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PERSPECTIVES

Rethinking Australia's Employment Services

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Prior to Job Futures, Lisa worked for ten years in industrial relations including as a senior official at the Community and Public Sector Union. She has degrees in Arts and Law from the University of Sydney.

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Foreword

Debates around unemployment and, more often, the unemployed are always with us. Rightly so. There are few more critical factors in an individual's well being than access to decent work: dignity, identity, security, personal and family stability, income.

Yet, a time comes when the debates are all too familiar and we engage in some form of policy mating ritual consummated in another inquiry or review that leaves no one satisfied.

In this excellent paper, Lisa Fowkes lays out some twenty years of policy effort and experimentation in delivering employment services before concluding the time has come for radical change: a conclusion that seems to have surprised the author herself.

Fowkes brings an insider's perspective to the subject, having for many years been a key figure with Job Futures, an extensive national network of community-based employment services providers operating in over 160 locations. In late 2010, she resigned as CEO and we were delighted when she accepted our offer to take the opportunity to write this reflective piece drawing on her experience to chart a way forward.

Fowkes presents a compelling case for measured reform that ends the incremental 'tweaking' that further cements the inadequacies of a flawed system.

On reading the paper myself I was struck not so much by the complex web of issues that surround unemployment (we know that I guess) but by the intimation of hope: a sense that these difficulties are not insurmountable and that it should be possible to treat those of our compatriots trapped in unemployment with dignity while developing real options, and to reassure those fortunate enough to be employed that a fair and equitable but effective system is not beyond our ken.

I commend this paper to you for your consideration.

Eric Sidoti
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Rethinking Australia's employment services

Introduction

For the last thirty years of the 20th century, the persistence of unemployment, even in times of growth, has been one of the most pressing challenges facing developed countries. In a major report on this issue in 1994, the OECD described this problem as so serious that it threatened "unravelling of the social fabric, including a loss of authority of the democratic system", and the "real risk of disintegration of the international trading system".[1] Its roots lay in major changes in the nature of employment in these countries as a result of technological change and the impact of global trade. Rather than unemployment being a temporary feature of the business cycle, many people were becoming unemployed long term. The OECD described structural unemployment as arising from the "gap between the pressure on economies to change and their capacity to do so".[2]

Rather than give in to domestic pressure to increase protection or slow the rate of change, the OECD advocated the implementation of a range of measures to foster adaptation. Amongst its recommendations was a changed role for employment services from passive provision of income support and labour exchange services to playing an active role in supporting people to adapt.

In Australia at the time, the argument for an active labour market strategy that improved our adaptive capacity was compelling. In 1994 our official unemployment rate averaged 9.4%. The Australian economy had undergone substantial change which was being felt in households and communities across the country. Workers in manufacturing were some of those hardest hit. Labor embarked on a project to develop labour market assistance that would help people adapt. But it was the Conservative government that radically reshaped our employment services – a reshaping that included complete privatisation of delivery and implementation of a raft of new obligations for the unemployed, including mandatory work for the dole, backed by rigorous application of penalties.

Today, within the OECD, Australia's economy appears to be a stellar performer. Unemployment is almost half 1994 levels, at 5%, and appears on track to regain its pre GFC levels of close to 4%.

But headline unemployment is deceptive as an indicator of our adaptive capacity.

Despite economic growth throughout most of the last decade, the level of long term unemployment has fallen very slowly. 28% of the people currently on unemployment benefit have been there for two years or more. Since 1994, the number of people on the Disability Support Pension has increased by over 70% to over 750,000 – more than the total on unemployment benefit. The number of people identified as underemployed has also increased by 50% to over 850,000. While so many are looking for work, employers identify widespread skill and labour shortages.

We have not effectively supported those affected by change to adapt, but to understand the nature of the problem, we need to look at all of those who cannot secure the work that they need.

In thinking about the next iteration of labour market programs it is this broader set of challenges that need to drive the discussion. While our labour market programs are geared to "activation", they are poorly placed to support adaptation. The legacy of conservative government in a period of low headline unemployment is a system which treats unemployment as, at its core, a moral failing of individuals. While assistance is provided, the major form of intervention is to increase pressure and to change behaviour of job seekers.

My argument in this paper is that if we want labour market programs that foster adaptation then they need radical change. They need to build individual capabilities – not just in terms of vocational skills, but in the ability to make effective decisions. The risks and social costs associated with work in a labour market that is increasingly volatile need to be shared. Adaptation is not just a task for the unemployed, it is also a challenge for employers. They need to be engaged in a discussion of how structures can be adapted to support inclusion of those currently outside the workforce.

1 OECD, The OECD Jobs Study, Facts, Analysis and Strategies, 1994. Part 2a, p3 of 6.
2 Ibid. Introduction, p1 of 2.

PART 1: WHAT WE HAVE

Development of the current system

Australia's principal labour market program is Job Services Australia (JSA). Unemployed people in receipt of Newstart Allowance, Youth Allowance and many Parenting Payment recipients are required to participate in this program.[3] Job Services Australia replaced Job Network (JN) in 2008. For the purposes of this paper, most discussion is of the principles and outcomes of Job Network. There are two reasons for this – one is pragmatic – JSA has been in place for 18 months, too early for substantial evidence of its overall efficacy. But the second reason is that, while Job Services Australia was developed by the Labor Government, it has more in common with Job Network than it has differences. My argument in this paper is that it rests on the same underlying assumptions about unemployment, and a very similar approach to addressing the problem.

Shift towards more active labour market programs – pre Job Network

In May 1994 Labor's Working Nation heralded a shift from 'passive welfare' to reciprocal obligation. Working Nation was an 'active labour market program' in that it required that unemployed people actively undertake job search (and prove that they had done it) and accept suitable work if it was offered.[4] Under Working Nation, new programs were implemented which were targeted at those unemployed for 12 months or more. They included training, case management, job search assistance (in the form of job clubs); wage subsidies for employers and direct job creation. Importantly, under the Government's Job Compact, every person who had been unemployed for 18 months or more was guaranteed a job placement for 6 – 12 months. Those on unemployment benefits were required to maximise their job search effort and take up opportunities, while, in return Government undertook to ensure that they had a paid work opportunity.

The election of a Coalition Government less than 2 years after the implementation of Working Nation means that it is impossible to judge whether its programs could have been effective long term. The Coalition argued that the programs were expensive, poorly targeted, and ineffective. It was really too early to say.[5]

The Howard Government was determined to fundamentally overhaul labour market assistance and, in May 1998, Job Network was born.

The Job Network and changed relations between job seekers and the State

While Labor had built on and complemented the public employment service through its Working Nation programs, the conservative Government embarked on a more radical experiment. It privatised the whole of the employment service, becoming the first OECD nation to do so. Delivery of the new Job Network program was contracted to for profit and not for profit providers as well as a new (short lived) government owned employment provider.

Job Network services were initially structured into three program streams:

- Job Matching (Flex 1) – a basic service for short term unemployed people and employers which included taking vacancies, preparing resumes, screening and referring job seekers to jobs
- Job Search Training (Flex 2) – for people unemployed for three - six months - two weeks of intensive job search training followed by a period of assisted job search
- Intensive Assistance (Flex 3) – individualised assistance determined by the provider – for highly disadvantaged and one year plus unemployed

Over 11 years of Job Network this basic suite of services remained largely unchanged, although in 2003 they were combined into a single program (the Active Participation Model) and the Intensive Assistance (later "Intensive Support Customised Assistance" - ISCA) phase became more prescribed.

Value for money was a key driver in developing the Job Network. Over $1 billion was stripped from the labour market program budget when it was implemented. More expensive government interventions, particularly job creation efforts, were abandoned. Competitive tendering, performance rankings of contracted providers and contract fees linked to outcomes were used to create a system that operated with many of the features of a market (albeit one with a single customer), placing upward pressure on outcomes.[6]

While both Working Nation and Job Network could be described as active labour market programs, their underlying approach to promoting adaptation was very different.

3 Some Newstart and Parenting Payment recipients, and most Disability Support Pension recipients wishing to work are referred to Disability Employment Services. This program shares many features of Job Services Australia, however it is a smaller program and the performance framework and provider market are less mature.

4 Active labour market programs can be defined as programs where participation is compulsory for unemployed people and generally include requirements like attendance at interviews, requirement to accept jobs if offered, etc (refer OECD Employment Outlook, 2005, p175).

5 Early outcomes from Job Network were also poor. It seems reasonable to assume that results would have improved over time and the programs themselves would have been adjusted to improve their efficacy. For discussion of Working Nation see Junankar and Kapuscinski, *Was Working Nation Working*, Journal of Industrial Relations, March 1998, Vol 40, n1, 25-41. http://www.deewr.gov.au/Employment/ResearchStatistics/ProgEval/Pages/JNEStage2.aspx

6 After Job Network contract 2, the market was not price competitive. Competition was for star ratings, which were based on a mix of outcome rate (with different weightings for length of unemployment) and speed to placement. While some adjustments have been made to the mix and the method of calculation, star ratings still measure the relative success of providers in achieving employment outcomes in JSA. While job seekers had some choice of provider, the market is essentially one with the Government as sole customer.

Working Nation fit within Labor's wider skill formation and economic adjustment agenda. It encouraged training both off the job, and on the job. It encouraged employers to take on unemployed people through direct wage subsidies. And it included job creation as a vehicle for very long term unemployed people to gain work skills and engage in employment.

The new Job Network was designed on 'work first' principles. The aim was to get people into full time work and get them there fast. In 2002 the Productivity Commission articulated the purpose of the Job Network program as follows:

> the underlying rationale of the Job Network is to overcome the passivity and de-motivation that may develop with long-term spells of unemployment, remove other job-seeker-specific obstacles to employment and quickly orient benefit recipients to jobs.....In the long run, it is the effective labour supply that determines the level of employment, not demand.[7]

Under the Job Network program, the fundamental objective of labour market assistance was to ensure the effective availability of job seekers through short term treatment of their situation (including their 'inactivity'), an approach neatly summarised by Tony Abbott, when Minister for Employment Services, as "hassle and help".

A strong economy and labour market deregulation would take care of the rest. The challenges in ensuring that these people became permanently attached to the labour force, that they were better off financially, and that they developed skills were left to the market.

