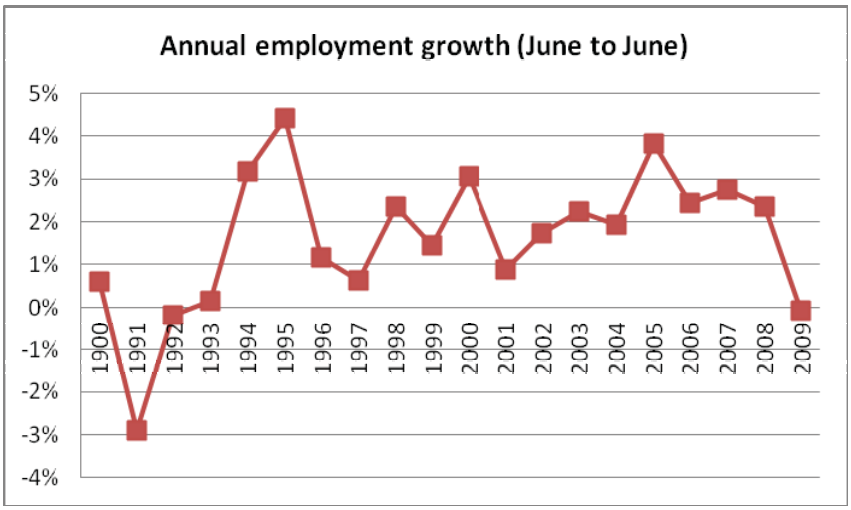
Figure 19. **Penalties for breaches of activity requirements**



Source: DEEWR (2010b), Submission to Independent Inquiry into the jobseeker compliance framework.

309. The peaks in application of sanctions in 2000 and 2005-2007 (for eight week payment suspensions and other lesser penalties) correspond to peak years of employment growth (Figure 20). This suggests that by legislative change or administrative decisions, policy makers tightened the compliance system at times when they considered that jobs were relatively easy to obtain.

Figure 20. **Annual employment growth**



Source: Australian Bureau of Statistics Labour Force survey

310. The impact of sanctions on employment outcomes and exits from income support has not been comprehensively evaluated, though there is evidence to suggest that suspension of payments until a jobseeker attends an interview, an approach recommended by the OECD in its 2001 report on labour market in Australia, was effective in improving compliance (OECD 2001). When this system was first introduced in 2003-04, the APM evaluation found that suspensions increased the probability of attendance

at rescheduled Job Network interviews from 62% to 70%, provided the appointment was rescheduled within two days (DEEWR 2007a, p30).

311. However the doubling of eight week payment suspensions from 16,000 in 2006 to 32,000 in 2007 raised concerns among community organisations about the potential for financial hardship and disengagement among jobseekers (ACOSS 2010). A jobseeker survey conducted in 2008 by the Employment Department found that (DEEWR 2010b, p2):

- over 50 per cent of job seekers serving eight week penalties had failed to pay rent or board on time during the penalty period (compared to around 20 per cent of the general job seeker population) and around 15 per cent of this group were evicted;

- although around 50 per cent of job seekers who incurred an eight week penalty were more motivated to find work, around 75 per cent reported that having no income support made it harder to look for work, with over 50 per cent reporting that it made it a lot harder.

312. The Employment Department was also critical of an over-reliance on eight week suspensions to enforce compliance on the grounds that there was often a considerable delay (of up to two years) between the breach and imposition of a financial penalty. Under the APM compliance system, a jobseeker could avoid financial penalty until three breaches were incurred over a two year period For example, they might initially fail to attend an interview and subsequently attend two interviews nine months apart without penalty, and then be penalised for the first time for failing to attend a third interview 9 months later. Thus, the connection between the behaviour leading to the penalty and the penalty itself was often very weak (DEEWR 2010b). In the new compliance regime, the initial failure to attend (called a connection failure) should be quickly followed by a reconnection requirement. If the jobseeker still fails to attend, payments are suspended until compliance occurs.

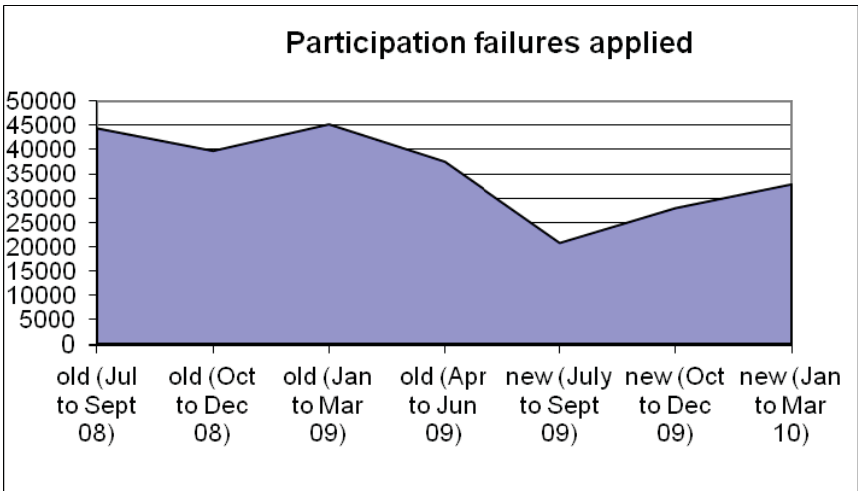
6.4(2) The current compliance regime

313. In response to these concerns the Government introduced a new compliance regime from July 2009 which was designed to sanction participation failures earlier through 'reconnection' and 'no show no pay' penalties, and to reduce the incidence of the 'eight week suspension' penalties that applied for repeated participation failures, although it should be noted that a form of reconnection penalty existed in the APM compliance system (O'Connor 2008).[15] The intent of the changes was to establish a clear and timely link between a breach of requirements and a sanction, to shift the emphasis from punishment to re-engagement, and to reduce the incidence of hardship arising from eight week payment suspensions (DEEWR 2010a). In particular, non attendance at an appointment or non participation in a program might not have been sanctioned for over a year under the previous system (after Centrelink registered three participation failures) whereas under the new system any penalties for these breaches of activity requirements were more likely to be applied within two payment periods (four weeks) of the breach.

15. As discussed previously, a 'participation failure' is a breach of activity requirements (for example a requirement to participate in a program as specified in a jobseeker's 'Employment Pathway Plan'). A 'connection failure' is a failure to attend an appointment with an employment service provider or Centrelink; a 'reconnection failure' is a failure to attend a subsequent rescheduled appointment, and a 'no show no pay' failure refers to non attendance at a scheduled activity such as a Work for the Dole program. While connection failures are not sanctioned, reconnection failures may result in temporary suspension of payments and 'no show no pay' failures attract a penalty of a loss of payment for each day of non-attendance. A 'serious failure' includes leaving a job without good reason, refusing a suitable job offer, or 'persistent' connection, reconnection or non show no pay failures breaches (generally, at least three in a six month period). A serious failure may attract a penalty of eight week's loss of payments.

314. It is too early to assess the effect of the new system on compliance with requirements or financial hardship, especially considering that the transition to a new employment assistance system at the same time was likely to affect both jobseeker compliance with requirements and provider monitoring of compliance. Early data from the new system indicates that the overall number of participation failures applied by Centrelink declined sharply, though it is rising again as the new employment services and compliance systems 'bed down' (Figure 21).[16] The reduction in the number of participation failures applied reflects a lower number of participation reports rather than an increase in rejection rates by Centrelink (Disney, Budduls & Grant 2010). This may be due to a combination of improved compliance (though the improvement in the attendance rate at provider interviews was very modest – for example the overall attendance rate at JSA provider interviews rose from 56% in the last year of the Job Network to 58% in the first year of the new system[17]) and the new discretion available to employment service providers not to submit a Participation Report where they do not consider it appropriate to do so.

Figure 21. **Particpation failures applied**



Note: 'old' refers to previous (APM) compliance system, 'new' refers to current system. 'Participation failures' are breaches of activity requirements as discussed in the text, which may or may not be sanctioned. 'Applied' refers to a decision by Centrelink to confirm a Participation Failure.

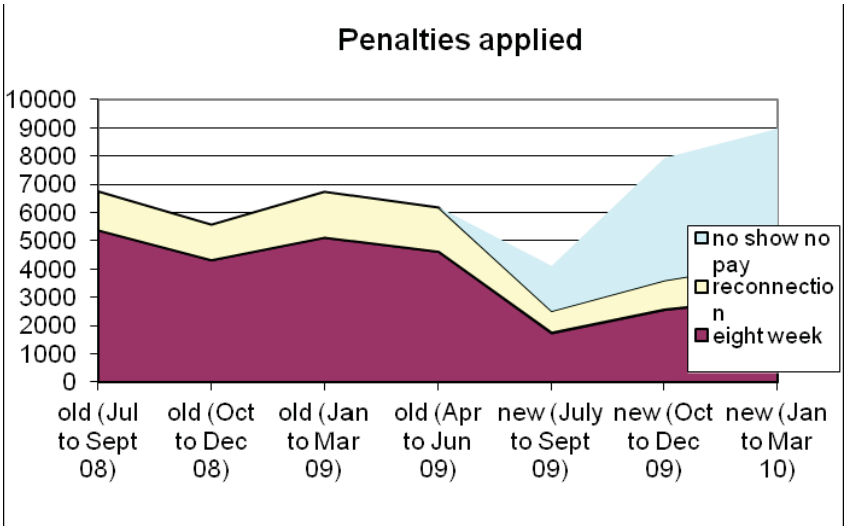
Source: ACOSS 2010, Submission to independent review of the jobseeker compliance framework, derived from DEEWR compliance data available from the www.deewr.gov.au website.

315. Figure 22 tracks the number of breaches of requirements rather than penalties (since some participation requirements such as connection failures do not attract a penalty). Figure 22 shows trends in the number of financial penalties applied just before and after the transition to the new compliance regime. It is clear that in the short term at least the composition of financial penalties has changed, with a shift away from eight week suspensions and towards more immediate lesser penalties as the policy intended.

16. Centrelink has legislative delegations to determine whether a failure will be registered ('applied'). This is often based on information from an employment service provider given through a 'Participation Report', though Centrelink may disagree with the provider's assessment (for example whether the jobseeker had a 'reasonable excuse' for not attending an appointment) and decide not to 'apply' the participation failure in that case.

17. Disney, Budduls & Grant 2010, p55.

Figure 22. **Penalties applied**



Note: 'old' refers to previous (APM) compliance system, 'new' refers to current system

Source: ACOSS 2010, *op. cit.*, derived from DEEWR compliance data

316. Individuals respond to benefit compliance systems in different ways and it is desirable to adapt the system to these differential responses. In the first three quarters of the new compliance system, 6% of jobseekers accounted for 52% of participation failures confirmed by Centrelink (Disney, Budduls & Grant 2010). A minority of jobseekers who knowingly avoid seeking employment or who have undeclared work are likely to understand the compliance system relatively well and attempt to manipulate it, for example by giving a series of plausible excuses for non-attendance at interviews. On the other hand, another group of jobseekers face major barriers to compliance with activity requirements such as a mental illness, homelessness, or an intellectual disability. For example, in the March quarter of 2010, 21% of jobseekers were identified by Centrelink through its system of 'Vulnerability Indicators' as having barriers to employment of this kind (Disney, Budduls & Grant 2010). These jobseekers are less likely to understand how the system works and less likely to respond in a planned and conscious way to compliance signals such as a notice to attend an interview or a warning from Centrelink.

317. One mechanism in the new compliance framework that was designed to distinguish between these two causes of persistent participation failures is the Comprehensive Compliance Assessment (CCA) – a detailed assessment by Centrelink of the compliance history and current circumstances of jobseekers who potentially face an eight week payment suspension for repeated beaches of activity requirements. The CCAs appear to have had a substantial impact on decisions to impose these penalties. In the first three quarters of the new system, 42% of cases referred for a CCA resulted in a Job Capacity Assessment and 13% resulted in a change in the jobseeker's Employment Pathway Plan, rather than the automatic application of an eight week payment suspension that would have applied previously. This suggests that CCAs identified barriers to employment that were not fully taken into account by employment service providers or Centrelink previously.

318. The independent review of the compliance framework proposed that further steps be taken to better discriminate between deliberate non-compliance from non-compliance arising from barriers to work or a lack of understanding of the system. These included strengthening the system of Vulnerability Indicators, more sharing of information between Centrelink and employment service providers on the circumstances of jobseekers, and the introduction of case conferences between these two agencies where

five participation failures are recorded within a 12 month period. The logic of these proposals is to improve risk management so that the compliance system focuses on deliberate and serial non-compliance (Disney, Budduls & Grant 2010, p52).

