



# Activating Jobseekers

HOW AUSTRALIA DOES IT





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## Foreword

This review examines labour market policy from the point of view of “activation” in Australia. It continues a series of *Activation Policies* reviews for Ireland, Norway, Finland, Switzerland and Japan, which have been published as OECD Social, Employment and Migration Working Papers (see [www.oecd.org/els/workingpapers](http://www.oecd.org/els/workingpapers)).

Nicola Duell, David Grubb and Peter Tergeist prepared this review as economists in the Employment Analysis and Policies Division of the OECD Directorate for Employment, Labour and Social Affairs, under the supervision of Stefano Scarpetta and Mark Keese, heads of Division, and with statistical assistance from Sylvie Cimper. The review is based in part on visits by two of the authors to a number of Australian institutions concerned with labour market and welfare policies in August 2010. The authors thank the officials of the Department of Education, Employment and Workplace Relations and the Department of Human Services in Canberra and in area offices, as well as the staff of several employment service providers and employment and social services industry associations, for advice and discussion. The review has benefitted from extensive comments on a preliminary draft by the Australian authorities, and was discussed in the OECD Employment, Labour and Social Affairs Committee in April 2012. Apart from some discussion of the historical background, the text relates primarily to the 2009 to mid- or late-2011 period, with limited coverage of information published in 2012. Policy changes implemented in July 2012 generally were announced by mid- or late-2011 and are mentioned.



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## *Acronyms and abbreviations*

This glossary does not include acronyms that are used only to reference entries in the bibliography. In such cases, see the first use of the acronym in the bibliography at the end of the chapters for the full wording.

<b>AAAP</b>	Australian Apprenticeships Access Program
<b>ABS</b>	Australian Bureau of Statistics
<b>ACC</b>	Area Consultative Committee
<b>ACER</b>	Australian Council for Educational Research
<b>ACOSS</b>	Australian Council of Social Services
<b>AFDC</b>	(United States) Aid to Families with Dependent Children
<b>AIRC</b>	Australian Industrial Relations Commission
<b>ALMP(s)</b>	Active Labour Market Programme(s)
<b>AMEP</b>	Adult Migrant English Program
<b>ANAO</b>	Australian National Audit Office
<b>APESAA</b>	Advisory Panel on Employment Services Administration and Accountability
<b>APM</b>	Active Participation Model (implemented by ESC3)
<b>AUD</b>	Australian Dollar (ISO 4217 currency code)
<b>AVETMISS</b>	Australian Vocational Education and Training Management Information Statistical Standard
<b>AWAs</b>	Australian Workplace Agreements
<b>BDP</b>	Business Development Program (Indigenous)
<b>BMA</b>	Bilateral Management Arrangement
<b>BS</b>	Business Support (Indigenous Program)
<b>BSO</b>	Business Support Officer (a staff role within DEEWR)
<b>CBF</b>	Case Based Funding
<b>CCM</b>	Contracted Case Manager
<b>CCV</b>	Community College Victoria
<b>CDEP</b>	Community Development Employment Projects

<b>CES</b>	Commonwealth Employment Service
<b>COAG</b>	Council of Australian Governments
<b>CRS</b>	Commonwealth Rehabilitation Service
<b>CV</b>	Curriculum Vitae
<b>CWC</b>	Community Work Co-ordinator
<b>DEEWR</b>	Department of Education, Employment and Workplace Relations
<b>DEN</b>	Disability Employment Network
<b>DES</b>	Disability Employment Services
<b>DETYA</b>	Department of Education, Training and Youth Affairs
<b>DEWR</b>	Department of Employment and Workplace Relations (in operation 2001-07)
<b>DHS</b>	Department of Human Services
<b>DMI</b>	Disability Maintenance Instrument
<b>DMS</b>	Disability Management Service (a component of DES)
<b>DPI</b>	Disability Pre-employment Instrument
<b>DSP</b>	Disability Support Pension
<b>EDI</b>	Economic Development Initiatives (Indigenous Program)
<b>EESS</b>	Employee Entitlements Support Scheme
<b>EMTR</b>	Effective Marginal Tax Rate
<b>EP</b>	Employment Preparation
<b>EPF</b>	Employment Pathway Fund
<b>EPL</b>	Employment Protection Legislation
<b>EPP</b>	Employment Pathway Plan
<b>ESA</b>	Employment Service Area
<b>ESAt</b>	Employment Services Assessment
<b>ESC1</b>	First Job Network Employment Services Contract (in operation 1998-2000)
<b>ESC2</b>	Second Job Network Employment Services Contract (in operation 2000-03)
<b>ESC3</b>	Third Job Network Employment Services Contract (in operation 2003-09)
<b>ESD4</b>	Fourth Employment Services Deed
<b>ESL</b>	Early School Leaver
<b>ESS</b>	Employment Support Service (a component of DES)
<b>FaCS</b>	Department of Family and Community Services
<b>FaHCSIA</b>	Department of Families, Housing, Community Services and Indigenous Affairs