Job Network paid on results, leaving providers to decide whether spending on training or employer incentives was necessary. Under Job Network, assistance was light touch. The reward to providers for early placement in a full time job, regardless of the quality of the job, was substantially greater than the reward for equipping job seekers with skills (for example through TAFE) prior to placement. So any strategic effort to upskill or reskill unemployed people prior to placement was discouraged by the system itself.

The Coalition Government's abandonment of the Job Compact also reflected an ideological shift in the way that the relationship between income support recipients and the State was constituted. While Labor had moved to place greater emphasis on the role of personal responsibility in labour market programs, it had placed this in the context of a symbolic bargain which guaranteed a right to a paid placement. But under the Coalition, what was described as a "mutual" obligation, became decidedly more one sided. As unemployment fell, it was easier to argue that jobs were there for anyone who wanted them. Increasingly onerous conditions for receipt of income support were used as a mechanism to secure behaviour change. While this was described as a shift from passive welfare, it was essentially a paternalistic one – the State prescribed activities which were designed to activate the unemployed for their own good.

Over the 11 years of the Coalition government, the focus on managing behaviour of income support recipients intensified. Application of penalties for non compliance with Activity Test requirements (looking for work, attending appointments, attending work for the dole) steadily increased. After the Productivity Commission in 2002 found that 'parking' of difficult job seekers was common, new prescriptions as to the frequency of meetings and intensity of activity were introduced in the Intensive Support Customised Assistance phase. These had the effect of increasing mandatory job seeker requirements. The quality of providers' performance was assessed, in part, on the basis of whether they rigorously reported non attendance by job seekers at appointments and did all things necessary to ensure that Centrelink was equipped to apply penalties.

The centrepiece of the behavioural agenda was Work for the Dole.[8] By 2003 mutual obligation requirements meant that anyone who had been on unemployment benefits for six months was required to participate in approximately 15 hours of activity per week for six months in every year – principally Work for the Dole.[9] It was a populist program, playing to a view that unemployed people were getting a free ride on the taxpayer. While there were occasional attempts to characterise the program as a form of labour market assistance, it was not designed to increase the skills of the unemployed or to connect them to potential opportunities. In fact program design encouraged providers to retain participants in the program, not to help them gain employment. There is mixed evidence about outcomes – with some finding that participation in Work for the Dole reduced employment outcomes, although referral to Work for the Dole did appear to have an effect on people moving off benefit.[10] Participants themselves often complained that these projects could not be put on their CV (in part because of the pejorative associations with the program name) and that they were not 'like work'. But this missed the point. The goal of Work for the Dole was cultural, not educative:

> What this Government is trying to do is change a culture of welfare to a culture of work. We're trying to replace an ethic of entitlement with an ethic of responsibility, and I have got to say for Newstart beneficiaries the era of unconditional welfare is over. It's over. (Tony Abbott, Minister for Employment)[11]

7 Productivity Commission, *Independent Review of the Job Network*, Report 21, 3 June 2002, p2.4.

8 "Work for the Dole" was implemented progressively for different job seeker groups from 1997.

9 Participation requirements vary depending on age and capacity to work. Other mutual obligation options included part time work, study or approved voluntary work, however there was an expectation that most job seekers would participate in work for the dole.

10 See, for example, Borland, J.and Tseng, Y., *Does Work for the Dole Work*, Melbourne Institute Working Paper No 14/04, July 2004 but compare DEEWR, *Active Participation Model Evaluation July 2003-2006*, November 2007.

11 http://www.tonyabbott.com.au/News/tabid/94/articleType/ArticleView/articleId/3693/WORK-FOR-THE-DOLE-ROUND-THREE-LAUNCH.aspx

The end of the Job Network and move to JSA

Labor's critique when it gained office in November 2007 reflected its interest in skills and in social inclusion. It argued:

- That the system was failing to address the needs of the long term unemployed, citing the increasing proportion of people who had been on benefit for more than 5 years as evidence;
- It was unable to address skills shortages;
- It was inflexible (noting that 25% of JN clients felt that the service was unresponsive to their needs); and
- It was characterised by excessive red tape.[12]

Following consultation and review the Government announced a major restructure. Job Network, Work for the Dole and two pre-employment programs which were aimed at very highly disadvantaged people (Personal Support Program (PSP) and Job Placement Employment and Training (JPET)) would be merged to become Job Services Australia.[13]

Labor adjusted incentives within the new JSA program to: promote greater use of accredited training which led to jobs; to emphasise achievement of outcomes for more highly disadvantaged job seekers (formerly in PSP and JPET); and to place greater emphasis on long term (six month) employment outcomes. New incentives were created for providers to secure placements by directly contacting employers.

The program merger had been floated by the bureaucracy prior to the change of government. It provided the opportunity to reduce provider numbers and contract management costs, to alleviate pressure on the Personal Support Program which had high waiting lists, and to integrate administration of Work for the Dole into employment program delivery (addressing the problem of conflicting goals between that program and Job Network).

The decision to merge JPET and PSP into the mainstream program and to uncap places meant that more very highly disadvantaged people were able to access a service which was, on one view, better funded.[14] New flexibilities were included to accommodate these participants – for example the flexibility to reduce job search requirements and to spend funds on services which were not directly job related.

12 Australian Government, *The Future of Employment Services in Australia, a Discussion Paper*, May 2008, p4, p7.
13 The Work for the Dole program is more correctly described as Community Work Co-ordinator (CWC). The CWC program included developing and administering Work for the Dole programs as well as other voluntary work options for job seekers. Personal Support Program and JPET were programs aimed at people whose personal circumstances meant that they were not able to immediately or effectively look for work – these circumstances included homelessness, mental illness, family violence. JPET was aimed at young people who were homeless or at risk of homelessness, while PSP was open to all unemployed people on benefits. Both programs were capped.
14 Per participant funding in Stream 4 in the first 12-18 months of the new JSA service are higher than either JPET or PSP. However participants in those programs could go on to participate in Job Network Intensive Support Customised Assistance which meant significantly more investment, whereas JSA funding diminishes dramatically after 18 months.

The Government changed the penalty regime applying to non complying job seekers to reduce non payment periods and put more protections in place for vulnerable job seekers.

But 'mainstreaming' also meant bringing these participants into a framework based on intensive activity and mutual obligation. It generally meant delivery within the context of larger, more volume based contracts. A significant number of youth focussed and specialist organisations were dropped out of the provider base as a result of the changed program structure.

The fundamental architecture laid out in the Job Network program survived. Under JSA participants are directed to a level of assistance based on their assessed 'barriers', as they had been under Job Network; providers are pitted against one another in a contest to achieve quantifiable outcomes, which are reflected in star ratings; providers must implement and monitor an intensive regime of activities, including Work for the Dole (despite it having been described as a failed scheme). The inclusion of people who had formerly been eligible for PSP and JPET meant more funds notionally invested in these groups, but Labor did not address the adequacy of fees available for case management for the long term and very long term unemployed.

Delivering the Job Network and JSA - The Policy in Practice

Labour Market Assistance as a "High Volume – Low Margin Business"

For providers, Job Network/Job Services Australia is a "high volume, low margin business". Its rules are immensely complex and the contract with Government is one sided. Understanding these dynamics is critical for understanding how the system works in practice and what limits its capacity to contribute to the adaptation challenge.

From day one of Job Network, cost per employment outcome was a preoccupation for Government and an oft cited measure of success. Contracting public services to the private and not for profit sectors meant an immediate reduction in general wages and conditions for frontline workers in the sector. In 2003, the government moved to a fixed fee regime for Job Network services and then, over time, was able to further reduce costs through failing to index fees in line with inflation or in line with provider costs. In 2006, Phil Murray, Manager of Catholic Social Services Employment programs, analysed this problem in detail. While from 2003 to 2006 the CPI had risen 9%, he identified costs of delivery at 16.5%, but fees had risen only 2%.[15] An external benchmarking study in 2008 found that fees had failed to keep up with minimum contract requirements.[16] While fees were declining in real terms, contracts were becoming more prescriptive and providers were required to spend more time administering the increasingly intensive job seeker compliance regime.

15 Murray, P., A Job Network for Job Seekers, Catholic Social Services Australia, November 2006 p22.
16 NESA, A submission to the Employment Services Review, 2008, p30.

Work in Job Network became characterised by large caseloads – a minimum of 100 people per case worker – but usually many more - with substantial time (up to 60%) spent in administration/red tape.[17] In the context of declining revenues, less time could be spent in delivering individualised services to job seekers.

Over the same period, the government moved to transfer greater risk to providers. In 2003, Job Network became a 'demand based' system. This meant that every person on Newstart was required to participate in the Job Network if they were considered able to do so.[18] For providers, this meant uncertainty about how many clients would walk through the door. The Active Participation Model meant that providers had to deliver a mix of services the size and composition of which fluctuated with labour market conditions and government policy.[19] Both the uncapping of the service and bringing together of services into a single provider model were welcome, but they increased provider risk. This was not compensated through the fee structure. Instead, financial volatility inherent in the contracts was compounded by the nature of the contracts themselves which were extremely one sided.

Under these combined pressures, provider behaviour and practices converged. Providers became more risk averse, focussing on strategies that were proven to deliver short term results, rather than more speculative long term investments. Providers sought larger contracts so that financial and contract risk could be spread. Managing Job Network meant understanding numbers and the ability to implement strategies to get large numbers of people through the system and into work. The complexity and poor financial viability of contracts meant that management skill and energy went into managing job seeker throughput and budgets, not helping solve client problems or developing long term responses to labour market challenges.

The change of Government has not (at this stage) solved the problem. DEEWR Contract managers are less aggressive in pursuing recoveries and there is a new (but not binding) "Charter of Contract Management". But micromanagement goes on. The technology enables, and DEEWR requires, that all significant job seeker contacts and agreements are entered into an on line system. This is monitored remotely by DEEWR with additional ad hoc requests for activity reports. In a context where every transaction is visible to DEEWR, "what is measured is what matters" means that primacy is given to administration and numbers. Administrative complexity and red tape continue to dog the system.[20]

And the government has done nothing to address the financial dynamics of the contract. Cost per outcome remains a key performance indicator. While Job Services Australia was described by government as focusing on the hardest to place, the fees available to provide services to very long term unemployed people stayed the same or declined. Reduced red tape was supposed to deliver a dividend to providers that enabled them to invest more in their services. The failure to fix this problem means that caseloads are at Job Network levels and are creeping up.