319. A well designed compliance regime is essential to reinforce activity requirements and keep social security recipients engaged with the labour market and programs that might help them find a job. However, the compliance system alone is unlikely to resolve the underlying causes of breaches of activity requirements, which are not well understood. In particular, a better understanding is needed of the reasons for high rates of non-attendance at interviews by young people and Indigenous people.

6.5 Activity requirements and the efficiency of employment assistance

320. The relationship between activity requirements and the efficiency of employment assistance is complex. Activity requirements, compliance systems and employment assistance can be mutually reinforcing and they can also work against each other. Low participation rates by income support recipients in voluntary programs such as the former Jobs Education and Training (JET) program for sole parents and disability employment services imply that compulsory activity requirements connect recipients with employment assistance who would not otherwise benefit from it.[18] On the other hand, 'extrinsic' drivers to participation in employment programs (such as financial sanctions) may displace more effective intrinsic drivers such as the desire to find a secure job (Homel & Ryan 2010). Also, employment service providers may find that standardised activity and compliance requirements displace their efforts to negotiate with each jobseeker the best individual pathway to employment, and jobseekers who are given little choice over the form of employment assistance they receive may not engage fully with the service (O'Connor 2008, p7). In these circumstances, investment in employment assistance will not be cost effective.

321. One way to overcome these tensions between activation and effective employment assistance is to leave room for jobseekers in conjunction with their providers to exercise choices over the form that activity requirements and employment assistance will take. This is the underlying principle behind giving jobseekers choice of provider, individual activity agreements, and outcomes based financing of employment services. As indicated previously, the APM model circumscribed choice of provider by giving jobseekers very little time and information to make an initial choice and then limiting their options to change provider. The JSA system still requires jobseekers to choose their provider within a few days of the initial Centrelink interview, but as discussed previously it significantly increases the scope for jobseekers to change providers.

322. Australian policy makers have attempted to balance activation with flexibility in the provision of employment assistance by prescribing regular intervals of intensive employment-related activity throughout the unemployment spell, but (to varying degrees) leaving it to employment service providers and jobseekers to determine the precise content of that activity.

323. Compared to earlier iterations of the Job Network, the standardised service continuum of the APM model limited scope for jobseekers and providers to negotiate individually tailored activity

18. For example, in 1992, 30% of recipients of Sole Parent Pension participated in the (voluntary) Jobs Education and Training program, which was strongly marketed to recipients of that payment and was directly administered by Centrelink. (Department of Social Security 1992). In April 2009 there were only approximately 56,000 voluntary participants (mainly DSP recipients) in the Disability Employment Network and Vocational Rehabilitation Services programs, out of a total of more than 700,000 DSP recipients (DEEWR 2009, Response to Senate Education Employment and Workplace Relations committee, to Question on Notice EW0033_10). However, that this underestimates demand for these disability programs because at that time the number of places in these programs were capped.

agreements. For example, jobseekers were required to participate in a three week fulltime Job Search Training course after three months' unemployment regardless of whether they were likely to benefit from this. Other stages of the continuum struck a better balance between keeping jobseekers engaged with the labour market through activation and giving jobseekers and providers room to negotiate pathways to employment that suit individual circumstances. For example, Customised Assistance included a period of intensive employment related activity but the details were left for providers and jobseekers to determine. The main constraints on providers in negotiating Customised Assistance activities with jobseekers were limited resources (including consultant caseloads and the availability of Job Seeker Account credits, though as noted previously the latter were often underspent) and the requirement to interview jobseekers fortnightly during the first three months of that phase of the continuum. Since only half of these interviews were attended by jobseekers (as discussed above), considerable provider resources were devoted to efforts to reschedule interviews and initiate compliance procedures. As discussed previously, aside from compliance effects it is not clear that more frequent interviews of themselves increased jobseeker employment prospects.

6.5(1) Mutual obligation

324. Similarly, the Mutual Obligation (MO) requirements combined an element of jobseeker choice of activity with the compliance effects of referrals to programs such as Work for the Dole. Work for the Dole was only one option available to jobseekers to meet MO requirements, though it was the default option for those who did not choose an alternative. Other options included vocational training, part time employment, and voluntary work. MO operated as a sorting mechanism where jobseekers able to find work who wished to avoid the requirements left income support before commencement, those in a position to choose an option they felt would assist them to secure a job did so, and those unable to do so were referred to Work for the Dole. Recent official estimates of the net impact of the MO system as a whole on the probability of employment and of leaving income– including the compliance effects of initial referral to MO support 12 months after commencement of MO found that it had a similar impact to Customised Assistance[19]. However, apart from Lim's research discussed below, no studies have examined its impact as a sorting mechanism, the distribution of MO participants between the various program options and the relative effectiveness of the options pursued.

325. Richardson estimated the compliance effect of referral to MO on exits from income support in the first 30 weeks of unemployment, in its first incarnation as a new requirement for young people unemployed for six months, in 1998. She found that the effects were small and uncertain - 4% more women were estimated to leave income support as a result of MO but this result was not statistically significant, and 2% more men left income support (which was statistically significant). The effects were concentrated in weeks 24 to 30 of the unemployment spell - that is from about the time that young people were advised to select an option to the commencement of a MO activity. This suggests that the program had a small 'compliance' or 'referral' effect (Richardson 2002, pp406-421).

326. Lim focused on the effects of MO for mature age jobseekers (46-49 years) in 2002. She estimated the compliance effect of MO for this group and then examined the different MO pathways pursued by jobseekers and (in part) their outcomes. She found that by 30 weeks after commencement on income support 1.6% more jobseekers had left income support as a result of MO, with the impact again concentrated on period of initial referral to and commencement of MO activities (24 to 30 weeks). This estimate was statistically significant. An interesting finding was that most mature age people referred to

19. Participation in MO raised the proportion of individuals leaving income support or increasing earnings 12 months after commencement by 6.9 percentage points compared with 5.8% to 6.4% for Customised Assistance (see table 4 in next part of this report).

MO sought and obtained exemptions. Only 2% of her sample of mature age jobseekers who were in scope for referral to MO completed an MO activity and subsequently left income support (Lim 2008).

327. There is no detailed breakdown available of participation in various MO options for jobseekers of all ages or in later years, though it appears that participation in Work for the Dole was the dominant MO activity in 2006-07, when there were 163,000 commencements in MO and 93,000 commencements in Work for the Dole (DEEWR 2010a, p8).

328. One potential problem with adopting a single program (Work for the Dole) as the default option for MO is that that program may not be appropriate for all or most of those jobseekers who fail to choose an alternative option.[20] That is, prescribing a default option could undermine the efficiency of the 'sorting effect' of MO. Those with a capacity to obtain part time work or an interest in further education or training are likely to be less disadvantaged in the labour market, while the most disadvantaged are less likely to play an active part in negotiating an option with Centrelink or their employment service provider. It is likely that those who do not choose an option and are referred to Work for the Dole are drawn mainly from the most disadvantaged jobseekers (bearing in mind that MO commences at 6 months' unemployment and subsequently in each year of the unemployment spell). It is not clear that Work for the Dole, or any other specific program, is the most appropriate program for the latter group of jobseekers.

329. Unpaid work experience (such as Work for the Dole) remains the default option for activity in the Work Experience phase of JSA, though it appears that a higher proportion of jobseekers are choosing vocational training or voluntary work than was the case in the APM model (Disney, Budduls & Grant 2010). As discussed previously, providers and jobseekers are given more latitude to determine the timing of work experience requirements during each year than in the MO system, but providers have fewer resources available to finance the activity. The recent shift towards voluntary work and short training courses and away from unpaid work experience activities may be brought about by greater opportunities for jobseekers to choose activities, by the lower cost of these activities for providers, or both.

6.5(2) Fulltime Work for the Dole

330. A different approach towards the targeting of jobseekers for employment programs was adopted with the introduction of the Full time Work for the Dole (FTWfD) program in 2006. This was targeted towards those very long term unemployed people (24 months) whom the Job Network provider considered were avoiding their activity requirements. Given its targeting and the longer hours for which jobseekers were required to work for benefits, full time Work for the Dole was essentially a compliance program. The official Welfare to Work evaluation found that its average impact on exits from income support was much higher than the mainstream Work for the Dole program. Those referred to FTWfD who did not commence the program were found to have a 15% greater probability of either being off income support or paid at a reduced rate due to employment 12 months later, than a similar comparison group of jobseekers who were not referred to the program. Those who commenced the program were found to have a 10% greater chance of leaving income support or increasing their earnings than the comparison group. This is significantly higher than the estimated outcome of commencement in 'mainstream' Work for the Dole, at 6.1% (see Table 19 in next part of this report).

331. It is possible that the targeting of the program specifically towards those assessed as non-compliant is the main reason for its higher outcomes compared to the standard Work for the Dole program. This raises natural justice issues in the context of the Australian jobseeker compliance system as decisions

20. The average impact of Work for the Dole on employment and exits from income support is discussed in the next section.

to refer to the program were at the sole and complete discretion of the provider and non-attendance attracted an immediate 8 week suspension of income support.

332. However, the overall impact of Fulltime Work for the Dole has been limited by the low level of referrals. Only 3% of very long term unemployed jobseekers participated in the program, mainly because few referrals were made by providers (DEEWR 2008g, p75). Aside from any natural justice concerns, it is likely that providers considered that, as long as there was a reasonable prospect that a very long term unemployed jobseeker might engage with them in efforts to seek employment, outcomes were more likely to be achieved by 'keeping them close' than by referring them a program where engagement with the Job Network would be substantially reduced for 10 months.

7. Effectiveness of employment assistance

333. The challenges facing policy makers in designing employment assistance services for jobseekers on income support include:

- deploying limited resources to both activate jobseekers and help overcome barriers to work;
- targeting the most intensive assistance towards those who are most disadvantaged in the labour market and most likely to benefit;
- providing a minimum level of assistance to all and using employment assistance to activate jobseekers, while limiting the deadweight cost of assistance;
- maximising local provider discretion over the form of assistance provided while ensuring proper accountability of public funds;
- in the case of service provision contracted to non-Government providers, devising a set of financial incentives to encourage efficient investment in employment assistance by providers in accordance with the above.

334. This part of the report focuses mainly on the Job Network, and its most intensive forms of assistance (Intensive Assistance and Customised Assistance respectively). It discusses evidence on the assistance given to different jobseekers by Job Network providers, summarises the findings of evaluation studies on the employment and off-benefit outcomes of assistance, and offers some interpretation of those findings.

7.1 Assistance provided to jobseekers by Job Network providers

7.1(1) Staff profiles, caseloads and activities

335. Although the APM model to specify the frequency and nature of contact between employment consultants and jobseekers, decisions regarding the recruitment, roles and functions, and caseloads of Job Network consultants were left in the hands of providers. Limited data has been published on these important variables.

336. A survey of Job Network staff by Considine and colleagues in 1998-99 found that around half of consultants had an average caseload of 100 jobseekers or more. They typically allocated 46% of their time to jobseekers, 19% to employers and 30% to administration. Half of consultants (49%) indicated that their job was 'routine' in nature (Considine 2001, pp103, 130, 136). Ten years later (in 1998) the same survey was administered by Considine and colleagues. The average caseload was found to be 110 jobseekers and on average consultants saw 12 jobseekers per day. Among Job Network employees (not only consultants), 17% had worked in the sector for less than a year and 31% for more than five years. Among front-line staff, just under 30% had Year 12 qualifications or less, just over 30% had a vocational

certificate, and around 15% had a degree or diploma. They typically allocated 45% of their time to jobseekers, 12% to employers and 25% to 'contract compliance' activities (presumably a sub-set of the previous 'administration' category). Around 70% indicated (1 to 3 on a scale of 1 to 7) that their job was routine in nature (Considine et al 2008, pp11, 13, 17, 21, 26).

337. A comparison of the two surveys suggests that typical caseloads remained stable, that many frontline staff had limited formal qualifications related to their work, that their work was mainly routine in nature, and that about half their time was devoted taken up in contact with jobseekers and that administration also occupied a substantial part of their time.

338. By contrast, the Employment Department's 'Job Network Best Practice' report indicated that between 2004 and 2006 a typical consultant caseload was around 160 (DEWR 2006c, p8). Typical pay levels for consultants were AUD 35,000 to AUD 42,000 (consistent with the lack of an entry-level qualification requirement) and staff turnover rates were low at around 15% per year (DEWR 2006c, p 11)[21].