<b>FT WfD</b>	Full-Time Work for the Dole
<b>FWA</b>	Fair Work Australia
<b>GDP</b>	Gross Domestic Product
<b>GEERS</b>	General Employee Entitlements and Redundancy Scheme
<b>IEP</b>	Indigenous Employment Program
<b>IPS</b>	Individual Placement and Support
<b>ISCA</b>	Intensive Support Customised Assistance (a period during a jobseeker’s participation in ESC3)
<b>ISCA2</b>	Intensive Support Customised Assistance, second spell (during a jobseeker’s participation in ESC3)
<b>ISCED</b>	International Standard Classification of Education
<b>IT</b>	Information technology
<b>JCA</b>	Job Capacity Assessment
<b>JN</b>	Job Network
<b>JPET</b>	Job Placement, Employment and Training
<b>JPLO</b>	Job Placement Licensed Organisations
<b>JSA</b>	Job Services Australia
<b>JSCI</b>	Job Seeker Classification Instrument
<b>JSKA</b>	Job Seeker Account
<b>KPI</b>	Key Performance Indicator
<b>KPI3</b>	Key Performance Indicator 3
<b>LCTW</b>	Local Connections to Work
<b>LFS</b>	Labour Force Survey
<b>LLNP</b>	Language, Literacy and Numeracy Program
<b>LMP</b>	Labour Market Programme
<b>LMRP</b>	Labour Market and Related Payments (publication available at <a href="http://www.deewr.gov.au/Employment/LMI/Pages/LMRP.aspx">www.deewr.gov.au/Employment/LMI/Pages/LMRP.aspx</a> )
<b>MAA</b>	Mature Age Allowance
<b>NCVER</b>	National Centre for Vocational Education Research
<b>NEIS</b>	New Enterprise Incentive Scheme
<b>NES</b>	National Employment Standards
<b>NESA</b>	National Employment Services Association
<b>NP-PPP</b>	National Partnership Agreement on Productivity Places Program
<b>NSA</b>	Newstart Allowance
<b>NWRCC</b>	National Workplace Relations Consultative Council

<b>NWRN</b>	National Welfare Rights Network
<b>PA</b>	Partner Allowance
<b>PES</b>	Public Employment Service
<b>PISA</b>	Programme for International Student Assessment
<b>POPPPL</b>	Priority Occupations for the Productivity Places Program
<b>PPM</b>	Post Program Monitoring
<b>PPP</b>	Productivity Places Program
<b>PPp</b>	Parenting Payment – Partnered
<b>PPs</b>	Parenting Payment – Single
<b>PR</b>	Participation Report (a notification to Centrelink)
<b>PSP</b>	Personal Support Program
<b>PST</b>	Participation Solutions Teams (teams within Centrelink)
<b>RDA</b>	Regional Development Australia
<b>RTO</b>	Registered Training Organisation
<b>SEESA</b>	Special Employee Entitlements Support Scheme Ansett
<b>SMEs</b>	Small and Medium Enterprises
<b>SSR</b>	Stream Services Review
<b>STEP</b>	Structured Training and Employment Projects
<b>TAFE</b>	Training and Further Education (colleges)
<b>TANF</b>	Temporary Assistance for Needy Families
<b>TAP</b>	Training for Aboriginal Program
<b>UWEP</b>	Unpaid Work Experience Placement
<b>VET</b>	Vocational Education and Training
<b>VI</b>	Vulnerability Indicator
<b>VRS</b>	Vocational Rehabilitation Services
<b>WELL</b>	Workplace English Language and Literacy
<b>WEPH</b>	Work Experience Phase
<b>WfD</b>	Work for the Dole
<b>WRA</b>	Workplace Relations Act
<b>YA</b>	Youth Allowance
<b>YA(o)</b>	Youth Allowance – Other

## Executive summary

This report provides an overview and assessment of Australia’s labour market policies to tackle welfare benefit dependency and unemployment. It examines Australia’s main labour market institutions, employment services and other active and passive labour market programmes. Australia is unique among OECD countries in that its mainstream employment services are delivered by over 100 for-profit and nonprofit providers competing in a “quasi-market”, with their operations financed by service fees, employment outcome payments, and a special fund for measures that tackle jobseekers’ barriers to employment. In most other OECD countries these services are delivered by the Public Employment Service. The Job Services Australia model, introduced in 2009, reinforced the focus on employment outcomes for highly disadvantaged groups. This report assesses the latest reforms of Australia’s “activation” model and puts forward recommendations to improve its effectiveness.