What does this mean for the support people receive?

Despite claims that services within JSA and its predecessor programs are individually tailored, the high volume, low margin nature of this work means that they are highly homogenous. Providers rely heavily on standardised approaches: enrolment in a work preparation course; mandatory attendance at group job search activities. These activities certainly have a place in service delivery. But their impact is limited. In addition to these group based activities, providers select job seekers with whom they will work more intensively. A typical strategy is to have a weekly list of 'top ten employable job seekers' and to focus attention on this group. For a caseworker with 100 or more clients, rationing one's effort is essential. This takes place within the context of targets (financial and/or outcome targets) – whether at a team or individual basis. Numerical targets are essential to achieving star ratings. The incentive and star ratings systems are cleverly designed to ensure more focus on longer term unemployed / job seekers in higher streams, but not with all of these clients. More motivated and compliant job seekers will be selected above others.

Time pressures, and many years of Departmental focus on compliance, mean that the principal means of 'engaging' unwilling job seekers is bureaucratic or coercive. It is a lot cheaper and less time consuming to lodge a 'participation report' than it is to visit people in their home or to convince them that attendance is valuable. In most cases where participation reports are lodged with Centrelink, penalties are not applied, but from a caseworker point of view the individual job seeker can be 'parked' until the next scheduled appointment.

Job Network and Job Services Australia have achieved lower cost per employment outcome but this has been achieved through creating a system that enables and requires rationing of resources at the front line. While these programs purport to invest resources according to need, and across the whole job seeker cohort, their efficiency is in picking winners.[21] Long term investments in job seekers, long term employer strategies and true, "risky" innovation, have all been casualties.

17 Figures cited in Australian Government, *The Future of Employment Services in Australia – a Discussion Paper*, at p30.
18 Those who were considered, by Centrelink, to have such complex personal 'barriers' that they could not benefit were referred to Personal Support Program or JPET – both of which were capped.
19 For example the size and mix of services changed with the implementation of the welfare to work changes which meant a significant influx of parenting payment recipients.
20 For example there are 150 different outcome codes alone in the new system.
21 Further evidence of "picking winners" can be seen in the distribution of spending from the Job Seeker Account which is more heavily weighted to those who have been employed for a shorter period than would be implied by proportion of that fund notionally allocated to this group.

Given high caseloads and the need to reserve investment of time and energy into a few 'ready to place' job seekers, it is not surprising that many find participation in these programs unsatisfying, and their caseworkers perfunctory.

Intensive Support Customised Assistance was the service within Job Network that was designed to provide individualised support to the long term unemployed to help them achieve sustainable employment. In 2001, a DEEWR survey found that 35% of job seekers in this service saw their case worker once a week or more, but another 30% saw them once a month or less.[22] From 2003 DEEWR moved to increase the prescription of requirements for providers in this area to deal with the problem of 'parking' hard to place job seekers. But when DEEWR conducted a survey in 2006 they found that the group who met their consultant once a month or less had increased to 48%, while only 21% saw them once a week or more. Over 50% of appointments were for 30 minutes or less.[23]

Job Futures published the outcomes of focus groups with 70 people who had been through its ISCA services and not achieved employment.[24] While many participants were positive about the people they worked with, they also commented on the short amount of time they had at their mandatory meetings and how rushed the consultants were.

> Generally, job seekers characterised this interaction as a '*catch up*', '*check in*' or a '*how are you going*', with the employment consultant basically seeing how they were going and having a look at what jobs they had applied for. Job seekers also stated that whilst those meetings were booked for half an hour invariably they would only last around 5-10 minutes.[25]

Recent work on the experience of 150 low income Australians identifies, again, a mixed experience with Job Network. Some participants described positive experiences with excellent case managers who were "realistic, hands off, trusting and not patronising".[26] However the research found that:

> … more frequently than not, our participants gave examples of poor case management…. Most Newstart recipients in our study were frustrated with their experiences with Job Network agencies and, of all the comments made, some two-thirds were negative. They instanced excessive and complicated administration, poor treatment from caseworkers, a lack of individualised attention, inappropriate job offers, futile training and a general sense that the Job Network Provider had been unhelpful in finding them employment opportunities.[27]

22 DEEWR, APM Evaluation, op.cit., p87.
23 Ibid., p87, note that respondents were generally satisfied with this frequency.
24 Job Futures is one of Australia's largest not for profit Job Services Australia providers. It delivers through a collaborative network of locally based organisations throughout Australia.
25 Ward, L., and Fowkes, L., *Why Can't the Very Long Term Unemployed Get a Job*, Job Futures 2006.
26 Murphy, J., Murray, S., Chalmers, J., Martin, S., Marston, G., *Half a citizen Life on a Low Income in Australia*, p105.
27 Ibid., p116.

A significant number of participants appear to be voting with their feet. During Job Network 3 (2003-2006) job seekers failed to show up for just under 50% of scheduled Intensive Support Customised Assistance appointments, a figure that increased slightly over the three years.[28] Of these appointments, 20% were not attended for reasons considered "valid", for example working, attending a job interview, 'personal reasons'. 30% were not attended for "invalid" reasons. Non attendance was more prevalent amongst young people, Indigenous people, people with less than Year 10 education, those who have never worked and those in less accessible labour markets. Non attendance is a major drain on provider (and Centrelink) resources. Each is associated with a series of mandatory reports and formal communication requirements which might eventually lead to penalising the participant. In some cases the attendance failure means that the provider is not paid.

But the activity itself – the focus on attendance at interviews, the "hassling" – is fundamental to the system. It is meant to be a key driver of outcomes and the key to the programs' successes.

So how successful has it been?

Is Labour Market Assistance working?

How effective have the Job Network and JSA been?

Successive Governments' own key measure of success under Job Network and Job Services Australia has been the extent to which these programs have been able to move people into work with a particular focus on those who have been out of work for 12 months or more or are otherwise highly disadvantaged. A second measure is the cost at which these outcomes have been achieved.
The employment measure has the great virtue of focussing attention on a tangible result (not just 'feel good') and on a goal that is shared by unemployed people accessing the system. It is, however, narrower than might be implied by the need to improve capacity to adapt to change – something I will discuss further below.

Measuring the employment impacts of labour market assistance in Australia is difficult. While we can look at the raw data (how many people were in work after assistance) the more important question is one of net impact – "what difference did the assistance make over and above what might have happened anyway". In a system which is compulsory and universal, randomised trials aren't possible. Academics interested in making an independent assessment of the Job Network found themselves, under the Coalition, unable to secure access to data. We are forced to rely on the Government's own answers to these questions.[29]

28 DEEWR, APM Evaluation, p4.
29 For a more comprehensive discussion of evaluations of impact of Australia's labour market programs see Davidson, P., *Did Work First Work*, July 2010, Australian Bulletin of Labour, v36, n4.

In its 2006 Report, DEEWR identified the net employment impact of ISCA after 12 months as 10.1%.[30] In other words, the effect of participation in ISCA was estimated to be a 10% increase in likelihood of securing some form of employment over what would have occurred anyway. This was identified in the report as a result at least as good as comparable international programs.[31]

A more recent DEEWR study covered the period to 2008. It looked at to what extent participants in a range of programs were 'off benefit' or in receipt of a partial benefit 12 months after they commenced in a program.[32] Overall, 12 months after starting in assistance, about 50% of people who had participated in Job Network had stopped receiving benefit or were receiving a reduced benefit (eg because of part time work). It found that ISCA 1 (the first phase of individualised assistance for long term/disadvantaged job seekers) had a net impact of 5.8%, while ISCA2 had a net impact of 6.4%. In other words, program participation changed the "off or reduced benefit" rate by 5.8% and 6.4% over and above what would have happened anyway.

It is too early for net impact information for Job Services Australia, but DEEWR's first Labour Market Outcomes report since the implementation of JSA has now been published.

The following table sets out results for the years ending September 2009 (Job Network and PSP) and September 2010 (JSA). While comparison of the two systems is difficult, the closest match to former ISCA is Stream 3 (although a significant group who would have been in ISCA would now be found in Streams 2, and to a lesser extent 4), while Stream 4 was principally designed for those who would have been in PSP and JPET.

	Empt p-t	Empt f-t	Empt (total)	Ed & training
ISCA	29.9%	12.4%	42.3%	14.8%
PSP	5.4%	9.8%	15.2%	8%
JSA Stream 3	23%	9%	31%	20%
JSA Stream 4	9%	6%	15%	15%

(Sources: DEEWR, Labour Market Assistance Outcomes, Year ending September 2009 and DEEWR. Labour Market Assistance Outcomes, Year ending September 2010).

Taking into account how new the program is, and the challenges in comparing different cohorts, it appears that JSA outcome performance is at least comparable with Job Network, and education/training performance somewhat higher (which would be expected given changed program incentives).[33] The Job Network system has been tweaked, not fundamentally changed. It should be expected to achieve results that are broadly comparable with the programs it replaced.

One of the most startling things about these raw numbers is the low level of achievement of full time work. Less than one in three of the jobs that were achieved by Job Network (ISCA) participants were full time.[34] The overall rate of achievement of full time work was not that much different from the Personal Support Program – which was aimed at people with very significant personal circumstances impacting on employment (eg undiagnosed mental illness, homelessness, people leaving prison) and was considered a failure in terms of its capacity to connect people to work.[35]

In the light of what appear to be quite low rates of full time work, the "stepping stone" thesis is particularly important in defending program effectiveness. This argument is that achievement of part time or casual work is a "stepping stone" to more permanent, full time work. In 2008 DEEWR released its analysis of long term outcomes for people participating in employment services.[36] It found that, of those ISCA clients that had successfully retained a job for three months, 78% were still in work at 16 months. Only one third of ISCA clients employed at 3 months were in permanent work, but, by 16 months, this figure, as a proportion of those who remained in work had improved.[37] The proportion of ISCA participants in full time work had increased by around 5% but, over the whole of the 16 month period, fewer than 40% of former ISCA clients who had work were in full time work. DEEWR did not find a lot of evidence of churning through different employers – although in order to be considered to be "churning" an employee needed to have had more than 2 employers over the 16 months.

There was also some increase in earnings over the period as a result of increased hours, but at 16 months, the average hourly earnings for former ISCA clients was $16.66 (compared to the national average at the time of $29).