7.1(2) Services provided to disadvantaged jobseekers

339. Broadly speaking, Job Network providers gave priority to job search assistance over the enhancement of human capital through training programs or the stimulation of employer demand through wage subsidy programs that were the hallmark of the Working Nation policy. It appears that providers judged that job search assistance was more likely to achieve the outcomes for which they were rewarded quickly and at a lower cost than investment in overcoming barriers to work such as training or paid work experience (Dockery & Stromback 2001; Webster & Harding 2001; Productivity Commission 2002).

340. At first, the Employment Department did not collect data regularly on the services received by jobseekers. This was only done during major evaluations. An early survey of Job Network Intensive Assistance participants for the first Job Network evaluation (conducted in 2001) found that 93% received job search assistance, 41% received financial assistance (for example to purchase work related clothing) and 54% received personal advice or counselling, but only 8% received paid work experience, up to 14% received vocational training, and only 2% received language or literacy training (DEWR 2002b, p87*)*.

341. Once the job seeker account was established, the Employment Department had much better access to information on services provided to jobseekers as providers had to acquit their expenses from the account. By the time the Jobseeker account was separately evaluated in 2006, around AUD 200-AUD 300 million per year, or 22% of all Job Network funds, were spent using the account (DEWR 2006f, p10). Table 17 shows the incidence and average cost of the main categories of Jobseeker Account spending for Customised Assistance recipients between 2003 and 2006. The evaluation reported that the incidence of spending on these items by Job Network providers were similar to those reported by jobseekers prior to the introduction of the APM model, except that there was an increased incidence of spending on clothing and equipment and transport assistance.[22]

21. Staff turnover rates may have increased in recent years, especially since the introduction of six monthly business re-allocations after 2006. The employment service peak body, NESA reported annual turnover of 28% in its submission to the current review of the JSA program (NESA 2011).

22. A comparison with the estimates for 2001 cited above also suggests a higher incidence of expenditure on training, but it is not clear whether the categories of spending were defined consistently in the evaluations cited (table 2 includes expenditure on training in job search). The jobseeker account evaluation found that the overall incidence of investment in training was similar over the periods from 2000-03 and 2003-06.

Table 17. **Job seeker account expenditure for Customised Assistance recipients (2003-2006)**

	% of jobseekers receiving assistance (%)	Average cost of assistance (AUD)
Training [1.]	25%	AUD 350
Wage subsidies	10%	AUD 2,590
Clothing and equipment	25%	AUD 116
Transport assistance	32%	AUD 230
Relocation	2%	AUD 369

Source: DEWR (2006f), Jobseeker account evaluation, pp12, 20) 1. Includes training in job search skills but not the formal Job Search Training courses required to be conducted at an earlier stage in the APM continuum.

342. Of the 25% of Customised Assistance recipients who received training funded from the Jobseeker Account, almost 30% obtained training in job search skills so the overall incidence of spending on vocational education and training was around 18% (of which a negligible proportion was literacy or other basic education). Prior to the introduction of the Work Skills Vouchers, there were no substantial sources of alternative Australian Government funding for training specifically targeted to jobseekers, though vocational education and training was subsidised by the Commonwealth through State Governments (mainly delivered by the State Government Technical and Further Education systems). The average Jobseeker Account expenditure on training (AUD 350) suggests a preponderance of short courses (three days or less) linked to local employment opportunities (DEWR 2006f).

343. The Job Seeker Account expenditures in Table 17 are average amounts for the period from 2003 to 2006. Within that period the proportion of overall spending devoted to training diminished from 40% in 2003 to around 20% in 2006. Over the same period, the proportion devoted to wage subsidies rose from around zero to 30% and this became the single largest item of Jobseeker Account expenditure (DEWR 2006f, p12). Wage subsidies were generally either offered as a small payment to the employer on commencement of a job, or a larger payment once the job was sustained from 13 weeks (at which time outcome payments to the provider were triggered).

344. This evaluation included a simple regression analysis of the impact of different types of assistance using the Jobseeker Account on the probability that the jobseeker left benefits 12 months after receiving assistance suggested that wage subsidies and jobseeker incentives were relatively effective while training and professional services (for example 'reverse marketing' of relatively job–ready jobseekers) were relatively ineffective (DEWR 2006f, p26). However, this study was limited in its ability to control for selection bias. A more detailed discussion of the effectiveness of different types of employment assistance is provided in the next section of this report.

7.1(3) Targeting of assistance

345. To reduce the deadweight cost of employment assistance (payment for outcomes that would have been attained without assistance), the Job Network fee structure and performance management system offered greater rewards for employment outcomes attained by those assessed as more disadvantaged, based on their JSCI score or unemployment duration. Nevertheless, an ongoing concern about the incentive structures of the Job Network was the risk that providers might still be encouraged to concentrate their efforts on those close to employment and 'park' (provide little help to) those further from employment. This could still occur notwithstanding the targeting of higher rewards to providers for outcomes achieved by those assessed as more disadvantaged because outcome payments were based on 'gross' rather than 'net' outcomes (value added), and Centrelink was unable to take all of the key factors into account in

calculating the JSCI (especially 'unobservables' such as motivation).[23] An early official evaluation raised these concerns as follows (DEWRSB 2000a, p96):

> 'In qualitative research, providers confirmed that they often 'give up' on job seekers who are too hard to assist. They indicated that they were extremely unlikely to obtain employment for these job seekers and that their time would be better spent helping others. Such 'hard-to-help' job seekers receive the minimum assistance required to meet contractual obligations. Job seekers who were more likely to fit into this category included;
>
> - people with physical barriers ranging from mild physical disabilities through to those who have serious drug dependencies;
> - people with emotional barriers ranging from lack of motivation, through to mild mental disabilities;
> - older job seekers, particularly those who have low skills and/or a low propensity to learn new skills; and
> - people who have been unemployed for a long time.
>
> In addition, the bias in the fee structure toward employment outcomes may, in some cases, favour the pursuit of short-term employment outcomes over training and educational outcomes which may, in the longer-term, be of greater benefit to job seekers.'

346. On the other hand, the system offered little incentive to assist those whom it identified (via the JSCI) as the least disadvantaged. Some providers responded to these incentives by targeting those 'in the middle':

> 'When someone walks through your door there is a percentage who are the cream of the crop, who are highly motivated, job ready and marketable. There are the more difficult clients where they have layers and layers of issues. Our money (the Jobseeker Account) is sort of in the middle.' (Job Network provider cited in DEWR 2006f, p16).

347. The optimal distribution of employment assistance among jobseekers (for example whether all should receive a minimum level of help, and to what degree those at greatest risk of prolonged unemployment should be targeted for additional help) is to some extent a value judgement. Nevertheless these judgements would be assisted by a comprehensive cost-benefit analysis that takes into account the benefits of a minimum level of 'activation' for all jobseekers, the net impact of employment assistance on the job prospects of different groups, the likely time that different individuals would spend on income support in the absence of assistance, and the social value that is attached to reducing prolonged joblessness (see discussion of these issues in OECD 2001, *op. cit.*).

348. As discussed previously, concerns about 'parking' prompted a major re-design of the Job Network from 2003 (the 'Active Participation Model') featuring a quarantined pool of funds for investment to overcome barriers to work (the 'Jobseeker Account'), greater specification of provider

23. For a discussion of alternative fee structures that might resolve some of these problems, see OECD 2001, *op. cit.*. Note also that, in theory at least, the Star Ratings compare the 'net' employment impacts (value added) of employment assistance, not the raw job outcomes achieved by providers. To the extent that they do so accurately, the Star Ratings offset some of these weaknesses of the payment structure (this is also discussed at length in Productivity Commission 2002, *op. cit.*). Further, KPI1 (the 'speed to place' component of the Star Ratings) was introduced, at least in part, to penalise 'parking'.

contact with jobseekers and assistance provided (through the 'APM service continuum'), and a strengthening of the performance management system (especially the role of the Star Ratings in determining provider business shares).

349. It is not clear whether these policy changes resolved the 'parking' problem though they may have increased overall provider investment in employment assistance since a much greater proportion of Job Network funds were now tied to the provision of services to jobseekers. However the evaluation of the APM model of the Job Network from 2003-2006 echoed the previous official concerns about 'parking' (DEEWR 2007a, p104):

> 'Providers reported that the most disadvantaged clients were less likely to receive assistance because the provider believed they were 'too far from work' to benefit from jobseeker account assistance' and: 'some [providers] considered that the fee structure provided a weak incentive for Job Network providers to take risks with the very longest term unemployed Intensive Support clients.'

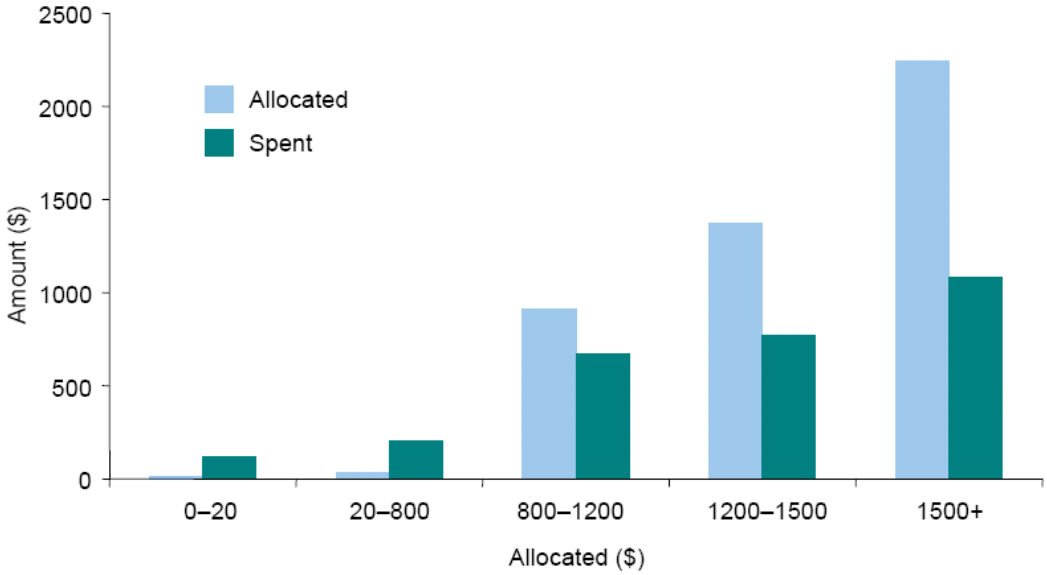
350. Qualitative research with jobseekers provides further evidence of these provider targeting strategies, though client experience of the intensity of services provided varied widely. For example, in focus groups with very long term unemployed jobseekers registered with a major employment service provider (Fowkes & Ward 2007, p8):

> 'The overwhelming majority of jobseekers wanted to see their consultant more often and wanted more intensive, individualised assistance. Those jobseekers who appeared to have more serious barriers to finding work were also the ones who wanted the most extra help and support. Many of these jobseekers felt that they had been placed in the 'too hard basket'. Many jobseekers stated that 'there was a selection process – who to help and who not to help'.

This research focussed on a group with relatively poor job prospects (very long-term unemployed people), many of whom felt they received limited assistance from their provider. This could be due to the relatively intensive (and costly) forms of assistance they were likely to need, incentives to 'park' referred to previously, and/or high caseloads across the system.

351. To explore this issue further, it is informative to compare the distribution of notional and actual Jobseeker Account expenses. The Jobseeker Account was not paid as an individual entitlement. Instead, notional credits were made available to a provider once a jobseeker reached certain stages of the APM continuum – for example, typically around AUD 1,000 for those entering the first round of Customised Assistance. The provider was free to reallocate these funds to other jobseekers who it considered would be more likely to achieve employment outcomes if the funds were spent on them instead. Figure 23 compares the distribution of notional Account credits with actual expenditure by providers on jobseekers with different levels of labour market disadvantage.

Figure 23. **Average values of Job seeker account notional allocations and actual expenditure by providers (2003-2006)**



Note: The X axis represents different levels of notional allocation of Jobseeker Account credits. Higher notional allocations were made to those assessed as most disadvantaged (due to their duration of unemployment or JSCI score). The last three categories on the right are notional allocations to Customised Assistance recipients.

Source: DEEWR (2007a), The APM Evaluation, p102.

352. Figure 23 shows that, overall, providers redirected Jobseeker Account credits from more to less disadvantaged jobseekers. This suggests that either that other elements of the incentive structure of the Job Network (for example service fees and outcome payments) encouraged a greater focus on those who were closer to employment than did the notional Job Seeker Account allocations, and/or that the probability that the most disadvantaged jobseekers would secure employment was considered by providers to be too low to justify the investment. The Job Network Best Practice study found that the mix of types of assistance funded using the account did not vary between less and more disadvantaged jobseekers. This is consistent with the shift of 'notional' Jobseeker Account credits from more to less disadvantaged jobseekers shown here (DEWR 2006c, p37).