A growing share of Australia’s fast-growing population has a tertiary qualification, boosted by a skill-based immigration policy, but the share with less-than-secondary education remains relatively high. Australia has a flexible labour market, with high levels of casual and part-time work, short average job tenures, and limited regulation of layoffs, but a fairly high minimum wage. By 2005 the unemployment rate in Australia was down to 5% and it subsequently rose by much less during the economic and financial crisis than in most other OECD countries. Since 2009 Australia has had the highest employment rate among G7 and OECD G20 countries.

The increasing effectiveness of quasi-market delivery of employment services and a slow decline in the net replacement rate for unemployment benefits may have contributed to the strong performance of the Australian labour market. The application of job-search and related requirements to benefits previously paid on an “inactive” basis – for parents, widows and partners, older workers and people with partial capacity to work – has progressively increased labour force participation. As the easier-to-place unemployed were the first to enter work, and also some of the harder-to-place groups could no longer access inactive benefits, the jobseeker caseload has become more skewed towards the most disadvantaged. At the same time, detailed regulations and individual assessment by the benefit administration, Centrelink, allow clients to be exempted from job-search requirements in certain circumstances, which helps to keep the demands on them reasonable and enhances the effectiveness of employment services.

Star Ratings, which are measures of placement performance adjusted for differences in jobseeker characteristics and local labour market conditions, are used to eliminate employment service providers that perform poorly. There are also some significant minimum service requirements applying to providers, although they retain much flexibility over their use of funds. The Australian Department of Education, Employment and Workplace Relations continuously audits employment service providers for contract compliance, the validity of expense claims, service quality, general organizational health and other factors.

This helps to achieve a “level playing field” for competition but the implied “red tape” is a major concern.

The Job Services Australia model, while continuing the basic model of private and not-for-profit provision of employment services, introduced a number of reforms. In particular, it increased the fees paid to employment service providers for assisting and achieving employment outcomes for the most-disadvantaged clients. It also made the same providers responsible for organising work-experience activities and enforcing minimum hours of participation in them when their clients have been unemployed for more than a year. These revisions of the strategy have been effective, although placement rates are still modest for jobseekers with partial work capacity, and some providers tend to neglect the short-term unemployed because fee payments for them are low. A broad policy priority now should be to sustain the current good labour market outcomes over the longer term, minimising the risk from demand shocks and ensuring the continuing effectiveness of activation measures.

Among the other topics examined in this review are: workplace relations; compliance monitoring and benefit sanctions; Disability Employment Services; the special provisions for unemployed youths; Indigenous workers and some other target groups; and the microeconomic evaluation of the impact of individual active labour market programmes and benefit-system reforms.

## Summary and recommendations

### Growth, employment and unemployment (*Chapter 1*)

Since the early 1990s the employment rate of Australia's working-age population has increased from about 66% to over 72%, and GDP per capita has risen by about 10% more than in the average OECD country. In 2010, Australia ranked among the top ten OECD countries on both variables.

The population has grown by about 30% in the past two decades, with about half the growth coming from net migration. About a quarter of the total population is foreign-born, a higher rate than in other OECD countries except Luxembourg. Australia implements a skills-based immigration policy through a points system and sponsorship by the states, which target regional skills needs, and by employers. The employment rate of recent migrants other than temporary residents is still slightly higher than that of native-born Australians, although it is relatively lower for those who enter *via* the family and humanitarian migration streams. Thanks partly to immigration, the share of Australia's adult population with tertiary education is comparatively high, but the share with less than upper secondary education remains slightly above the OECD average. In 2010, nearly 4% of workers were employed as an apprentice or trainee, and about 45% of people commencing an apprenticeship or traineeship were aged 25 or more. The minimum wage is relatively high and the rate of in-work poverty is relatively low, but levels of household poverty and income inequality are near the OECD average.

In conjunction with the rise in the employment rate, the unemployment rate fell from 11% in 1993 to about 5% in 2005 and returned to that level in 2010, where it has remained at the time of writing. However, the rate of involuntary part-time employment as a proportion of the labour force at 7.2% was the highest in the OECD in 2010. Nearly a quarter of all employees have “casual” status, which is not necessarily temporary, but is usually paid on an hourly or daily basis, with no paid leave entitlement. Job-tenure statistics indicate relatively high rates of labour turnover.