30 DEEWR, *Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation, A Net Impact Study,* April 2006, p8.
31 Ibid., p9.
32 DEEWR, *Labour Market Assistance, a Net Impact Study*, March 2010. Note that outcomes measured to March 2008.

33 These results for JSA are early and there are a number of potential impacting factors: Implementation is disruptive. In the past it has been associated with a dip in performance. It can also be expected that performance would increase over time as providers learn a new program. On the other hand, the new JSA program is structured in a way that means that, upon first starting the program, job seekers are likely to experience their most intensive support. In the case of JSA this intensive initial engagement was probably intensified through 'staffing up' by providers.
34 Some modest proportion of this group have only part time work capacity because of caring responsibilities or disability.
35 In the 2010 net impact study, PSP was found to have a negative net impact on employment. Comparison of these figures suggests that a net impact study that focussed on full time employment alone might find that ISCA had a negligible effect on full time employment.
36 DEEWR, *Labour Market Assistance, Long Term Outcomes A longitudinal study of outcomes from Customised Assistance, Work for the Dole, Job Placement and Job Search Training*, June 2008.
37 Ibid., p14.

Those least likely to see improvements over the period were those who were Indigenous, male, homeless or had longer duration of unemployment. These groups were more likely to fall back into unemployment.

DEEWR's conclusion was that the Job Network experience backs up the "stepping stone" theory. But the 'uplift' could not be seen to be very strong when at the end of 16 months, only 20% of participants were in full time work, while 50% had had no work at all.

Are our programs assisting people to adapt?

Assessed on its own terms, the Job Network has, at best, had a moderate impact on prospects of unemployed people achieving work. If it is judged on the extent to which people have been assisted to find a permanent foothold in the job market at a sustainable level, then it appears to be wanting. Job Services Australia includes a focus on training which tends to generate better long term outcomes.[38]

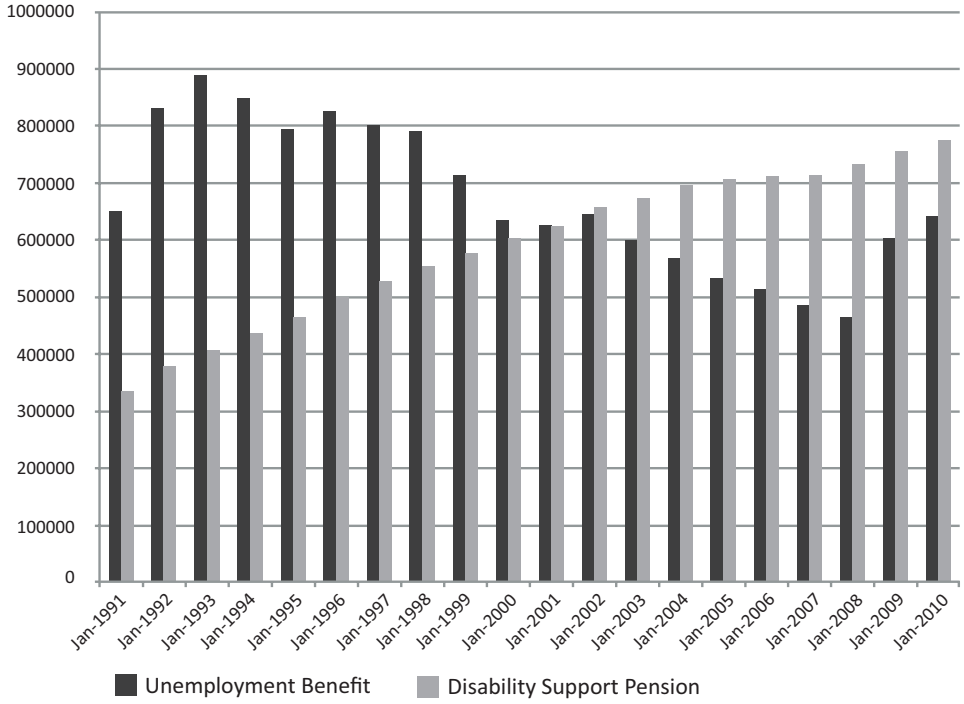
But the experience of participants is varied. Some receive assistance that they find valuable and that addresses their needs. Others receive minimal assistance and feel diminished by their engagement. Rather than being an accidental outcome, the process of picking winners amongst participants is essential to effective, financially viable delivery. One of the consequences of the way the program is funded and its contracts are set up is that most providers will operate in similar ways most of the time. The focus will tend to be short term and, in most cases, one size is made to fit all.

Job Network and Job Services Australia address those on unemployment benefit. But, as the OECD pointed out in 1994, failure to adapt shows up in labour market features other than official unemployment.

Growth in numbers on Disability Support Pension

While growth in employment has reduced numbers on Newstart it has entirely failed to arrest the growth in numbers on the Disability Support Pension (DSP). In fact, since 2002, this group has exceeded the numbers on Newstart.[39]

Number of people on unemployment benefit and Disability Support Pension



Sources : ABS, *Income Support Amongst People of Working Age, Australian Social Trends* 4102.0 March 2010; DEEWR Annual Report 2009-10; FAHCSIA Annual Report 2009-10. Note that Unemployment Benefit category includes people on Newstart and Youth Allowance (Other).

Over 56% of people moving on the DSP have moved to this benefit from another income support payment – over 35% from an unemployment benefit.[40] They have moved from a benefit where the search for work is expected to one where it is not. The attempt to move to DSP make sense – the weekly benefit on DSP is now $120 per week greater than Newstart and DSP has more favourable 'cut out' rates of pension when more income is earned. But it may also be that some want to escape participation in services and programs that they believe do not meet their needs.[41] While they are not required or expected to work as a condition of their benefit, most people on DSP do want to work.

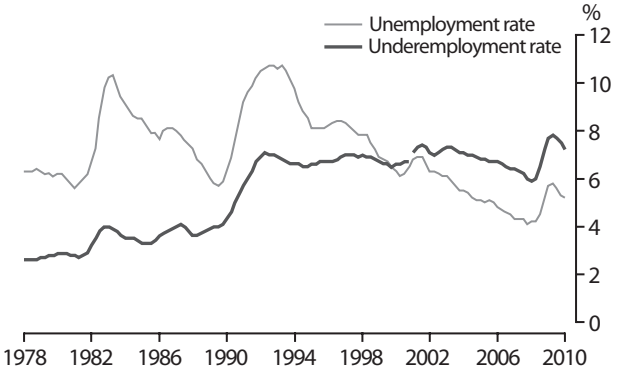
To its credit, Labor has moved to uncap specialist disability employment services to which DSP recipients would normally be referred should they wish to participate. These are voluntary services with more substantial service and outcome fees than are available under JSA, principally delivered by not for profits. We have yet to see how this uncapping will affect employment outcomes for the DSP group. However at present more people will die on DSP or move onto the old age pension than will move into employment.

38 Training interventions take some time to show 'net impact'.
39 This has occurred despite the introduction of new rules to limit numbers.
40 FaHCSIA, *Characteristics of Disability Support Pension Recipients*, June 2008.
41 It is also common for providers' staff to support clients who they think should be on DSP to get classified as such. There is a range of reasons for this, including that the client will be better off financially, that they will get access to a better resourced employment service, and that they will no longer be subject to activity testing. There is no direct financial or performance advantage to the provider.

Underemployment / peripheral labour market

The group that we think of as "unemployed" is a porous category in another way too. On average, 22% of unemployment beneficiaries report earnings other than their benefit.[42] Many people on income support work part time or intermittently. They have spells on and off benefit. While there has always been a group of Australian workers who were 'peripheral' in this sense, in about 2000 the underemployment rate moved past the unemployment rate.

Underemployment(a) and unemployment rates



Trend data
(a) break in series in 2001

Source: ABS *Labour Force, Australia,* May 2010 (cat. no. 6202.0)

At November 2010, the ABS Labour Force Survey indicated that 858,400 people were underemployed – in other words they were working, but willing and able to work more hours.[43]

Underemployment, along with unemployment, is a major contributor to poverty in Australia. A full time job is needed to raise people above the poverty line.[44]

As we can see from the employment outcomes data above, our labour market programs are far more effective at getting people into this group of underemployed than they are at helping them achieve a full time job at a good wage. If, rather than simply 'work' or 'activity', the goal of labour market assistance includes the ability to live out of poverty, then this larger problem of underemployment needs to be brought into the picture.

Skills shortages

While unemployment and underemployment persist, vacancies remain unfilled. There is a mismatch between the jobs available in the economy and the skills of the people who need work. One of Labor's key criticisms of the Job Network system was its failure to address the skills gap.

> Australia faces a significant shortfall in the supply of workers with the required vocational qualifications. Currently 87 per cent of available jobs require post-school qualifications, but 50 percent of the workforce lacks these qualifications. The best estimate is that if the supply of people with VET qualifications remains at the same level as in 2005, a shortfall of 240 000 can be expected over the 10 years to 2016.[45]

To address this problem, the incentives in JSA were modified to place more emphasis on training. More significantly, Labor is funding State Governments to deliver around $375 million per annum in vocational training through the Productivity Places Program (PPP), and $1.2 billion annually through the National Agreement for Skills and Workforce Development. While this funding is administered by the same Federal Department and has goals which are strongly aligned, it is not driven or directed through the labour market assistance system. Recent data published by DEEWR suggests that the number of job seekers engaged in PPP training (as opposed to other types of training) is fairly small.

But addressing the skills gap means engaging with employers and industries, and this remains a problem. On a daily basis, employment assistance providers do develop and maintain relationships with smaller employers. However large employers rarely use the system, complain that it is confusing and that the referrals that they receive are inappropriate. Incentives within the JSA system are unlikely to address these issues. Very few, if any, providers have sufficient caseload numbers to provide a steady stream of suitable referrals to medium – large employers. Collaboration is challenging in a highly pressured and competitive environment. While small local employers are readily accessible, and may be persuaded to increase hours of work to full time through incentives, development of recruitment links with larger employers is costly, time consuming and they are less willing to adapt employment practices on the basis of incentives that are within the discretion of providers. Working with large employers is higher risk, requires long term investment, and takes longer to achieve results. In terms of the incentives currently available to providers there is nothing to reward this effort – incentives to providers place no greater value on jobs with better pay or career prospects.