353. Further, a recent official employment impact study of Customised Assistance found that that much of its impact was achieved in the first two months of participation in this six month program (DEWR 2006a, p15). This also suggests that the incentive structures of the Job Network encouraged providers to focus attention on those classified as disadvantaged who were nevertheless 'close to employment'.

7.2 Measuring the effectiveness of employment assistance

354. Since the late 1990s, the Employment Department has published quarterly data on participation in and employment outcomes following participation in various employment programs (DEWR and DEEWR, various years, Labour Market Assistance Outcomes). The employment outcomes measured here mainly comprise employment status (full or part time) three months after leaving a program (whether or not the program was completed).[24] These data are obtained from a regular 'Post Program Monitoring'

24. This should not be confused with employment outcomes that attracted payments to Job Network providers, which were mainly fulltime positions (for 'full' outcome payments) and such employment had to be sustained over a three or six

(PPM) survey of former program participants. While such data on 'gross' employment outcomes are informative, especially for comparing trends in participation and employment outcomes for various groups of jobseekers, they do not measure the impact of the program since the outcomes of participants are not compared with those of a similar group who did not participate (there is no 'counterfactual').

355. To estimate the 'net impact' of program participation (the value added by a program), official evaluations and academic studies used 'matched comparison group' methods that compared employment outcomes or exits from income support of treatment and control groups. That is, the outcomes attained by those who were referred to or participated in the program were compared with those of a similar group of non-participants (Schmid 1996; OECD 2005). The comparison groups were identified using regression analysis (taking account of such factors of age, sex, education and unemployment duration that were known to influence future employment prospects) or natural experiments where the outcomes of the treatment group were compared with those of a similar group who were excluded from the treatment (for example, because their age or that of their child was slightly above or below the eligibility threshold for the program), as in the Welfare to Work evaluation cited previously (DEEWR 2008g)[25]. These microeconomic studies were designed to identify the deadweight costs of a program (the extent to which participants would have secured outcomes without assistance), though they do not take account of displacement and substitution effects (the extent to which the employment of other workers is affected when program participants obtain a job).

356. While they are intended to measure net rather than gross impacts, these net impact evaluations still confront major methodological challenges. These include the difficulty of identifying a control group in the case of universal programs, the difficulty of isolating the impact of a program that is part of a sequence or 'package' of assistance, and the difficulty of measuring net impacts where a program is of indefinite duration.

357. The following is a brief summary of key trends in 'gross' employment outcomes and the results of evaluation studies using the above 'net impact' methodologies. Factors that might explain some of the trends identified are discussed, as well as some shortcomings of the evaluation methodology. Employment assistance programs are typically found to have modest impacts on the job prospects of unemployed people, increasing short term employment prospects by up to ten percentage points or so (OECD 2005). Nevertheless, even a modest impact can substantially reduce the number of unemployment payment recipients if it is sustained over a number of years.

7.2(1) Official estimates of gross employment outcomes and cost effectiveness

358. Figure 24 compares 'gross' employment outcomes (including part time jobs) three months after participation in the Working Nation programs and the highest level of assistance available in the Job Network (Intensive or Customised Assistance), both of which were mainly targeted to long term unemployed people.

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month period. Thus, the incidence of these 'payable' outcomes was lower than that of employment three months after leaving the program.

25. Random assignment, where individuals are assigned to treatment and control groups at the commencement of program referral, is rarely used in Australia.

Figure 24. **Average short-term employment outcomes of participants in programs for disadvantaged jobseekers (1996-2009)**



Note: In measuring employment outcomes of Working Nation programs, the 'new method' was adopted. This included in the denominator those who transferred to other programs, as was done in the Job Network evaluations. See DEWR 2003, Labour market assistance outcomes, year ending June 2003. The gap in this data set is due to the non-availability of earlier Labour Market Assistance Outcomes publications.

Source: Davidson 2010, Did work first work? The role of employment assistance programs in reducing long term unemployment in Australia (1990-2008) in Australian Bulletin of Labour, Vol 36 No 4, 2010, with data drawn from the following sources: DEWR (various years), Labour market assistance outcomes, Department of Employment and Workplace Relations, Canberra; DEWRSB 2000a, Job Network Stage 1 Evaluation Report, Department of Employment Workplace Relations and Small Business, Canberra; DEETYA 1996, Post program monitoring survey, Department of Employment, Education Training and Youth Affairs, Canberra.

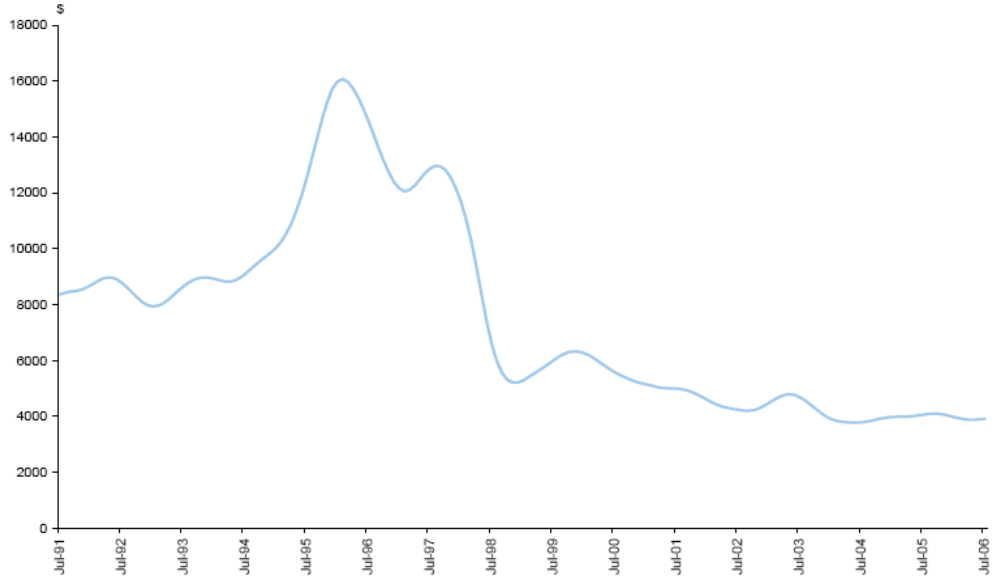
359. Setting aside the higher employment rates following participation in the Jobstart wage subsidy scheme, flows to employment after program participation increased from one third or less during the Working Nation period and early years of the Job Network (though there is a gap in the available data for the first two years of Job Network) to around 45% by 2008. There was a strong improvement in employment outcomes between 2000 and 2004, roughly corresponding to the second Job Network contract.

360. As noted above, these data should be used with caution since they do not measure the net impact of the programs. For example, the improvement in job outcomes from the late 1990s may be due to an improving labour market over this period. The average annual growth rate in employment from the end of the recession in 1992 to 1999 was 1.9% but this rose to 2.3% from 2000 to 2008 despite a mild downturn at the turn of the century (ABS various years, The Labour Force; see also Figure 20). Further, it is noteworthy that most of the Job Network's employment outcomes for the more disadvantaged jobseekers (for example recipients of Intensive Support services in the APM Job Network model) were part time jobs, and in these cases program participants often remained on income support while employed (DEWR, various years, Labour market assistance outcomes).

361. Following the shift towards lower-cost forms of labour market assistance after 1997, the real unit cost of employment assistance declined sharply and has continued to fall. The Employment Department

uses a measure of the average 'cost per employment outcome' of employment assistance programs in a given year to assess the cost effectiveness of labour market assistance. This is the average unit cost of all programs divided by the proportion of participants who were in employment three months after leaving. Figure 25 shows the decline in costs per employment outcome which the Employment Department attributed to a combination of lower unit costs and higher employment outcomes (DEEWR 2007a).

Figure 25. **Costs per short-term employment outcome of labour market assistance 1991-2006**



Note: Calculated as average cost of program/proportion of participants employed 3 months after exit.

Source: DEEWR (2007a), The APM evaluation.

362. Apart from the fact that this indicator measures 'gross outcomes' rather the net impact of the programs, a further problem with its use in assessing cost effectiveness is that it is biased in favour of programs that target jobseekers who are closest to the labour market, since employment outcomes are more likely to be achieved at low cost to the provider in these cases.

7.2(2) Estimates of net employment impacts

363. By taking account of the counterfactual (what would have happened in the absence of employment assistance), 'net impact' evaluations offer a more accurate assessment of the effects of a program and potentially overcome this bias. However, due to their cost and the time required to complete them, net impact studies have only been published irregularly. There have also been significant delays in the release of major program evaluations. For example, The APM evaluation which examined the effectiveness of the Job Network from 2003 to 2006 was released in 2009, and a net impact study of outcomes achieved by various programs in 2008 was released in 2010. Lack of access to data - either administrative data or panel surveys with sufficiently large samples of the population of interest - has also hampered the involvement of academic researchers in this field. Most of the few net impact studies of Australian employment programs were either conducted or commissioned by the Employment Department. The main exceptions were a handful of studies that used the Survey of Employment and Unemployment Patterns (SEUP) undertaken by the Australian Bureau of Statistics to evaluate the Working Nation programs in the mid 1990s, or the long-term administrative (benefits) data base of the former Family and Community Services Department up to the mid 2000s. Unfortunately, subsequent administrative data on

benefit recipients and data from panel surveys commissioned by Governments for program evaluation purposes have not yet been made widely available to researchers, though this situation may change.[26]

364. Table 18 compares the results of some of the main Australian studies of the net impact of employment programs on long term unemployed people, all of which used the matched comparison group approach. Results are presented for four 'Working Nation' programs operating in 1995-96 (Jobtrain, Jobskills, Jobstart and New Work Opportunities) and three subsequent programs (Intensive Assistance, Customised Assistance, and Work for the Dole) in 2002 and 2005. As outlined previously, Jobtrain provided short vocational training courses (typically 6 months or less), Jobstart partially subsidised the wages of job seekers for six month in private employment, Jobskills and New Work Opportunities fully subsidised 6 months' employment in the community and public sector, Work for the Dole provided 6 months' unpaid work experience in the community sector. Job Search Training, Intensive and Customised Assistance within the Job Network, which were offered for up to three weeks, 12 months and six months respectively, can be regarded primarily as job search assistance programs.27 Apart from Job Search Training, they were targeted towards long term unemployed people and those assessed as most at risk of long term unemployment.

26. These include the Employment Pathways Survey conducted as part of the evaluation of the Welfare to Work policy (www.workplace.gov.au, see 'program evaluation'.)

27. Although in theory they also provided help with barriers to work such as training and work experience, as indicated previously expenditure on these services was small in the vast majority of cases.

Table 18. **Costs, targeting and net impacts of Australian programs**

	Unit cost (current dollars)	% of participants who were long term unemployed	Net impact (official studies)	Net impact (academic researchers)
1995-96 (Working Nation)				
Jobtrain	AUD 1,173	63%	7%*	3.6%**
Jobstart	AUD 1,263	63%	28%*	42.8%**
Jobskills	AUD 7,105	96%	11%*	
New Work Opportunities	AUD 10,009	93%	4%*	13.7%**
2002 (Job Network and Work for the Dole)*				
Job Search Training	AUD 600	10%	11.6%*	n.a.
Intensive Assistance	AUD 924	54%	6.2%*	n.a.
Work for the Dole	AUD 2,000	58%	4%*	-12.1%***
2005 (Job Network and Work for the Dole)				
Job Search Training	AUD 859	20%	11.2%*	n.a.
Customised Assistance	AUD 1,078	66%	10.1%*	n.a.
Work for the Dole	n.a.	68%	7.3%*	n.a.

Note: Due to a change in the methodology used in official studies from 2002 which on balance reduced net impacts (see * below) it is not possible to directly compare the Working Nation and Job Network net impacts. Jobtrain offered short term vocational training, Jobstart offered subsidised employment mainly in the private sector, Jobskills offered subsidised employment and training mainly in the community and public sectors, New Work Opportunities offered fully subsidised employment mainly in the community and public sectors, Intensive Assistance and Customised Assistance offered mainly job search assistance, and Work for the Dole offered unpaid work experience in the community and public sectors. The Stromback & Dockery study did not distinguish between NWO and Jobskills.

* Percentage point increase in probability of employment 6 months after leaving a program (Working Nation programs) or 12 months after program commencement (post Working Nation programs).

** Stromback & Dockery 2000, Percentage point increase in probability of employment 12 months after commencing a program

*** Borland & Tseng (2004) Change in the probability of leaving income support 12 months after commencement in the program. Note that this study assessed the earlier 'pilot' phase of WfD in 1998, which had a different target group (mainly short term unemployed young people) than it had later on (mainly long term unemployed people of various ages). Apart from Intensive Assistance (which usually lasted for up to12 months), programs generally had a maximum duration of 6 months.