About 60% of youths aged 15-24 are employed, well above the OECD average rate of about 40%. This reflects both a relatively low propensity to stay in education beyond the age of 16 and a comparatively high share of students working part-time. Older-worker employment rates have increased rapidly, especially after 1999, and are currently about 5 points above the OECD average. Employment rates for mothers with at least one child aged less than six and for lone parents have been increasing, but remain significantly below the OECD average. Indigenous Australians, who represent almost 3% of the population, also have low employment rates: they often live in remote areas with a thin local labour market, young age profile and low levels of educational attainment.

For many years, terms and conditions of employment in Australia were regulated by a large number of sector-based “awards” defined by state and federal conciliation and

arbitration tribunals. Since the 1980s, firm-level bargaining has become more prominent. The 1996 Workplace Relations Act set the stage for a long process of award simplification and promoted enterprise-level bargaining. The 2005 Work Choices Act further emphasised individual over collective workplace relations, but this was reversed in the recent Fair Work Act. Employment conditions are now set largely at enterprise level, often with limited trade union involvement since union density in the private sector has fallen below 15%, with floor conditions for wages and some other matters subject to National Employment Standards and a reduced number of “modern awards”.

These labour market outcomes and policies are linked in various ways. The high migrant and youth shares in the labour force promote labour turnover, casual employment, and participation in training. The high minimum wage, along with the award system and skill-based immigration policy, tend to compress the distribution of earnings, which makes it relatively difficult for low-productivity workers to find full-time work but also motivates participation in training to enhance their employability. The low employment rate of mothers with young children is related to a relative lack of parental-leave entitlements and employment protection, so that the norm is to leave work at childbirth and find another job when children are older. Developments in employment rates have been influenced by income-support provisions and activation measures, as discussed further below.

## Labour market policy background and institutions (*Chapter 2*)

### *Scope and further reading*

This review focuses on mainstream employment services. Australia’s experience highlights issues for all countries that aim to provide broad assistance-based coverage of social risks while also keeping unemployment low: and it also provides much food for thought for all countries that outsource employment services or are considering doing so. Policies towards youth transitions, supported employment for people with disabilities, Indigenous Australians, remote Australia, and general vocational training merit attention but are covered in less detail in this review.

Much information is available on the topics covered here and this review partly avoids repetition. Recommended reading for interested readers includes:

- Davidson and Whiteford (2012), a study commissioned as background to this review, describes unemployment assistance regulations, trends in receipt of income support, the history since the 1990s of activity requirements, the compliance system and sanction rates, employment services and impact evaluation studies.
- Finn (2011) briefly describes the Job Network model from 1998 and the transition to the Job Services Australia (JSA) model in 2009, and its key features.
- Evaluation studies by the Department of Education, Employment and Workplace Relations (DEEWR) include useful overviews of active labour market policies at the time as background to their data analyses. Concise descriptions of many individual areas of current policy are available on official websites. DEEWR & DHS (2011) identifies and discusses several current policy issues, making recommendations, some of which are now official policy.

### ***Key actors***

Currently, the *Department of Families, Housing, Community Services and Indigenous Affairs* (FaHCSIA) is responsible for age and disability pensions and the Carer Payment, and for housing, disability, Indigenous and social services. DEEWR is responsible for most other working-age income-support payments, employment services and some active labour market programmes (ALMPs) associated with them, and some ALMPs for special groups, but not for the bulk of vocational training. *Centrelink*, which formerly had an independent agency status but in 2011 became part of the Department of Human Services (DHS), delivers payments and social services to families and individuals through over 400 offices throughout Australia. Both FaHCSIA and DEEWR have agreements with Centrelink for the delivery of their services.

### ***Outsourcing of employment services***

Australia is one of a number of OECD countries in which activation ideas were developed in the late 1980s but mainly implemented in the 1990s, after the experience of sharp cyclical rises in unemployment in the 1970s and early 1980s. The Working Nation strategy of 1994-97 introduced partial outsourcing of individual case management, although jobseekers were often referred to an ALMP rather than to regular job vacancies. In this period, the number of unemployment benefit recipients did not fall as fast as the unemployment figure from the labour force survey (LFS), but more recently these two numbers have kept quite close to each other.