At one level, the mismatch between the requirements of medium to large employers and the capacity to deliver of JSA isn't a great problem. The vast majority of people employed in Australia have and will be employed by small employers. This is particularly the case at the lower skill end of the market. But if we shift our assessment of JSA to start to look at its ability to create long term career paths, to address the skills gap, and to alleviate poverty, then the failure to systematically engage with employers and industries becomes of greater concern.

42 Source: DEEWR, Average for the 3 years to January 2011. Youth Allowance (Other) average is lower at 18%.
43 ABS, Cat 6202 *Labour Force, Australia*, Table 21.
44 Saunders, P., *A Perennial Problem: Employment Joblessness and Poverty*, SPRC Discussion Paper no 146, January 2006.
45 From ACTU, AIG, GTA, AEU, Dusseldorp Skills Forum "Facing up to Australia's skills challenge", cited in Australian Government, *Discussion paper on the Future of Employment Services*, 2008 at p5.

Disadvantaged communities

ACOSS notes that while in 1976 employment rates were evenly spread, there are now substantially different unemployment and participation rates across the country.[46] On the Northern Beaches of Sydney, official unemployment sits around 4.2%, while not far north, at Wyong, official unemployment is 8.1%.[47] In Darwin unemployment is at 1.8%, while a short ferry ride across the water at Belyuen the rate is 12.3%.[48]

The *Dropping off the Edge* report commissioned by Catholic Social Services Australia and Jesuit Social Services demonstrated that disadvantage is not one dimensional.[49] Communities with high unemployment are frequently characterized by disadvantage across a range of measures. According to the report, 1.5% of localities account for 6 to 7 times their share of 'top ranking' positions across a range of indicators:

- social distress (eg low income, housing stress);
- health (eg disability/sickness, low birth weight, suicide);
- community safety (eg domestic violence, incarceration);
- economic (unemployment, low skills, low income);
- education (eg non attendance at preschool, early school leaving);
- community engagement.

In these communities, the attempt to address unemployment in isolation appears bound to fail.

While Job Services Australia was intended to be flexible enough to address specific community needs, I have already argued that the way that the program is resourced and managed means that it will continue to be characterized by "one size fits all" practice. Addressing the challenges in these communities requires an approach that is longer term, community driven and collaborative.

Summary – is what we have working and is it good enough?

If our goal in provision of labour market assistance is to support people to adapt to a changing economy and to do this in a way that promotes fair sharing of risk, then our program structures must do better. We need to build capacity of unemployed people to build a pathway to employment that provides security and which improves their prospects in a labour market where change is constant. We need to provide a framework which will encourage people to participate and which will provide them with real opportunities to work. We need to provide skills development that will equip people for better opportunities, and to address the problems that mean for many that 'geography is destiny'.

Our current labour market programs are not designed to address these challenges and they will, as a result, fail to deliver for most people most of the time.

PART 2: AN ALTERNATIVE FRAMEWORK

First Principles

The modest success of the Job Network/JSA model in achieving employment outcomes must raise questions about the value of making further minor adjustments to its design. A complete overhaul seems to be due.

But in doing this we need to revisit the implicit assumptions in our current program. That the focus of our investments in labour market assistance is on maintaining activity reflects the idea that the problem of unemployment is fundamentally a moral and cultural problem. On this view, welfare dependency is considered toxic to individuals, families and communities because it reinforces damaging behaviours and lack of personal responsibility. Welfare is seen as a contributor to unemployment, not a result of unemployment. Work is associated with dignity and respectability, unemployment with indolence and lack of self discipline. This approach can be seen in the "Jobseeker Attitudinal Survey" commissioned under the Coalition which segmented job seekers in terms of their attitudes to work and to job search.[50] These ranged from the "cruisers" to the "determined", to the "selectives". It was visible in the decision to implement a compulsory unpaid work scheme and call it "Work for the Dole".

Labor has continued to apply this moral frame in its decision-making, referring to people who lost work during the Global Financial Crisis as "unemployed through no fault of their own" (as opposed to those, presumably, who can be blamed for their unemployment), excluding unemployment benefit recipients and sole parents from permanent $30 per week increases to income support, excluding them from stimulus payments made to other people on income support and retaining "Work for the Dole" – despite describing it as a failed scheme and acknowledging the stigma attached to its name.

The terms of the welfare policy debate have been framed by the Right, who have somehow laid claim to the principle of 'personal responsibility' and placed it in opposition to a progressive social justice agenda: a "culture of responsibility" versus a "culture of entitlement". Labor in office has found it easier to apply exclusionary rhetoric when it comes to people on income support than to attempt to reframe this debate.

46 ACOSS, Poverty and its Causes, October 2010.
47 From ABS Small Area Labour Market data June 2010, at www.deewr.gov.au/lmip.
48 Compares ESA data for Darwin and Small Area Labour Market data for Belyuen at www.deewr.gov.au/lmip.
49 Vinson, T., for Catholic Social Services Australia and Jesuit Social Services, *Dropping off the Edge, The Distribution of Disadvantage in Australia*, February, 2007.
50 DEEWR and Colmar Brunton Social Research, *Jobseeker Attitudinal Segmentation. An Australian Model*, 2007.

But it is the coercive and paternalistic elements of current policy that are antithetical to exercise of personal responsibility. A policy that focuses on attitudes is not enough to deal with the complexity of current labour market challenges – the problems of long term skills, of exits onto DSP, of locational disadvantage, of the nature and quality of work. No amount of "hassling" will address these structural issues.

Reframing the debate

The capability framework developed by Amartya Sen offers an alternative lens to "entitlement versus responsibility". His framework for evaluating progress has been adopted widely, including influencing the way our own Treasury assesses public policy.[51] Sen argues that the evaluation of development should be based on "substantive freedoms (or capabilities) to choose the life one has reason to value."[52]

Sen argues that personal responsibility is a vital part of a capability framework. A system that places responsibility for looking after a person's interest on a third party can lead to loss of motivation, involvement and self knowledge, however:

> … the substantive freedoms that we respectively enjoy to exercise our responsibilities are extremely contingent on personal, social and environmental circumstances…. Responsibility *requires* freedom. The argument *for* social support in expanding people's freedom can, therefore, be seen as an argument for individual responsibility, not against it.[53]

Sen describes the problem of unemployment as one which extends beyond its impact on income (which, as he notes, can be addressed through adjustments to income support). In a society that places a high value on economic participation, unemployment itself is an 'unfreedom': "[unemployment] is a source of far reaching debilitating effects on individual freedom, initiative and skills."[54] This view rejects complacency about unemployment as a permanent feature of society, and instead requires that we attend to the social and economic arrangements that impact on the substantive freedom of people to find work. Individual capacity is important. But understanding the institutions, infrastructure, discriminatory practices which affect the extent to which decisions to act can achieve results is as important.

The investment of stimulus funds into the Australian economy to prevent or reduce the impact of the GFC is a good example of the type of action that a capability approach requires. Unless this action had been taken, more Australians would have found themselves deprived of the opportunity to work both in the short and long term. Having returned to a position of employment growth, we need to look at how genuine opportunities can be generated for those who do not have work.

51 Henry, K., *Fiscal Policy: More than Just a National Budget*, address to the 2009 Whitlam Institute Symposium, 30 November 2009, p7.
52 Sen, A., *Development as Freedom*, Anchor Books, 2000, p18.
53 Ibid., pp283-284.
54 Ibid., p21.

Individual Agency and Labour Market Assistance

Degree to which current framework supports ability to 'choose the life that one has reason to value'

Individual agency is at the heart of capability development. This is consistent with Labor's own definition of social inclusion, which recognises that an inclusive society is one where all Australians have "the resources, opportunity and capability to …have a voice so that they can influence decisions that affect them".[55]

Freedom is both intrinsically important and instrumentally effective – in other words, we should respect the rights of people to make decisions about their lives because it is the right thing to do, but also, pragmatically, because it is more likely to result in outcomes that are appropriate, effective, and sustainable.[56]

In the context of employment services as they currently operate, the choices of participants are limited. Participation is compulsory for unemployment benefit recipients, and this includes participation in prescribed activities at certain intervals (eg. attendance at monthly interviews, mutual obligation, fortnightly job search). Resources available to support participants are controlled by providers who are driven by contractual obligations, competitive pressures and by the need to remain financially viable. While employment plans[57] are, in theory, negotiated, in practice resource constraints (as outlined above) and legalistic procedures mean that participants are given few opportunities to direct the way in which assistance is provided:

> *…they type it up and they don't ask you what you [want] they tell you what's in there, they print it out and you sign it. And half the time they don't explain it all clearly anyway…you haven't actually understood it… and they're like four or five pages, these agreements, of just crap really (Samantha, Aged 45, Newstart)*[58]

Any offer of "suitable employment" must be accepted – suitable in this case being determined by Government.[59] Job search must continue until full time work is achieved unless Centrelink has acknowledged that the individual's work capacity is less than full time.

While many participants in JN and JSA speak highly of their providers, there is a substantial group for whom the experience of engagement in labour market assistance is that it denies their individuality, their choices and increases their sense of shame:

55 Australian Government Statement on Social Inclusion at Social Inclusion Board website: http://www.socialinclusion.gov.au/Pages/default.aspx (extracted January 2011)
56 Sen, op.cit., p37.
57 Employment Pathways Plans are the "agreements" made under the Social Security Act which set out the obligations of the participant and the forms of assistance that will be offered by the provider.
58 Murphy, J., *et. al.*, op.cit., p117.
59 On the basis of specific guidelines (eg, participants cannot be required to travel more than 90 minutes each way to work).

…one minute you are a citizen, the next minute you are a concession. And somehow the concession makes a difference. Somehow, all of a sudden, you shrink, you actually have attached to you a whole series of labels that are about a really deep seated prejudice. (Kathleen, 45, Parenting Payment Single recipient).[60]

In other words, for many, the already damaging effects of unemployment are compounded by the experience of participating in employment services. The blame for this cannot simply be placed at the feet of frontline workers. The system prescribes activities that may be useless, is built on denial of choices (eg about what type of work to take), and is sustained by minimising effort in those who are perceived as unlikely to succeed. That unemployment warrants a loss of rights is reinforced by the rhetoric of political leaders and a public shaming of welfare recipients (played out in evening current affairs shows and on talkback radio) which has not been countered by our opinion leaders.