Source: Davidson 2010, Did work first work? The role of employment assistance programs in reducing long term unemployment in Australia (1990-2008) in Australian Bulletin of Labour, Vol 36 No 4, 2010; DEETYA (1997b), The net impact of labour market programs', Department of Employment, Education Training and Youth Affairs, Canberra; Stromback T and Dockery A (2000), 'Labour market programs, unemployment and employment hazards', ABS Occasional Papers No 6293.0.00.002, Canberra; Borland J and Tseng Y (2004), 'Does 'Work for the Dole' Work?' Melbourne Institute Working Papers No. 14/04, Melbourne Institute, 2004, Melbourne; DEWR (2006a). 'Customised assistance, job search training, and work for the dole, a net impact study', Department of Employment and Workplace Relations, Canberra; DEWR, Labour market assistance outcomes (various years), Department of Employment and Workplace Relations, Canberra; DEWR (2003), Intensive Assistance and Job Search Training, a net impact study; (DEEWR 2007a), The APM evaluation.

365. In Table 18 the 'net impact' refers to the difference in employment outcomes (in percentage points) between treatment and control groups either six months after leaving the program (for the 1995-96 'Working Nation' studies) or 12 months after commencing the program (for subsequent 'Job Network'

studies).[28] Although on the face of it this difference in timing should not matter (since the programs generally lasted for 6 months), this change in methodology had a significant impact because the early studies (which measured outcomes after people left a program) ignored the effect of participation in the program itself on job search efforts (commonly referred to as the 'attachment' or 'lock-in' effects of a program), while the more recent studies took this into account. If the same method had applied to the earlier (pre-Job Network) studies it would have significantly reduced the measured employment impacts, but assessments of the effect of those programs using the 'new' methodology are not available.[29] (Dockery & Webster 2002, pp175-194). Further, the estimates cited here do not take account of 'referral' or 'compliance' effects, where jobseekers obtain employment or leave income support in order to avoid participation in a program.

366. There were two main independent academic studies. The first (Stromback & Dockery 2000) used data from the abovementioned SEUP survey, and a methodology that attempted to replicate (in part) that of the official evaluation survey (DEETYA 1997b) to assess the Working Nation programs. Stromback & Dockery also trialled different methods, which generally yielded lower employment impacts though the ranking of the programs in terms of effectiveness remained constant.

367. The second academic study (Borland & Tseng, 2004) assessed the impact of the first pilot Work for the Dole scheme in 1998. Although it measured the impact of the program on exits from income support rather than employment, it is of interest here because in contrast to the official evaluations it estimated that the effect of commencement in the program was negative, possibly due to attachment effects.[30]

368. Given the differences in research methods, target groups, and program content between the various studies, it is not possible to draw many firm conclusions from this comparison. However, the following points emerge (Davidson 2010):

- Apart from the Jobstart program, the impacts of the programs on employment in the short term were modest – consistent with international evaluations, they improved employment prospects by well under 20 percentage points (OECD 2005).
- The most costly programs were those providing fully subsidised paid work experience in the public and community sector (NWO and Jobskills). These programs were more tightly targeted towards long term unemployed people than either Jobstart or the Job Network programs (Intensive Assistance and Customised Assistance).
- Ranking the programs in terms of average short term employment outcomes, wage subsidies in the private sector appeared to be the most effective, followed by programs that focussed on the provision of job search assistance (Intensive and Customised Assistance and Job Search

28. The exception is the Borland and Tseng study of Work for the Dole, which measured the change in the probability of leaving income support (rather than probability of employment) 12 months after commencement.

29 DEWR subsequently estimated that if the 'new' methodology were applied to the Working Nation programs, the net impacts would typically be reduced by 2-4 percentage points (DEWR 2006a, Customised Assistance, Job Search Training and Work for the Dole, and Mutual Obligation, a net impact study, p9).

30. This strongly implies that the employment effect of the program was also negative. It should also be noted that the early version of the program evaluated by Boland & Tseng was targeted differently to the later versions that were officially evaluated: towards short term young unemployed people as distinct from longer term unemployed people generally. However, these differences together with the focus on exits from income support, are unlikely to explain the wide variance in results from the official studies.

Training), while vocational training and the other work experience programs (both paid and unpaid) had significantly lower outcomes.[31]

369. There was considerable variance between the results for unpaid work experience (Work for the Dole) between official studies (suggesting modest employment gains) and the single academic study (suggesting a significant reduction in the prospects of leaving income support). One possible reason is that these studies used different data sources (administrative data on exits from income support as distinct from a separate survey asking former program participants about their employment status).

370. Table 19 updates this analysis by summarising findings from the latest official net impact study, which examined the impact on exists from income support of commencement in a range of programs in 2007 (with outcomes measured 12 months later). This was the second-last year of the Job Network. The study measured the impact of the programs on the likelihood of being off benefits entirely (which in most cases meant that the former recipients obtained a fulltime job) or moving to lower payments due to higher earnings (usually from a part time job).

Table 19. **Impact of commencement in an employment program on the probability of leaving income support or increasing earnings (2007-08)**

Program	Average net impact of program on exits from or reductions in income support (%)
Intensive Support Customised Assistance (first round)	5.8%
Intensive Support Customised Assistance (second round)	6.4%
Job Search Training	6.8%
Mutual Obligation	6.9%
Work for the Dole	6.1%
Fulltime Work for the Dole (referral)	15.0%
Fulltime Work for the Dole (commenced)	10.3%
Employment Preparation	17.6%
Disability Employment Network	10.0%
Vocational Rehabilitation	4.9%
Personal Support Program	-4.3%
Job Placement Employment and Training	-7.1%

Note: Includes exits from income support and reductions in income support due to higher earnings. Effects are measured 12 months after commencement in the program, except for Fulltime Work for the Dole (referral) in which case only 'compliance effects' are measured – that is, the reductions in reliance in income support among those who were referred to the program but did not commence it.

Source: DEEWR (2010a), Labour market assistance, a net impact study, p12.

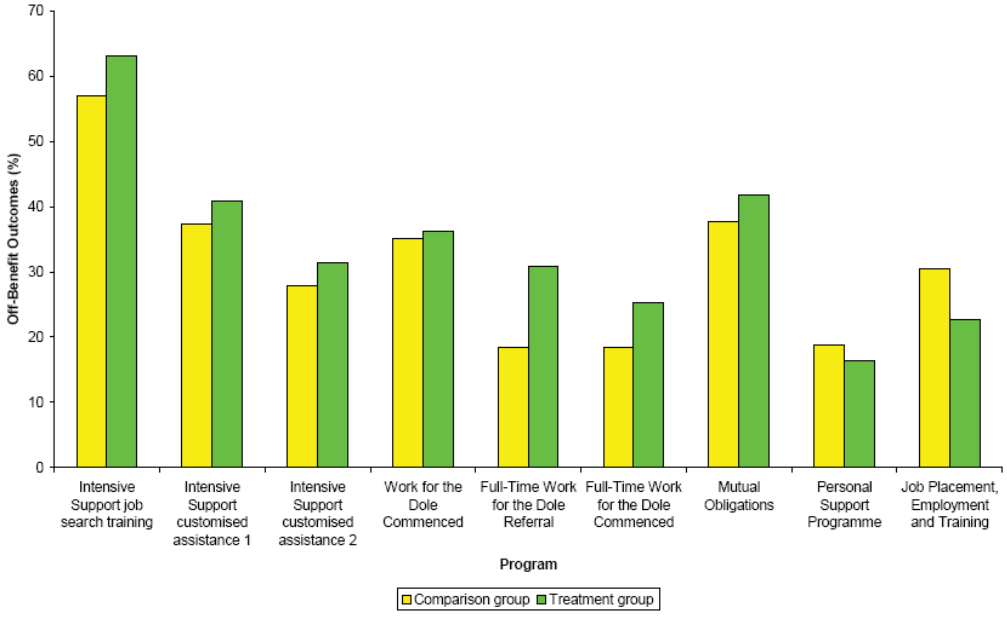
31. Note that, as discussed, the pre-1998 net impacts were overstated compared to later studies due to a change in methodology of the official evaluations. It seems unlikely, however, that this alone would close the large gap between estimated outcomes for Jobstart and later programs. On the other hand, the estimated impacts of wage subsidy schemes may be exaggerated by selection effects: that is, those who commence subsidised employment may be more 'job ready' than those not selected, in ways that are not captured by the net impact methodology (see for example Graversen & Jensen 2006). Further, those selected for a wage subsidy are in a sense already employed, and it may not be valid to compare their employment outcomes with those of a comparison group without a subsidised job.

371. The net impacts in Table 19 are not directly comparable with those in Table 18 because they measure the effects of programs on reliance on income support rather than employment outcomes. However most of the changes in reliance on income support were due to changes in the probability of employment. It is difficult to assess which of these impacts would normally be greater (reductions in reliance on income support or increases in employment) since in both cases increases in part time employment (which comprise the majority of employment outcomes for former program participants) were taken into account.

372. Nevertheless, the results for Customised Assistance, Job Search Training and Work for the Dole are broadly consistent with (but somewhat lower than) the employment impacts for the same programs in 2005.

373. Figure 26 shows the impacts of these programs on complete exits from income support (as distinct from partial reductions in payments) 12 months after commencement. Unfortunately, the underlying data are not provided in the report. The main difference in the relative performance of the programs here is that the net impact of Work for the Dole was substantially reduced, from 6.1% to 1.2%. Most of the employment impact of that program was in the form of part time jobs (DEEWR 2010a, p16).

Figure 26. **Off-benefit net impacts – 12 months from commencement**



Note: The net impact is the difference between outcomes for the comparison group and treatment group.

Source: DEEWR (2010a), Labour market assistance, a net impact study, p16.

374. Of particular interest here are the outcomes for a number of programs that were not previously assessed using net impact methodologies. Table 19 indicated that Employment Preparation (which provided employment counselling and training for parents and mature age jobseekers) and Fulltime Work for the Dole (a program targeted to very long term unemployed people whom the provider believed was non compliant with activity requirements) had substantially higher net impacts than the other programs. In the case of Fulltime Work for the Dole this may reflect the program's targeting of 'non-compliant'

jobseekers (as discussed previously). Possible reasons for the effectiveness of Employment Preparation are discussed later. The average net impact of commencement in Mutual Obligation activities was very similar to that for Work for the Dole, the main MO activity.

375. Of the two main disability employment programs, the DEN program had substantially higher net impacts 12 months after commencement than the VRS program. Further analysis in this evaluation suggested that, as with Customised Assistance, most of the program's impacts occurred within the first month after commencement. This suggests that providers quickly referred those jobseekers with disabilities they assessed as close to employment to a job. This is consistent with the design of the program, which placed as much emphasis on support in employment as preparation for a job. The VRS program, in contrast, achieved its highest net impacts around two years after commencement, suggesting that providers focussed more on preparing people for employment through rehabilitation or training.

376. The two programs for jobseekers with major personal barriers to employment such as mental health problems or homelessness (PSP and JPET) both recorded negative net impacts which appeared to peak at around six to 12 months after commencement. This probably reflects high attachment effects of these programs, which mainly focussed on overcoming barriers to work rather than active participation in the labour market.

377. It is interesting to compare the outcomes in Tables 18 and 19 with those of similar international studies of the average short term employment impact of different types of employment program. Since the 1990s, a substantial number of evaluations (mainly of European programs) have used a broadly similar net employment impact methodology. Differences in methodology, national labour markets and social security systems make it difficult to compare actual net impacts directly. However, a recent meta analysis of 95 studies of 137 programs across Europe by Kluve sought to overcome these obstacles by comparing only the significance and sign (rather than the magnitude) of net impacts among four categories of labour market program: vocational training, direct employment (mainly fully subsidised jobs in the public and community sectors), private sector incentive schemes (wage subsidies), and services and sanctions (essentially job search requirements and assistance) (Kluve 2006).[32] Consistent with previous analysis from the OECD (Martin & Grubb 2000), when Kluve compared these four program types according to their net employment impacts in the short term (within 12 months of commencement) he found consistent differences in average program performance between program types, ranking them as follows (beginning with the most effective):

1. services and sanctions;
2. private sector incentive schemes;
3. vocational training; and
4. direct employment.