None of this makes participation in labour market assistance attractive to potential volunteers from the ranks of Disability Support Participants or Parenting Payment recipients – in fact it may contribute to the movement from benefits that require participation in labour market programs to the relatively more positively perceived Disability Support Pension.

There are inefficiencies in a system that has compulsion at its core:

now I know how to play the game, its game on, I will first of all comply and confirm every single thing they throw my way. So if they say "we've got a little program coming up, I say, yep I'll do that, that sounds great", so I've done every single job thing …[61]

Non attendance, provision of services that are poorly targeted, the bureaucracy of a compulsory system, all are signs of investment in the process of 'activation' not the task of supporting people to achieve. If activities were voluntary and self directed we might see greater attendance. Less investment would be made in monitoring and reporting attendance. Less investment would be made in 'busy work' – activities which are not considered valuable by the participant because they do not contribute to employment. Greater participant choice as to which jobs to pursue should reduce investment in poor placements and increase retention. It would also address one of the major employer complaints – that the people referred are not committed to the job. On the other hand we might see participants who currently miss out demand better and more services – likely to cost more in the short run, but potentially more effective in getting more people into work.

One of the ironies of the current arrangements is how poorly they fit with our expectations of people as workers. Employers, when they are asked to identify core employability skills identify, among others: problem solving; initiative and enterprise; planning and organising; self-management; learning. Labour market assistance is not designed to enable participants to develop and use these skills, instead it encourages leaving these decisions to others:

…you do feel like a child … (Gayle, aged 43)[62]

A system that supported people to make better decisions would contribute to the development of a workforce which is more resilient in the face of labour market change as well as having spill over effects for the way that people are able to make decisions in the rest of their lives.

The problem with decision-making

In order for people to be able to make decisions some basic conditions need to be present. The opportunities need to be available, and the person needs to have access to good quality, accurate information about the options. In the context of looking for work, neither of these is straightforward, issues that will be discussed further below.

However there is another important set of considerations. Even when options are known, and available, people make bad decisions. Habits (both good and bad) can become entrenched and difficult to change. This is particularly the case if they are reinforced through our social networks.[63] A long period out of work, for example, can entrench a set of social relationships, budgeting decisions and behaviours which are hard to shift. Faced with work options that are uncertain, different from past experience, and that will impact on established strategies to manage finances, it is easier to fall back on the status quo. This, indeed, is the power of the coercive approach to welfare – it reflects what we know to be true - that it is easy to form "bad habits" and that they are hard to break.

But there is a range of policy options between coercion and leaving people to make decisions on their own. In his work for Per Capita, Jack Fuller has argued that, by understanding the conditions that promote (or defeat) good decisions, we can design programs that promote the capacity of individuals to make them.[64] In doing so, we have the opportunity to try to create the conditions for better choices and decision-making over the longer term. Fuller points to evidence that the act of making good choices can, itself, lead to improved decision-making capability over the longer term. It is a 'virtuous circle'.

Research on decision-making highlights human tendencies which inhibit the exercise of sound decisions:

60 Murphy, J., op.cit., p149.
61 From Half a Citizen project, unpublished interview.
62 Murphy, J., et al., op.cit., p154.
63 Fuller, J., *Promoting Good Choices: Patterns of Habit and the Role of Government*, Per Capita 2010.
64 Ibid.

- People are much more concerned about possible losses than possible gains
- People are inclined to stick with the status quo
- People dislike uncertainty
- People sharply discount the future compared to the present

People apply simple decision-making strategies to complex problems including sticking with what they know or following others. Or they may avoid decisions altogether. The less well off are more likely to fall back on these strategies – although they are common to us all.[65]

Fuller offers a number of tools for policy makers designed to 'mitigate irrationality and promote good choices'. These include:

- Setting the default option in a set of choices
- Offering self contracting to support commitment
- Presenting and organising information (eg to reduce complexity)
- Supporting the development of social norms.[66]

The application of these tools in a labour market assistance setting requires research into the ways that people make decisions in this area, although I will make an attempt to sketch some of the possibilities. But the potential of this approach in the context of major challenges – like the need to promote workforce participation of those on the Disability Support Pension and the desire to promote greater labour mobility – should be apparent.

Application of individual decision-making in employment services

For those on unemployment benefit, participation in Job Services Australia is compulsory. While monthly meetings with providers may include provision of assistance, their importance is as a vehicle for maintaining and monitoring the compulsory "agreement" that includes the obligations of unemployment beneficiaries as a condition of their payment. This cannot but shape the character of the interaction. From the start, this is a program that is set up to manage behaviour.

We know enough about habits of decision-making to know that simply making employment assistance available to unemployed people will mean that many who could benefit will not engage. Participation in some form of work directed assistance needs to be compulsory for income support recipients who have work capacity and have been out of work for some time (including DSP recipients) – but the intensity, timing and form need to be subject to participant direction taking into account the range of personal circumstances and opportunities that apply.[67] This assistance should include, at minimum, a compulsory meeting with an adviser and development of a plan for employment or, in some circumstances, engagement. For example a meeting would be mandatory for all people who had been unemployed for 12 months or more, but, once an employment plan has been developed, follow up may be six monthly or less and may be with either Centrelink or an employment service provider. If services are positive and seen as helpful most participants will want to come back and may want to do so not just once a month but several times a week. Where meetings are not seen as helpful participants should be able to seek support elsewhere – provided that they have a plan.

Timing is a particularly important issue here, and one that needs some work. There are key points of transition where decisions need to be made – leaving school, leaving prison, during the process of rehabilitation, when young children are starting school. The issues that affect timing of a compulsory meeting with an adviser will be different depending on whether someone has become unemployed because of redundancy or returning to work after a long period away.

Models of participant directed services

The logical consequence of a program design which supports individual agency is that the use of resources should be directed by participants. The decision-making process should be supported by expert advisers – people who can support planning, who understand options available, and are trusted by the person.

Implementation of participant driven services brings with it considerable challenges. These have been canvassed in some detail in the debates around implementation of individualised funding in disability services both in Australia and internationally. Individualised funding in disability services aims to give people who have ongoing support needs the ability to choose the types of services and providers that will best fit their needs. Dowson and Salisbury have described individualised funding models on a continuum of control.[68] At one end, where control remains with the Government, are models which include funds controlled by service providers and allocation of vouchers which can only be spent on specific items. At the other end are models which include allocation of funds to individuals which are subject to binding conditions and monitoring, and unconditional allocation of funds. While most disability related funding schemes assume long term, ongoing support – and therefore a potential learning curve – employment services are designed to

65 Reeson and Dunstall, *Complex Decision-Making Implications for the Australian Tax and Transfer System,* CSIRO, 7 August 2009, Report prepared for Treasury CMIS Report Number 09/110.
66 Fuller, J., *Promoting Good Choices*, Per Capita, April 2010, p8.

67 I want to emphasise here that while periodic work focussed interviews should be compulsory, I am not suggesting that people should be forced into the workforce immediately. It is critical to provide a setting in which these interviews are fruitful – in particular the implementation of mandatory interviews must be accompanied by measures to ensure that appropriate opportunities are available. In the area of disability employment our record in this respect is very poor.
68 Dowson, S. and Salisbury, B., *Individualised Funding: Emerging Policy Issues*, paper for the Roeher Institute, December 1999.

be transitional. This will impact on the distribution of information between providers and individuals and has implications for program design. It suggests a model which falls short of unconditional allocation of funds and which includes a critical role for organisations as holders of labour market expertise.

Dowson and Salisbury have set out key policy and implementation risks for funders, service providers and individuals in moving to individualised services. Many are relevant to employment services.

Some of these include:

- Poor use of funds or public perception of poor use of funds. The quality of support for individuals to ensure that they make well informed decisions is crucial. Certainly in the employment services setting, expert advisers would be a critical part of any program. This type of program is very vulnerable to loss of public confidence (and of political courage). The issue of perception of poor use of funds requires political leadership and a willingness to defend the right of people to choose their pathway. I would suggest that some form of third party approval for proposed investments (within wide parameters) should be part of the system. This would both assist in ensuring that participants make reasonable decisions and provide some confidence that, overall, funds were well spent.

- Ongoing viability of providers. The delivery of effective assistance to unemployed people requires a pool of highly skilled and knowledgeable staff. We need diverse providers and innovative approaches. The current contracting arrangements have delivered risk averse, homogenous approaches. Less certainty in funding could run the risk of further concentrating the market or forcing some organisations out. One option is the provision of a proportion of core funding to a group of preferred providers – with a proportion of both outcome and participant driven funding contestable.

- Adequacy of funding. There is a concern that the transfer of control of funding might conceal an underlying inadequacy of funding. Current underfunding of employment service provision is managed by providers 'picking winners'. This won't work in a participant driven system. Any change towards individualised funding would need to be accompanied by a review of funding levels. It should be noted, in particular, that the funds in the system that are currently earmarked for direct investment in job seekers are, in fact, used to shore up viability (eg they fund outreach, contribute indirectly to overheads). Simple redirection of these funds so that they are under participant control is not a solution.

- Inability to address structural problems/market failure. Short termism is already a problem in the JSA. We cannot rely on participant directed funding to ensure investment into longer term structural challenges – like industry strategies or disadvantaged communities. We need different funding streams to support strategic initiatives in these areas.

In a move to individualised funding, as Dowson and Salisbury argue, the devil is in the detail. There are a range of mechanisms that can be applied but …

> Each … presents risks that can limit realization of the aims of individualized funding. Experience to date suggests that an incremental approach to shifting to an individualized funding system will minimize the risks. An incremental, learn-as-you-go approach builds in flexibility to implementation – enabling stakeholders to learn from experience and make adaptations as they go.[69]

Not wanting to work and 'job snobs'

It is a widespread perception that many unemployed people do not want to work. The evidence, such as it is, suggests otherwise. At the height of the period when the Coalition was moving to crack down on the unemployed DEEWR conducted a survey of 3,500 people who were Centrelink 'customers', seeking to categorise these in terms of their attitude to work. Only 16% of these were identified as "cruisers" – those who were comfortable being unemployed. Although many of the others were described as being discouraged, disheartened or wanting to have some sort of say in the type of job they took, they wanted to work.[70] Work is valued for a range of reasons including that it can provide economic freedom, it is a source of social connections, self esteem and dignity. The view that those on income support also have a responsibility to help themselves is a strongly held value both amongst the general population and amongst income support recipients.[71] Our social norms are strongly supportive of work.

What is perceived as 'not wanting to work', the people that are described as 'non compliant job seekers' are more likely to be those who believe that the type of help they will get, and the work they'll be offered are not necessarily those that will improve their lives. Following the approach outlined by Fuller, it is important to acknowledge and address some of those decision-making tendencies that inhibit a clear eyed view of work. The decision-making biases described above mean that people are more likely to focus on the risks of losses associated with work and to weight this more highly than the benefits. Job seekers are often concerned that, if they get work, they will have to start paying child support, to start paying back historical debts, that their tenure in public housing is at risk. Some of these concerns can be addressed by working through the maths – assisting people to understand their actual

69 Dowson and Salisbury, op.cit., p1.
70 DEEWR, Jobseeker *Attitudinal Segmentation. An Analysis of the Segments*, 2002. This is not to say that this isn't a problem for politicians. Even a few aberrant cases can cause a significant political problem – witness the impact of reports of people who had suffered no flood damage claiming assistance. But programs should be developed to be effective for the vast majority – or, put another way, the vast majority who want to work should be driving policy development.
71 For a discussion of the range of views held refer Murphy, J., op.cit., pp162-169.

post employment income, including effects of tax. An initiative, similar to those seen in the UK and the US, which assists individuals to look at the real financial impact of working would be an important addition to the current support framework for decision making.[72]

DEEWR's survey identified two groups of job seekers (aside from the "cruisers") as potential refusers of work that might be considered by others to be suitable. They were the selectives (9%) and the dependents (12%). Both groups were described in the study as disliking unemployment but unwilling to take any job. Their reasons were various, and included that the jobs didn't use their skills (especially true of well educated job seekers), that they'd rather pursue a job in the field that they want to be in long term, that they wanted the right job (eg hours of work) or that they are reluctant to move away from family to find work[73]. Again, there is both an issue of principle here and one of practicality. Individuals should be able to make decisions about the jobs they take and the work they do (although we may set expectations in relation to how long and how much this will be subsidised, and we should ensure that these decisions are well founded). It makes little sense to attempt to coerce a person to take a job. One of the biggest employer complaints about the Job Network has been that people referred had the wrong attitude or that they weren't enthusiastic about the work. The single biggest factor in determining whether a job will last is whether the match was a good one (from both employer and employee perspective) in the first place. It is hard to believe that coercion is efficient. On the other hand we need to challenge people to consider jobs that may not be what they are used to, to build their confidence to work with different people and in different settings, and provide useful information about the job market and the options available within it.

Positive engagement with a case worker to consider how real or perceived challenges can be overcome can shift disposition towards work, including work that may not have been otherwise considered.[74] It can also be used to promote a form of 'self contracting' eg "if I can't find my ideal job within three months, I'll take any job in the field". Again, this is hardly a new approach – it is case management – but it has been stifled in an environment which does not allow this sort of decision to be made by the unemployed.

But the fact that surveyed job seekers are expressing concerns about the nature of jobs on offer or whether they'll get any job at all also reflects reality. Good decisions can only be made if we have a range of realistic options available. Addressing the availability of options means taking a wider view of the labour market assistance challenge.

72 UK Labor conducted a 'making work pay' assessment, in the US programs like "Earn benefits" assist job seekers to access the range of assistance that mean that low wage work doesn't mean poverty.
73 DEEWR and Colmar Brunton Social Research, *Job Seeker Attitudinal Segmentation, An Australian Model*, (DEEWR, 2001) pp25–27.
74 Lam, M., *Choice and Voice in Welfare Reform*, Ingeus Centre for Policy and Research, June 2008, pp11-12.

Beyond the individual – need for structural approaches to employment challenges

In addition to a program that supports individuals, we need concerted action to address structural inequalities in the labour market.

Worse off at work

> *… you can work for 38.5 hours a week and you get about $2 per hour more and you are about $87 per week better off than you were not in work and that's before you pay all the expenses of getting to work, getting your work clothes and all that sort of thing. Of course, you lose all your pensioner concessions on the bus and so on. So, it's little wonder that some people think that some jobs are more trouble than they are worth. It's little wonder that some people get trapped in the welfare system. So what Work for the Dole is about is changing the culture of incentives so that work is more attractive than non-work.*
>
> *(Tony Abbott, at a Work for the Dole launch)*[75]

If we adopt a capability approach, we are forced to consider how we can make work more attractive, rather than making life out of work more miserable. There can be real economic losses associated with taking up work (as Mr Abbott pointed out). Effective marginal tax rates for unemployment beneficiaries are high – around 70 cents in the dollar for part-time earnings.[76] People should be better off in work.

The world of work that most unemployed people are contemplating is full of risk with uncertain rewards. Most people entering the workforce will move into casual work, often part time and with little access to training.[77] Most low skilled Australian jobs are now part time and many are casual. As a result, many low skilled workers cycle between low paid work and income support. For example, recent research on transitions from casual employment by the Productivity Commission found that only a quarter of unemployed people who had secured casual employment in 2001 had moved into permanent employment by 2003. Half were still casual, and another quarter were not working.[78] The risks of returning to joblessness were higher for those who had been unemployed longer or had lower skills. Those who had a disability were 30% more likely than others to exit the labour force within one year – a factor with significant implications for strategies to support transition from DSP to work.[79]

75 Abbott, speech to Work for the Dole project launch, 13 July 1999, http://www.tonyabbott.com.au/LatestNews/Speeches/tabid/88/articleType/ArticleView/articleId/3693/WORK-FOR-THE-DOLE-ROUND-THREE-LAUNCH.aspx.
76 ACOSS, *Out of the Maze*, April 2010, p22-23.
77 Rafferty, M., and Yu, S., *Shifting Risk: Work and Working Life in Australia: a Report for the Australian Council of Trade Unions*, Workplace Research Centre, University of Sydney, September 2010 report, p44.
78 *Productivity Commission, The Role of Non Traditional Work in the Australian Labour Market*, May 2006, p85.
79 Ibid., p104.

The Workplace Research Centre's *Shifting Risk* report found that three sectors of employment which, together, account for almost 30% of total employment - retail, health and community services, and food services - have the lowest level of average earnings and have seen the slowest wage growth over the last 15 years. These sectors are characterised by part-time, casual employment.[80]

Many of the benefits of casual work are speculative. Casual employment brings with it no entitlement to a set number of hours, to a notice period, to paid leave in the event of illness for the worker or a family member. In other words, even if people who move from Newstart are better off in theory, their actual take home pay will be less certain than if they are on a fixed benefit. In 2007, 47% of casual employees had earnings that varied from pay to pay (compared with 16% of other employees).[81] The inability to plan a budget, combined with losses (eg loss of concessions, loss of public housing) mean that even a theoretical *Homo economicus* may have reason to pause before taking on the work that is on offer.

Overseas there are examples of governments moving to reduce real and perceived income risk during the period of transition from welfare to work by supplementing income for a period of time. These programs have been found to have positive impacts in terms of supporting transition to work and reducing poverty, particularly where combined with employment assistance and when applied to the most disadvantaged families.[82] In the Australian context this could mean a weekly income guarantee for a period of, say 12 months to 2 years and could be targeted at the very long term unemployed. In its analysis of these schemes, the US based research group, MDRC, suggested that direct support to manage the financial transition to work should be combined with increased assistance to retain work, to increase skills or to move to a job that offered more stable employment and/or better wages. Again, in the UK and in the US there has been considerable investment and experimentation in the area of career advancement programs, and while the findings are mixed, there is certainly a case for investment in this area.[83]

Ultimately, addressing the issue of access to reliable, decent work means working for a fairer workplace. To the extent that Labor has developed a fairer industrial relations system, it should mean that more people can get better work. However more needs to be done to address the structural problem of peripheral employment and the household risk that this entails.

80 Rafferty, M. and Yu, S., op.cit., p42-43.
81 ABS, Young Australians: Casual work and the comforts of the family home, Media Release, June 30, 2009.
82 For description and discussion of these measures see Michalopolous, MDRC http://www.mdrc.org/publications/414/overview.html.
83 The MDRC in the US has both sponsored demonstration projects and analysed efficacy of different approaches - see http://www.mdrc.org/subarea_index_14.html.

The role of employers

The focus of employment assistance has been on addressing the 'deficits' of the unemployed. There has been insufficient attention to employers and the extent to which they may need to adjust their practices to support increased participation of people currently outside the labour force and to reduce the burden of risk on workers caught in peripheral jobs.

At various stages over the last 5 years the lack of availability of skills and labour has been identified as one of the most significant threats to economic growth. However over a million people do not have work, or enough work.

That there is a need to revisit the credentials that have been identified as necessary by employers should be evident from the statement reproduced above. If "87 per cent of available jobs require post-school qualifications, but 50 percent of the workforce lacks these qualifications" then we have little hope of closing this gap any time soon.

In fact the problem of the skills gap is an extremely complex one. A recent NCVER survey of employers found that they considered that most of their workers were overqualified for their jobs. There is considerable skills wastage. One analysis is that an 'hourglass' economy is emerging – with significant growth (and shortages) in specialised skilled work (eg computer professionals), moderate growth in low skilled work (eg sales assistants) and a decline in intermediate skills – for example in trades.[84]

The attempt to develop policy solutions to these problems is hampered by the fragmentation of the delivery systems for employment assistance, training, apprenticeships and careers advice. At present many investments in training are guided by "skills in demand" lists which are of questionable value (other than as statistical tools). The industry consultative processes that are meant to ensure that training matches emerging needs tend to be remote from operational realities. The fact that employment is the province of the Commonwealth, while the States run vocational training make this entire area fraught for policy makers and practitioners alike. If training is going to lead to quality employment then employers need to be directly involved. This happens to a limited extent at present, but is inhibited by the way services are contracted (see discussion of JN/JSA above) and the way resources are deployed.