378. With the exception of private sector wage subsidy schemes, which appear to have the highest net impacts in Australia, this is consistent with the ranking for Australian programs in Table 18. Since private sector wage subsidy schemes often have relatively high net impacts where their impacts are positive, it is possible that Kluve's methodology (by ignoring the magnitude of net impacts) understates the relative effectiveness of these programs. Further limitations of a simple comparison of this kind (discussed in detail later) include that no account is taken of the differential impact of programs on different groups of

32. This does not, of course, overcome the considerable methodological problems in comparing outcomes from evaluations using a range of different methods in a range of different policy and institutional settings, so the results should be interpreted with caution.

jobseekers (for example, young people or sole parents) or variations in program impacts over time (for example, short Vs long term impacts).

379. Fewer international studies have assessed the impact of unpaid work experience programs such as Work for the Dole (which was not included as a separate category by Kluve). Evaluations in New Zealand and the United States found low or negative employment effects, though as discussed previously referral to these programs may have significant 'compliance effects' (Johri *et al* 2004; Brock *et al* 1993).

380. An additional academic study, which is not included in Table 18 because the results are not in a form that is directly comparable, was conducted by Feeny and colleagues using data from the Melbourne Institute's HILDA survey, a general longitudinal study of the circumstances of Australian households which at that stage had yielded four waves of annual data from 2001 to 2004. As part of a wider evaluation of the effects of housing status on transitions to employment, the study compared the effects of participation in three categories of Mutual Obligation activity in any year prior to 2004 on the probability of employment in 2004: 'employment assistance' (comprising mainly Job Network Intensive Assistance or Job Search Training – note that at that time Intensive Assistance was an alternative option to Mutual Obligation for those unemployed for six months), 'training' (comprising mainly part time study or literacy training) and 'employment and community participation' (comprising mainly Work for the Dole, part time paid work, or voluntary work). The study found that compared with 'employment assistance', the average employment outcome of 'training' programs (measured in 2004) was 10.6 percentage points lower and that of 'employment and community participation' was 12.7 percentage points lower (Feeny *et al* 2008). A potential limitation of this study is that the HILDA survey relied on respondent's recall of participation in programs (including participation prior to the first year of the survey).[33]

7.3 Factors contributing to improvements in the effectiveness of employment programs

381. One of the key questions raised by the above review of evaluation studies is the main reason or reasons for the apparent improvement in both 'gross' and 'net' employment outcomes during the first half of the 2000s. The Employment Department identified the following factors as having an influence on 'gross' employment outcomes: the state of the labour market, the profile of jobseekers, the tender arrangements and performance management system for the Job Network (DEWRSB 2001, Labour market assistance outcomes, Year ending June 2001). Policy changes made with the introduction of the APM in 2003 may also have had an impact, though Figure 24 suggested that most of the improvement in 'gross' employment outcomes occurred before then.

7.3(1) Labour market conditions

382. It seems likely that the improving labour market from the late 1990s to mid 2000s was a major contributor to higher gross employment outcomes over that period, notwithstanding the dip in economic growth during 2000. The average annual growth rate in employment from the end of the recession in 1992 to 1999 was 1.9 per cent, but this rose to 2.3 per cent from 2000 to 2008 despite a mild downturn at the turn of the century (ABS, The Labour Force Australia, and Figure 20). Further, the unemployment rate fell to around 6% of less after 2000, a level considered close to the structural unemployment rate at that time (OECD 2010).

33. There are also some inconsistencies in the classification structure used for labour market programs such as the inclusion of part time employment in the 'employment and community participation' category which otherwise focussed mainly on forms of unpaid work experience. Other inconsistencies, such as the inclusion of the Job Placement Education and Training Program in 'employment assistance' were unlikely to have a significant impact on the results due to the small numbers of participants in these other programs (which for this reason are not specifically listed here – for the detailed classification see Feeny et al 2008, p13).

383. The effect of stronger employment growth and reduced unemployment on the net employment impacts of employment programs is not as clear cut. On the one hand, high unemployment is likely to reduce employment outcomes generally, including for those do not participate in a program (in which case its impact on net outcomes might be neutral). On the other hand, in a tight labour market employers may be more willing to consider jobseekers regarded as disadvantaged in the labour market (such as long term unemployed people), which could give employment service providers more scope to improve their employment outcomes. A recent British study of the effect of the business cycle on outcomes from employment programs found that the New Deal for Young Unemployed People had greater impact in tight labour markets than in times of high unemployment (McVicar & Podivinsky 2010) though some studies found the opposite effect (Lechner & Wunsch 2009).

7.3(2) Jobseeker profile

384. The changing profile of participants in the programs is another key factor to consider. A significant weakness (discussed later) of net impact studies that measure only overall average net impacts for all participants in a program is that differences in program effectiveness for different groups of jobseekers are not evaluated.

385. As indicated above, as unemployment fell a higher proportion of recipients of intensive forms of Job Network assistance faced significant labour market disadvantages such as long durations of unemployment. On the other hand, during the first three years of the APM model (2003 to 2006), the number of voluntary participants in the Job Network (mainly young people not on income support and recipients of non-activity tested payments such as Parenting Payment) doubled and their proportion of all participants rose to 36% in 2006 (DEEWR 2007a, pp 21, 123). The significance of this change is that, generally speaking, voluntary participants have higher employment outcomes – either because they are relatively less disadvantaged or due to their demonstrated motivation to participate in a program. This is likely to distort simple comparisons of the outcomes of the APM model with previous and subsequent programs.

7.3(3) Changes in program design

386. The APM evaluation compared the rates of exit from the Job Network of participants in Intensive Support (not Customised assistance only) in the APM model throughout its three year contract period (2003-2006) with those of participants in Job Search Training and Intensive Assistance and Work for the Dole throughout the three year period of the second Job Network contract (from 2000-2003). It was assumed, based on previous research that around 75% of exits were to employment. The evaluation used a regression analysis to predict outcomes for the APM based on those attained during ESC2, while controlling for changes in labour market conditions and the profile of jobseekers assisted. This method is similar to that used in calculating the Star Ratings, where the difference between 'predicted' and actual outcomes is used to measure the relative effectiveness of providers.

387. The evaluation found that on average, Job Network participants who did not commence these intensive forms of assistance (who were generally less disadvantaged, short-term unemployed people) were two percentage points more likely to exit assistance during the APM, while those who did commence more intensive forms of assistance were 4.5% more likely to exit the Job Network during the three years of the APM. The evaluation concluded that, prima facie, this suggested a modest improvement in the overall performance of the Job Network (DEEWR 2007a, p127).

388. This method of comparing the effectiveness of different stages of the Job Network faces considerable methodological challenges (including effectively controlling for changes in the profile of jobseekers when a much greater proportion were voluntary participants, controlling for changes in labour

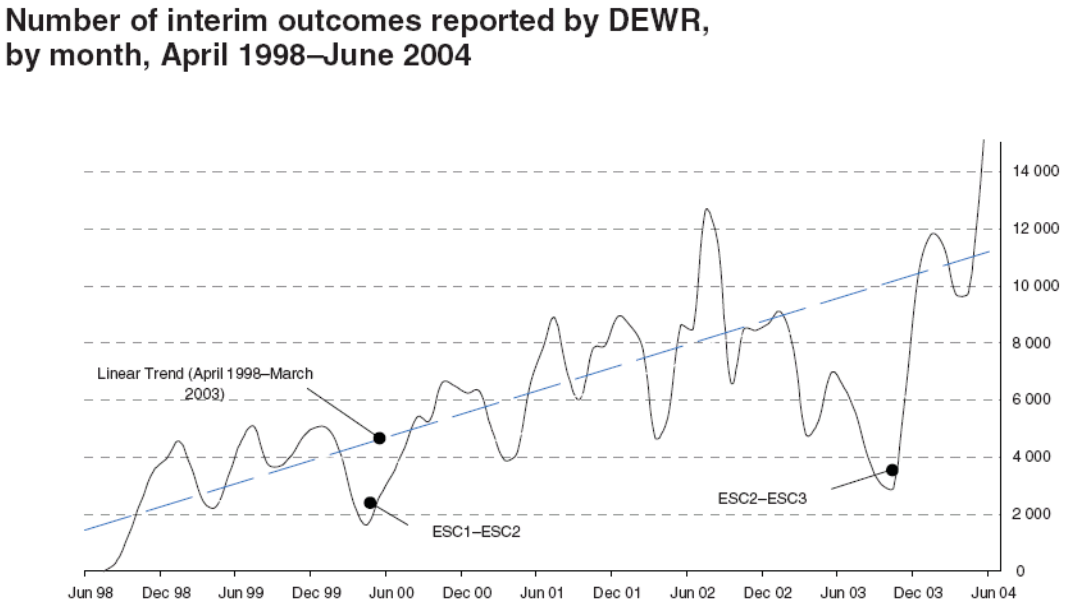
market conditions, and the assumption that there was a consistent relationship between exits from employment assistance and employment outcomes). Nevertheless a number of features of the APM were conducive to better performance. First, the new employment services system had more time to bed down and providers had been subject to competitive pressures for some time, especially through the introduction of the Star Ratings system and its more extensive use to determine provider business shares. Second, jobseekers generally stayed with the same provider rather than automatically transferring at each stage of assistance. This created more scope to build relationships with jobseekers, gave providers a greater stake in their long term employment outcomes, and reduced the risk of jobseekers falling between the cracks during the transfer process. Third, in overall terms it is likely that the APM promoted greater investment in and engagement with long term unemployed people through the two rounds of Customised Assistance, the Job Seeker Account, and second and subsequent rounds of Mutual Obligation.

389. In regard to the effects of the Star Ratings, the APM evaluation found that paid outcome peaked in June and December each year, at the end of each period for measuring performance for Star Ratings, which suggests that providers were sensitive to this performance measure (DEEWR 2007a, p136).

7.3(4) The tender process

390. On the other hand, the three yearly tender process temporarily deflated employment outcomes, probably due to a combination of the transaction costs of the tender for providers, the effect of the transition to new contracts (including the transfer of jobseekers to new providers and the need for 'gaining' providers to establish new or expanded services), and the uncertainty facing many providers and their employees just prior to a tender. This negative short-term effect of tenders on employment outcomes is clear from Figure 27. There appears to be a trade off between the disruption and temporary drop in performance caused by a major tender and the potential improvements in the long term performance of the system brought about by competitive pressures. This suggests that a full or substantial tender may not be the optimal way to enhance competition among providers bring, though it may be unavoidable where the basic structure of the program is altered. Apart from its ultimate effect on employment outcomes, any major tender involves substantial transaction costs for providers, the Employment Department, and those jobseekers who are required to switch providers.

Figure 27. **Number of interim outcomes reported by DEWR, by month, April 1998-June 2004**



Note: 'Interim outcomes' refer to employment outcomes sustained for 3 months that triggered payments to providers. Transition periods during and after tenders are marked with dots.

Source: Australian National Audit Office (2005b), Implementation of Job Network Employment Services Contract 3, data provided to ANAO by DEEWR.

7.4 Further dimensions of effectiveness

391. The estimates of net employment and off-benefit outcomes discussed above represent average impacts for all program participants, usually measured at a single point in time such as 12 months after commencement. While this is a useful summary measure, it paints a less than complete picture of the impact of these programs. The following is a discussion of further dimensions of the net impact of employment programs: their variability and sustainability over time, their differential impacts on various groups of participants, and the effects of jobseeker choice.

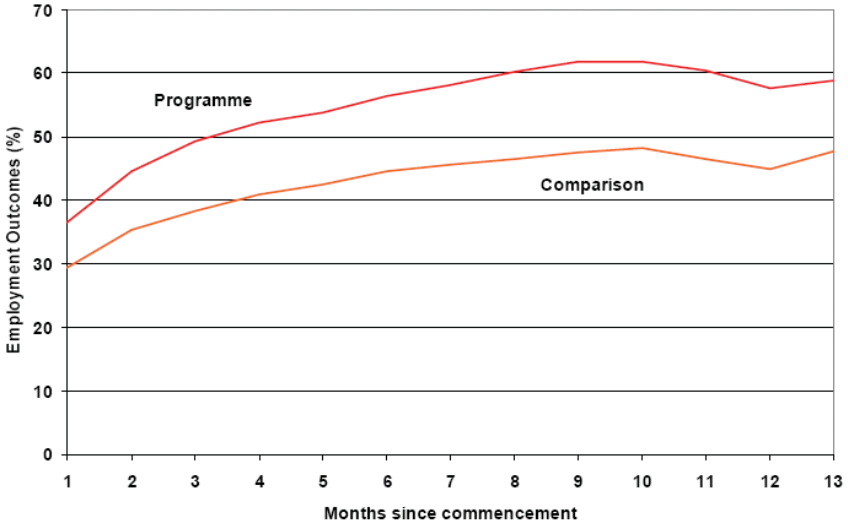
7.4(1) The net impacts of programs over time

392. A number of the studies cited above found that the net impacts of participation in an employment program varied over time, increasing for some programs and decreasing for others (Stromback & Dockery 2000).