The skills gap is not just about 'hard skills' or qualifications. DEEWR conducts regular surveys of employers about their recruitment problems. Employers are more likely to cite problems with communication skills and attitude than hard skills as a reason not to employ. Even where workers have credentials, employers tend to want people with experience, or particular job specific skills.[85]

84 Rafferty, M., and Yu, S., op.cit., p49, citing Cully, M, Pathways to Knowledge Work, NCVER, 2003.
85 See, for example, DEEWR, Skills Shortages, Australia, June 2010. (at http://www.deewr.gov.au/Employment/LMI/SkillShortages/Pages/Publications.aspx).

Employers who take on people who have been out of work for a long period or who have never worked take on extra risk. There is no proof of reliability or of capacity to work productively. Employers are fearful of taking on an extra burden that they may not have the time or skill to handle. Many would prefer to leave vacancies unfilled than to employ someone who might not be able to do the work without more support.

Discrimination is alive and well in the jobs market. Even where they are not overtly biased, employers are often nervous about employing people with disabilities, young people, Indigenous people. Employment rates of people with disabilities in Australia are amongst the worse in the OECD. The ABS reported the Indigenous unemployment rate in 2009 as 18%. Even where employers recruit Indigenous workers, retention is poor.

If we are to improve access to employment for 'harder to place' job seekers, we need to engage employers in a discussion about what adjustments could be made to application processes, job design, minimum qualifications, workplace support and so on. Employers need to consider workplace culture and practice and how it might need to change to be inclusive. We also need to be able to assure employers that they will have support to handle issues that arise during the transition to work. The current system could deliver this on a local/individual level, if resources allow, but it is poorly designed to approach this problem on an industry wide or large employer level.

There are some good examples of larger scale programs that have engaged employers in restructuring work, whilst providing intensive long term investment in unemployed people to enable them to achieve in skilled jobs. One of the better known is the Wildcat Project, in New York, which enabled educationally disadvantaged people to achieve and retain jobs in the finance sector which had previously been reserved for people with graduate level qualifications. In the UK the National Employer Panel and Job Centre Plus sponsored Ambition Projects which engaged employers in project design, selection, training, and included work experience and on the job training.[86] The direct involvement of employers had an impact of motivation of participants (because they could see a concrete outcome if they succeeded in training) and meant that employers themselves were challenged to find pathways for disadvantaged people.

The complexity of our delivery structures for employment and training inhibits the development of pathways for disadvantaged people into work. We have no effective intermediaries which can mobilise necessary resources (many of which already exist in our vocational training funds and other programs) or have the conversations that need to be had with employers. There are many players in this sector, but none is able to bring all of the strands of training, resources, case management and employer support together. While I doubt that it is government's role to develop (or deliver) this type of demand led program, it is appropriate that its leverage is used to bring the various parties (business, unions, training authorities, providers) to the table to develop solutions. It is also appropriate that it assist in the process of ensuring that the risks and burdens of 'adaptation' are shared between employers, employees and the State.

Creating work opportunities

Sen has described unemployment as an 'unfreedom'. The damaging impact of unemployment on health, wellbeing and future capacity to work are well known. We need to consider what should be done where the market does not provide employment opportunities for people who need them.

Job creation schemes are widespread across the OECD and have mixed results.[87] I think, however, that job creation schemes in the form of Intermediate Labour Market (ILM) programs have a critical role in providing an opportunity to work and a transition into the mainstream labour market for those who are furthest from the labour market.

Intermediate Labour Market programs have played a critical role in enabling people to learn soft and hard skills for work in industries with growing employment opportunities. ILM programs offer paid work in an environment that is supportive but which is real work. They offer an opportunity for employees to work through the personal and work related issues that usually derail employment with extra support. They also offer a setting in which skills can be learned on the job by people who find it difficult to learn in a formal classroom setting. ILM programs are different from Work for the Dole. They are real work, although there is an understanding that participants may not perform at work standards required in the mainstream workforce from the outset. They are paid and participants earn their wage. If they don't turn up they don't get paid. ILM programs exist in Australia, although they are small scale and their funding is often unstable. They often receive some income through trading (ie they are social enterprises) but rarely will any enterprise that provides genuine pathways for highly disadvantaged people be able to fully cover its cost through trading. The Brotherhood of St Laurence (BSL) has documented its work in this area, highlighting strong employment and social outcomes.[88] ACOSS, BSL and others have continued to push for access to paid work to provide opportunities for long term unemployed job seekers. The opportunity for people to work, to earn money, and to improve their chances of full economic self sufficiency, is an important part of a model built on capabilities.

86 National Employment Panel 2007 *Leading Change, Changing Lives. Ten years as the Employer Voice in the Welfare to Work System*; GHK, Identifying Best Practice for Demand Led Approaches – A Final Report to the Department of Work and Pensions, May 2005.

87 Cook, B., *Active Labour Market Policies in the Neo Liberal Era*, Centre for Full Employment and Equity, Working paper no 08-03, October 2008.

88 Mestan, K., Scutella, R., with Allen Consulting Group, *Investing in People: Intermediate Labour Markets as pathways to employment*, Brotherhood of St Laurence, 2007.

Disadvantaged communities

The opportunity to work is not evenly distributed across the Australia. Some remote and rural communities are not only job poor but are not even close to work opportunities. Motivation to look for work tends to diminish when the number of employers in town can be counted on two hands. Other job poor locations are within major cities but effectively isolated from work by poor transport links and poor infrastructure (eg lack of childcare, lack of ability to move to job rich areas because of housing costs). Addressing inequities in access to work should be a key driver of decisions about spending on infrastructure and urban planning.

Vinson's work points to another set of social challenges that can confound attempts to address unemployment. In those communities where multiple sets of social disadvantage are concentrated, employment cannot be addressed on its own. It is in these communities, too, that we are most likely to see the social norms that support employment over unemployment weaken or break down.

The capability approach is no less relevant in this setting, in fact it is precisely here that the need for a wider view of development is most pressing.

The complexity of the issues and challenges in highly disadvantaged communities make centralised, one size fits all, approaches unlikely to succeed. These problems will not be solved in Canberra.

I suggest that, in these settings, we need an approach which includes the following:

- We need to identify and address differences in the access to basic services between these communities and others. These include, for example, access to transport, to schooling, to justice (eg ability to get help from police), to schooling and to housing. In doing this, we have the opportunity to identify new employment possibilities – in construction, in childcare, in aged care.
- We need to identify, foster and strengthen local leadership and build engagement in decision-making. Fuller argues that "Social norms can shift dramatically given even small changes by some members of a population, especially when those people are highly connected across networks…".[89] While it can be frustrating (for all concerned) to genuinely engage local leaders in change, social norms cannot be changed from above.
- We need to invest in community and economic development plans that address locally identified needs and engender hope. These would include developing opportunities in paid work, including through Intermediate Labour Market programs.

Labor recognised the need to develop specific strategies for disadvantaged communities during the GFC by placing Local Employment Co-ordinators in some of these locations. More recently, it has invested in Family Centred Employment projects in three locations – although these appear to be focussed on specific families rather than taking a wider place based approach. No public information has been released about the success or otherwise of these initiatives. Results from COAG trials of 'joined up' approaches in remote communities have been unimpressive. One model of interest is that adopted in the "Communities for Children" program. This program was explicitly designed to build local partnerships and to support highly localised responses to the needs of young people.

This challenge is not easy and is made more problematic by Federal/State/local and outsourced provision of services. But we must find models that are effective in engaging local leadership and improving outcomes in these communities.

Mixed economy of providers

I have argued for increased control of resources by participants in our labour market programs. I hope it is clear that I am not advocating a simple 'voucher' system. We need a diverse group of providers who are innovative and responsive to community needs. I don't think it would be in the interests of unemployed people to see further concentration of the provider market, or to create a new opportunity for carpet baggers.

I am proposing that resources be applied with the help of an adviser – in fact this may become the principal role of what are currently JSA providers.

The challenges of engaging people (including those not in employment assistance), of building capacity of disadvantaged communities and of developing better ways to bridge the gap between unemployed people and work opportunities would, in my view, be best served by a diverse provider base. One which can accommodate projects for 25 people as well as service offerings for 1000. The effective exercise of choices by participants requires greater diversity than we have today. We have lost many smaller community based providers that had a specific focus on a place or a target group. This diversity would enable organisations to build specific capabilities and allow communities to influence the way services are provided locally. As suggested above, one approach may be to provide core funding to some providers, whilst enabling others to develop projects and services to attract participant driven and contestable outcome fees.

We need different mechanisms for funding intermediaries to do very long term strategic work - bridge the gap between the skills that we need and those we have and to develop partnerships to address highly disadvantaged communities. But any efforts in this area will be unsuccessful unless Government ensures that there are positive incentives (or at minimum, no disincentives) to collaboration within a diverse sector.

89 Fuller, J., op.cit., p22.

Conclusion

Australia spends less on employment services per capita than most OECD countries. According to Government data these services make a difference to employment outcomes for around 10% of the long term unemployed people who participate in them. But, even then, most will not gain work which moves them out of poverty or into a job that provides a future. Around half of participants in our current programs aimed at the long term unemployed will gain no work at all. Their sense of exclusion, of helplessness and of shame is reinforced by the way that labour market assistance operates and the public discourse around unemployment.

By changing the basis of employment assistance so that it emphasises individual agency, so that it supports effective decision-making, and provides a sense of control, we can reduce the negative effects of joblessness and contribute to development of soft skills that employers value. This framework should be better placed to encourage people currently outside the employment market (eg those on DSP) to enter.

But it is not enough to focus on individuals. Work structures, credentialism, discrimination and welfare traps mean that many who seek work will not be afforded the opportunity to work. We can reduce the economic risks for individuals in their first phase of working, and there is good evidence that this will make a difference. But we also need to confront the employment and industrial structures that mean that people cannot access work, and to look at developing new types of learning/work experience pathways to bridge the gap.

There are also some places where disadvantage is concentrated where a whole of community response is needed to address basic needs (health, justice, transport) as well as employment. The current system, based on competition, and dominated by large national or state wide providers, is a poor fit for the sort of ground up response that is needed.

What I am proposing represents a major change. There are many implementation issues – including resourcing, development of new performance management and accountability structures. An incremental approach would be needed to ensure that providers have a chance to adapt. But perhaps the biggest changes would be needed in our leadership. At the bureaucratic level it would mean letting go of micro management and placing trust in program participants to take some control of their destiny. At the political level it would mean reframing the welfare debate so that we see the unemployed as citizens, not spongers, and talk about our obligation to create opportunities, not their need to be punished.

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