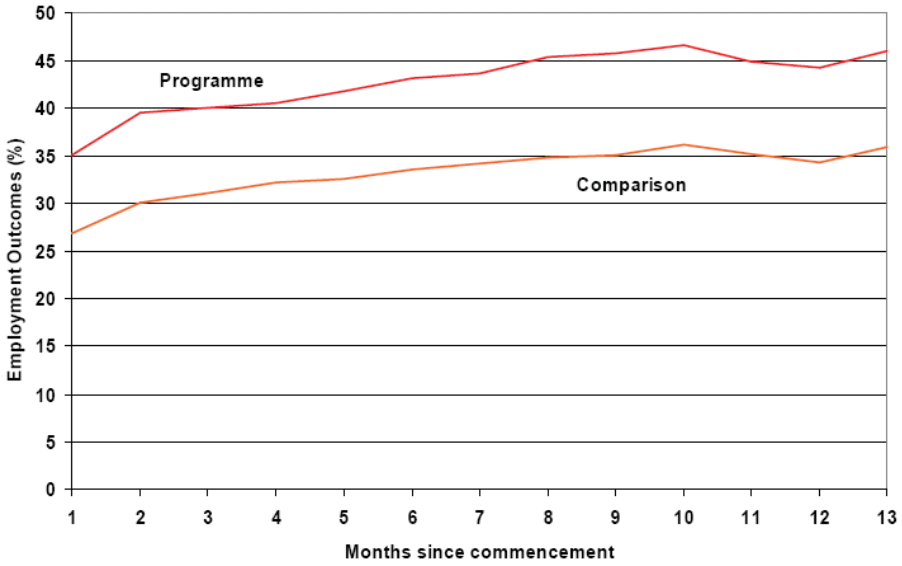
393. Figure 28 compares employment outcomes measured up to 13 months from commencement in Job Search Training, Customised Assistance, and Work for the Dole for a cohort of participants in these programs in 2004. The pattern of variation in net impacts over time was similar in other official studies, including the more recent study of net benefit impacts conducted from 2007 to 2008 (though unfortunately the effects of Work for the Dole over time were not detailed in that study – see DEEWR 2010a, and also DEWR 2003).

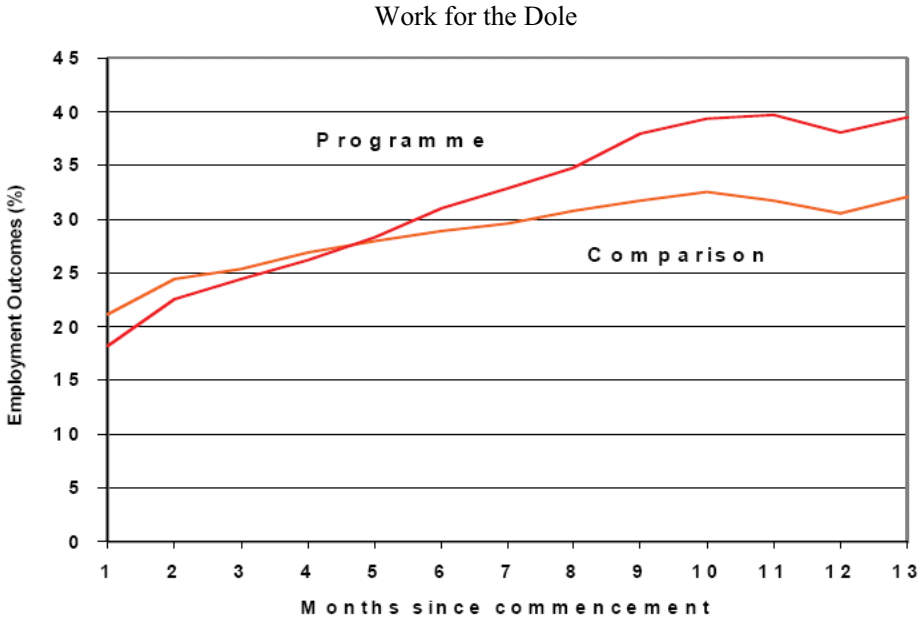
Figure 28. **Employment outcomes of programs over time (2004 and 2005)**

Job Search Training



Customised Assistance





Note: Average probability of employment in each month following commencement in a program for a cohort of participants who commenced in 2004 (i.e. the APM model of employment assistance). The net impact is the (percentage point) gap between the two lines. Lower employment outcomes for the programme group represent negative program impacts. Note that for the first half of the period covered, most participants of Customised Assistance and Work for the Dole were still in the program (as program duration was typically six months). In contrast, Job Search Training lasted for less than one month.

Source: DEWR (2006a), Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation, a net impact study.

394. Figure 27 indicates that for the two Job Network programs (Job Search Training and Customised Assistance), most of their net employment impacts were achieved in the first month of participation, though there was a slight improvement in average net impacts over the medium term. This reflects their emphasis on job search assistance designed to secure employment outcomes as quickly as possible, and also the incentives in the Job Network fee structure and Star Ratings in favour of quick employment outcomes.

395. In contrast, Work for the Dole appears to have had significant attachment effects (though the study notes that refinements in the program had reduced these compared with earlier iterations of the program, see DEWR 2006a, p 14). On average the program had a negative impact on employment prospects for the first five months of participation. Beyond the first five months, the average net impact of the program improved significantly so that by the 12 month point it was almost equal to that of Customised Assistance (which was also targeted towards relatively disadvantaged jobseekers). This was likely to be due to either a compliance effect (that is, jobseekers were more motivated to seek employment after a round of Work for the Dole) and/or improvements in their employability arising from participation in work experience.

396. It is worth noting that within 12 months of commencement in these programs, many jobseekers would already have commenced another program (for example, transferred from Work for the Dole to Customised Assistance, or vice versa). So it is not clear that this study captured the unalloyed impact of each program. Another confounding factor that should be kept in mind is that this study does not seek to measure the 'threat' or 'compliance' effect of referral to the program, which would tend to increase employment outcomes attained by the comparison group and thus reduce the (measured) impact of the program on those who commenced it.

397. The official evaluations cited here do not extend beyond 13 months after commencement in the program, so we do not know what the longer term net impacts of these programs were.

398. However the Employment Department also conducted two special studies, commencing in 2001 and 2004, of longer term employment and off-benefit outcomes of former participants in Intensive or Customised Assistance, Work for the Dole, and Job Search Training (DEWR 2004; DEEWR 2008f). Unfortunately these only measured 'gross' rather than net impacts over time. These studies provide evidence of the kinds of jobs former participants obtained and whether they remained in employment. Table 20 lists some key results from the second of these studies, in respect of former Customised Assistance and Work for the Dole participants, who commenced these programs during 2004.

Table 20. **Longer term outcomes of former Customised Assistance and Work for the Dole participants (2004-2006)**

	3 months after leaving program	16 months after leaving program	24 months after leaving program
% employed			
Customised Assistance	41%	49%	
Work for the Dole	27%	40%	
% employed at 3 months who were also employed at 16 months			
Customised Assistance	n.a.	78%	
Work for the Dole	n.a.	72%	
% of those employed who worked fulltime			
Customised Assistance	37%	50%	
Work for the Dole	41%	49%	
% of those employed who worked as labourers or elementary service workers			
Customised Assistance	46%		
Work for the Dole	50%		
Average weekly wage before tax of those employed (includes part time employees)			
Customised Assistance	AUD 400	AUD 460	
Work for the Dole	AUD 470	AUD 490	
% off unemployment payments			
Customised Assistance	35%	48%	57%
Work for the Dole	26%	41%	51%

Note: Some outcomes were not specified in the publication and these are omitted from this table.

Source: DEEWR (2008f), Labour market assistance longer term outcomes.

399. Customised assistance and Work for the Dole were targeted towards relatively disadvantaged jobseekers. Consequently, although almost half were employed 16 months after leaving the program (including early exits) around half of these jobs were at the lowest skill level. Since many low skilled jobs in Australia are part time, around half of the jobs obtained were part time. Thus, only about one quarter were employed fulltime 16 months after leaving the program. Given the low skilled nature of the jobs and the part time status of half of them, average weekly earnings were at the bottom end of the pay distribution. The minimum fulltime wage in 2005 was AUD 484 per week (Australian Industrial Relations Commission 2006).

400. As might be expected in a stable or improving labour market, their average employment prospects and incomes improved significantly from the three to 16 month mark. Over the longer term (24 months), the proportion leaving unemployment payments doubled compared to outcomes measured at three months. It should be noted that these data included a minority (not quantified in the

study) who transferred to non activity-tested payments such as Disability Support Pension or left income support without securing a job.

401. Encouragingly, Table 20 indicates that 70-80% of those who were employed at three months were also employed at 16 months (this was usually with the same employer). Another way of expressing this finding is to say that 32% of former Customised Assistance participants and 19% of former Work for the Dole participants were employed at both points in time (though not always continuously with the same employer). Of those whose employment attracted outcome payments for the provider (generally for at least three months of continuous employment) retention in employment was somewhat higher.

402. Although the report cites evidence that former Customised Assistance and Work for the Dole participants increased their average earnings between 3 and 16 months after leaving assistance, career advancement appears to have been limited over this period. Occupational skill levels and average hours worked did not rise appreciably. Although there was significant movement from temporary or casual to permanent positions, most former participants in these programs who were in employment at the 16 month point were still not permanently employed (DEEWR 2008f, pp 14, 15, 17, 19, 20).

403. Another, more dynamic measure of long term outcomes is income support 'churn' or the extent to which individual jobseekers leave and then re-enter income support. The APM evaluation examined trends in overall exits from and returns to income support over a 24 month period after the commencement of the APM model in 2003, for all unemployment payment recipients. It should be noted that this does not correspond exactly to participants in various employment programs though the vast majority would have participated in various stages of the Job Network continuum. The evaluation found that 12 months after commencing unemployment payments during 2003-04, 74% of jobseekers were off these payments. However, 12 months after leaving income support, 38% had returned to unemployment payments (DEEWR 2007a, pp 129, 130). This suggests a higher overall level of 'churn' than the data cited in Table 20. One possible reason for this is that short term unemployed people cycle on and off income support more frequently than the longer term unemployed jobseekers whose outcomes were measured in Table 20.

404. The extent of 'churn' in employment and income support after leaving employment assistance, and the jobseeker and employment characteristics with which it is associated, is an under-researched area in Australia.34 Given the emphasis on rewarding short term outcomes (measured over three to six months) in employment services programs, this remains an important gap in evaluation research.

405. Another important gap in the evaluation literature on Australian employment programs is the longer term outcomes of assistance, beyond two years after leaving a program. Studies in the United States and other countries that have tracked employment outcomes over longer periods have found that programs that aim to improve human capital, especially vocational education and training, have substantially high employment impacts over the longer term (for example over two years) than in the shorter term (up to two years). This suggests that the relatively poor short term performance of training programs described in Table 18 might be reversed if the longer term outcomes of different types of were compared (Card, Kluve & Weber 2009; Hotz *et al* 2004).

7.4(2) Impacts of programs of different groups of jobseekers

406. The data cited above list the average employment or off-benefit outcomes of different employment programs. A significant limitation of measuring outcomes in this way is that averages mask the diversity of outcomes attained by different jobseekers. For example, the average 10% improvement in

34. See for example: Dunlop Y 2001; Productivity Commission 2006; and Flatau P & Dockery M (2001).

short term employment outcomes attributed to Customised Assistance in Table 18 could mean that the program had no effect on the job prospects of 70% of participants, worsened the prospects of 10% and improved those of the remaining 20%. A large improvement in the job prospects of a small minority could have a substantial impact on the overall average outcomes if the program had no effect on the vast majority (Bitler M *et al* 2005).

407. The distribution of employment impacts matters in programs where providers are rewarded for these outcomes. As discussed above, a persistent concern about the Job Network for officials and other stakeholders was the risk that providers might be encouraged to 'cream' by focussing attention on a minority of relatively easy to place jobseekers while 'parking' the remainder (Productivity Commission 2002). If 'creaming' and 'parking' are of concern, it is important to assess how program impacts are distributed among different groups. For example, did Customised Assistance achieve lower net impacts for very long term unemployed people or people with disabilities? A harder question to answer is the extent to which net program impacts varied according to characteristics that are not formally taken into account in assessment tools like the JSCI, such as motivation.

408. Research on the distribution of net program impacts among different groups could also inform an assessment of the cost effectiveness of different targeting regimes in programs such as Job Network and Job Services Australia. For example, it could inform decisions on the extent to which people with longer unemployment durations should be targeted for higher levels of employment assistance.

409. This is another area where little information is available in the public arena, perhaps in part because the detailed disaggregation of outcomes measured by 'net impact' studies tests the limits of the reliability of the data. The latest net impact study sheds some light on this issue. Table 21 compares the impact of employment programs on the probability that participants either left income support or their payments were substantially reduced due to earnings, 12 months after leaving a program.

Table 21. **Average impact of programs on exits from income support (or reductions in reliance on payments) for different groups of jobseekers, 12 months after program commencement (in 2007)**

Program:	Job Search Training	Customised Assistance (first round)	Customised Assistance (second round)	Work for the Dole
Gender				
Female	6.7%	5.0%	6.6%	8.3%
Male	6.8%	6.4%	6.4%	5.2%
Age				
15-19	4.4%	-2.8%	-2.0%	3.2%
35-44	4.4%	6.8%	7.1%	5.7%
55-65	12.6%	10.8%	10.9%	-1.6%
Payment duration				
<1 year	6.5%	3.8%	1.1%	4.3%
1-2 years	n.a.	7.4%	5.9%	1.8%
2-3 years	n.a.	n.a.	10.0%	9.5%
>3 years	n.a.	7.7%	8.0%	8.6%
Disabilities				
Physical disability	7.1%	10.1%	12.1%	7.8%
Intellectual disability	4.2%	7.7%	10.2%	8.7%
Mental illness	8.3%	10.8%	10.9%	8.9%
Local labour market				
Poor	7.4%	5.9%	4.1%	7.3%
Average	6.5%	5.2%	6.8%	5.1%
Good	6.9%	7.3%	8.4%	7.9%
Total				
All	6.8%	5.8%	6.4%	6.1%

Source: DEEWR (2010a), Labour market assistance, a net impact study, p14.

410. These data are consistent with the findings of the APM evaluation that the average net impact of Intensive Support programs within the Job Network (Job Search Training and Customised Assistance) increased with the duration of unemployment and was relatively weak for young people. They are not consistent with the findings of that evaluation that these programs were relatively ineffective for people with disabilities or for mature age jobseekers[35] (DEEWR 2007a, pp 128, 135).

411. These results lend some support to the view that programs for disadvantaged jobseekers (such as Customised Assistance) work better in tight labour markets where employers are perhaps more open to engaging those jobseekers. However, there was little variation in the net impact of Job Search Training in stronger and weaker labour markets (DEEWR 2010a, p15).

35. This is unlikely to be due to differences in the timing of the two studies. The APM evaluation used data that were only one year older than the net impact study from which table 21 was derived. However, the methodology was different in the research cited in the APM evaluation. The latter study compared net 'off-benefit' impacts for all participants in the Intensive Support phase of the Job Network (not just Customised Assistance) over a period of one year from 2006. Thus, the profile of those included in that study was less disadvantaged than those whose outcomes were described in Table 21.

412. The relative impact of Work for the Dole on different jobseekers and in different labour markets displayed a different pattern to that of Customised Assistance. In particular, it was not clear that it had higher net impacts in stronger labour markets. Also, it impacted more strongly on females and appears to have had a negative impact on exits from income support among mature age people.

413. The finding that the average net impact of Customised Assistance increased with unemployment duration suggests that the targeting of Customised Assistance towards long term unemployed people (over 12 months' unemployed) was cost effective, but that more investment could have been made in jobseekers with longer unemployment durations. This is contrary to the view that returns from repeated investments in Customised Assistance for long term unemployed people were likely to diminish each time, as implied by the lower payments made to providers for the second 'round' of Customised Assistance and the absence of subsequent rounds.

414. The APM evaluation found that while average net impacts of Job Network assistance rose with unemployment duration, they did not increase consistently with higher JSCI scores (DEEWR 2007a, p135):

> It would be reasonable to expect that as the JSCI score rose so would impact and if this was the case it would constitute evidence of the benefits of early intervention with ISca. Figure 9.11 shows, however, that, to the extent that they can be accurately estimated, net impacts do not increase substantially by JSCI score. Furthermore, and quite importantly, the results also do not provide a basis for the current JSCI cut-off point in terms of an optimal intervention point. Net impacts were, however, found to be highest for those with higher durations on benefit, suggesting that the longer-term unemployed clients benefit more from the assistance while short-term unemployed clients are likely to be better able to look for work themselves. Moreover, the key period for leaving unemployment is the first six months. This was found to be true across all JSCI scores and suggests that the operation of highly disadvantaged ISca placements from the start of unemployment results in high deadweight costs.

415. This finding is significant for the design of the APM model because the JSCI score was used to accelerate 'highly disadvantaged' jobseekers who were unemployed for less than a year into Customised Assistance, and to target higher fees towards this group. It is also relevant to the design of Job Services Australia, which relies on JSCI scores rather than unemployment duration per se to target jobseekers for higher streams of assistance, although duration is now a key factor within the JSCI (ACOSS 2011).

7.4(3) Jobseeker choice and engagement

416. Although compulsory participation in employment programs plays a key role in activation strategies and provides a gateway to employment assistance for disadvantaged jobseekers, there is a tension between compulsory participation and effective engagement of jobseekers in these programs. This is evidenced to some extent by the low rates of attendance at employment service provider interviews discussed previously. The drivers for active participation in Australian employment programs are little researched (Homel & Ryan 2010).

417. There is some evidence to suggest that net impacts of voluntary programs are higher than compulsory ones, though it is difficult to control for selection effects into voluntary programs. For example, as indicated in Table 19, the latest official 'net impact' study of employment assistance found that the average impact on reliance on income support 12 months after commencement of participation in the Disability Employment Network (DEN) program was 10% and that for Vocational Rehabilitation Services (VRS) was 4.9% (DEEWR 2010a). This report also estimated that the average net impact of these programs on reliance on the Disability Support Pension was 23.4% for the DEN program and 12% for VRS. Thus, the voluntary components of these disability employment programs (those targeted towards

DSP recipients) had more than twice the impact of the programs as a whole (the other component being the 'uncapped' compulsory programs for Newstart Allowance recipients). Other plausible explanations include that DSP recipients were on average more disadvantaged and their prospects of employment without assistance were therefore relatively low, and (conversely) that the voluntary component of the DEN and VRS programs benefited from a selection bias arising from voluntary participation. That is, only those already strongly motivated to find employment participated in the program and the net impacts of this component were overestimated in the evaluation.

418. In 2007, a not for profit organisation of Job Network providers, Job Futures, experimented with a system of 'intensive case management' for a cohort of 301 of its very long term unemployed clients - those unemployed for over two years (Fowkes & Ward 2007). This voluntary program offered more intensive engagement with consultants who specialised in assisting this group (caseloads were 15-20 compared with over 100 for the Job Network as a whole at that time), and this was funded using Job Seeker Account credits. While the precise targeting of jobseekers for participation in 'intensive case management' and the nature of the services offered were not documented, Job Futures reported that apart from the more intensive contact with specialist consultants, the services offered were similar to 'standard' Job Network assistance for very long term unemployed people including 'coaching, motivating, reverse marketing and follow up' (Fowkes & Ward 2007, p15). Job Futures' internal evaluation of this experiment found that 105 of the 301 participants achieved an 'interim employment outcome' (continuous employment for at least three months), an outcome rate of 35% compared to the national average at that time for very long term unemployed jobseekers of 19%. This evaluation stressed the benefits of a more intensive service (and noted jobseeker complaints about the lack of intensive servicing in 'standard' Job Network services). It is also possible that the voluntary nature of participation in the program played a part (either by increasing motivation or through the selection effects discussed previously).

419. This raises the interesting question of whether the benefits of increased jobseeker engagement and motivation associated with voluntary programs can be replicated in compulsory programs, without the attendant selection ('creaming') effects. Attempts to strike such a balance between jobseeker choice and compulsion in employment programs in other countries include the Individual Reintegration Agreements in the Netherlands (where jobseekers contracted with their chosen provider to provide specified services such as training) and the New Deal 'Options' in the United Kingdom (where jobseekers must participate in a program but in theory are offered a choice between wage subsidies, training, voluntary work and unpaid work experience) in the United Kingdom (Blundell *et al* 2004; Sol *et al* 2008).

420. As discussed previously Mutual Obligation, despite its 'compliance' overtones, was one example of an Australian program with some of these features (since jobseekers could elect to participate in a range of options to meet their mutual obligation requirement, though there was a default option).

421. Another was the Employment Preparation program. This 'program' (which was actually a component of the Job Network) was introduced as part of the Welfare to Work policy changes in 2006 to give Job Network providers additional resources to work with principal carers and mature age jobseekers lacking recent work experience. Although participation was compulsory, the program resembled and was probably modelled on previous voluntary schemes for sole parents and other carers such as Jobs Education and Training and Transition to Work. Further, for at least a few years prior to the introduction of Employment Preparation Job Network providers were encouraged to recruit these target groups as voluntary participants. As with Job Future's Intensive Case Management program, providers were resourced to work more intensively with Employment Preparation clients. Following an in-depth interview with the jobseeker, the Job Network consultant could draw upon additional Job Seeker Account credits to finance vocational training and other work preparation activities, though these only amounted to AUD 300. Short vocational training courses were a common feature of Work Preparation (DEEWR 2008g, pp 46, 129).

422. This program had relatively strong impacts on exits from income support, with an estimated 17.6% additional jobseekers either leaving income support or increasing their earnings 12 months after commencement, though the results for Customised Assistance were also high for the sole parents who were the main target group for Employment Preparation (see Table 19 above, and DEEWR 2010a, p12, 18). As discussed previously, short vocational training programs do not usually have a major impact on jobseeker's employment prospects in the short term. Another possible explanation for the robust outcomes of Employment Preparation is the lack of recent work experience among most participants often masked strong employment potential. An example would be a sole parent who interrupted a promising career or education to care for their first child, and remained out of the labour force for many years before separating from their partner and claiming income support. Once such jobseekers are sufficiently confident, motivated and supported to search for a job or resume education or training, their job prospects are quite good. An open ended and 'user friendly' program such as Employment Preparation may have facilitated this. However, Employment Preparation was a small program, with only 25,000 commencements in 2007-08 (DEEWR 2010a) of whom around 60% were principal carers and 40% were mature age jobseekers. Only 3-7% of principal carers on unemployment payments and 1-10% of mature age jobseekers (50-59 years) participated in the program in 2006-07 (DEEWR 2008g, pp 45, 66).

423. Employment Preparation was discontinued as a separate form of assistance with the introduction of JSA, though providers can in theory structure assistance for jobseekers along similar lines if the resources are available to do so. For example, it would be possible to replicate Employment Preparation for jobseekers in their first year of Streams three and four using a combination of service fees, Employment Pathway Fund credits, and also by drawing on 'Productivity Places' training courses where these are available and suited to the client group. One difficulty facing providers seeking to assemble individualised assistance 'packages' of this kind (for example, intensive employment counselling together with appropriate vocational training or a wage subsidy) is that unless suitable resources are available locally through other programs (such as mainstream vocational training providers) it is difficult to achieve reasonable economies of scale. For example, the provider might only purchase a small number of training courses in any given period and training provided in a format that is relevant to the needs of disadvantaged jobseekers might not be available at all.

424. A different approach to initial engagement of jobseekers with employment services might also improve attendance rates at interviews. In contrast to the low rates of attendance at Job Network interviews, the average attendance rate at interviews for the 'Local Connections to Work' trials for very long term unemployed people and 'at risk' young people on income support discussed previously was over 80% (advice to author from Department of Human Services, data are unpublished at this stage). As discussed previously, in these trials joint interviews with jobseekers are conducted by Centrelink and employment and other relevant services with individuals drawn from these target groups on the local Centrelink register. The first interview is compulsory and jobseekers are advised that its purpose is to discuss the jobseeker's employment goals and circumstances and to offer assistance to overcome problems identified. Subsequent interviews are voluntary. A 'strengths based approach' is taken to these interviews, where realistic prospects of a return to employment are emphasised and Centrelink and other providers work with jobseekers to identify the resources needed to help them achieve it. One possible reason for higher attendance rates is the direct involvement of Centrelink (which implies a stronger connection with receipt of income support). However it is possible that the positive signals given to jobseekers about the purpose of the interviews and their potential benefits also contributed to the high participation levels achieved. For deeply disadvantaged jobseekers, active engagement with and motivated participation in employment and other services is often the first necessary step towards employment. Whether the high attendance rates will be maintained and lead to improved employment outcomes is not known at this stage. A major improvement in future employment outcomes for this target group is likely to require consistent collaboration between employment service providers and the other services involved in the trials, with a clear focus on engagement with the labour market.

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