After a change of government, in 1996 the operational concept of “Mutual Obligation” introduced in 1998 was a requirement for jobseekers who had been unemployed for six months to undertake an activity such as ordinary part-time work, voluntary work or training, or as a default, participate for six months in non-market work activities, through a programme called Work for the Dole (WfD). WfD was implemented through a portfolio of projects of benefit to the local community. Mutual Obligation was at first implemented only for younger jobseekers, but was later extended up to age 49. Also in 1998, expenditure on most other ALMPs was cut back, and the then Department of Employment contracted with nearly 300 for-profit and non-profit organisations, which together were called the Job Network (JN), for the delivery of mainstream employment services. One of the contracted organisations, Employment National, took over some of the staff of the former Public Employment Service, but it went out of business in later years. Under the first Employment Services Contract, over 200 providers delivered Job Matching (a placement service), 112 delivered Job Search Training (a two-week programme delivered around the fourth to sixth month of unemployment) and 125 delivered Intensive Assistance (case management for the long-term unemployed and other disadvantaged jobseekers). Centrelink staff referred jobseekers to these services. On a voluntary basis, jobseekers could register with multiple Job Matching services. The Job Seeker Classification Instrument (JSCI) was, and still is, used to measure jobseeker disadvantage and to differentiate outcome fees, which are paid when a jobseeker has been in a job for 13 weeks with a second payment after 26 weeks. It is implemented through a questionnaire addressed to the jobseeker by Centrelink, with points allocated on the basis of answers to the questionnaire, together with administrative information.

In the first two years, the Job Network achieved numbers of placements similar to the previous arrangements, but at lower cost. From 2000, the Department began to regularly publish Star Ratings of provider performance at over 1 400 individual sites, based on how many paid placements and paid outcomes were achieved, with regression adjustments taking client characteristics and the state of the local labour market into account. In subsequent

tender rounds, providers with low Star Ratings lost business, which was reallocated to higher-performing providers and to some new entrants to the market. The second Employment Services Contract came into operation in 2000 and the third Employment Services Contract (ESC3) in 2003.

Evaluation studies identified some problem areas in the design of the first Employment Services Contract, which used a “black box” approach, with little supervision of provider behaviour or feedback of information from providers about the services delivered to clients in general, or to individual clients. Providers were expected to use the fees they received partly to purchase labour market training or other services that would help to achieve paid placements and paid outcomes for their clients and improve their own Star Rating. But service provision was quite uneven, and often after the first few months in Intensive Assistance jobseekers rarely visited their provider.

In the ESC3 model, the role of the JSCI was reduced with most jobseekers starting in job-placement services, then moving after three months into Intensive Support Job Search Training, and after 12 months into Intensive Support Customised Assistance (similar to the earlier Intensive Assistance), all with a single provider. Providers were given a fund, the Job Seeker Account, quarantined for expenditure on training, wage subsidies and other assistance to tackle barriers to employment. This required reporting details of the expenditure to the Department of Employment and Workplace Relations (DEWR). Providers were also required to interview jobseekers with a minimum frequency. DEWR computer terminals installed at each site recorded jobseeker attendance at interviews and other operational information. Centrelink “reconnection”, temporary payment suspension and formal benefit sanction procedures to enforce jobseeker attendance at appointments with JN providers were strengthened. The new arrangements resulted in some jobseekers dropping their claims for income support, but about a year into the contract period the number of paid placements and 13-week employment outcomes reached record high levels, and by 2008 the LFS unemployment rate fell to 4.2%. Following the recent economic downturn, it soon reverted to just over 5%.

### ***The benefit system and its activation***

In contrast with most other OECD countries, Australia has no insurance-based income-support benefits. All benefits are means-tested and tax-financed. The two largest benefits in terms of the number of recipients are those that cover disability and adult unemployment, the Disability Support Pension (DSP) and Newstart Allowance (NSA). Adults who are short-term sick or temporarily unable to work for any other reason, and are not or are no longer employed and lack other resources, usually claim NSA and request a temporary exemption from job-search requirements. Apart from the Youth Allowance, which is paid to both students and unemployed youth, the next-largest benefit in terms of caseload is Parenting Payment – Single (PPs) for sole parents (who often make up a large proportion of the social assistance caseload in other OECD countries). After that come Carer Payment, for people who provide constant care to another person in receipt of income support, and Parenting Payment – Partnered (PPp) for parents with partners. Since the 1990s the coverage of other payments has been restricted so that increasingly the only “inactive” benefits are those for disability, care for the disabled, and the parents of younger children.

### *The increasing disadvantage profile of the unemployed*

Due at first mainly to falling unemployment, and after 2005 to the closure and activation (by introducing job-search requirements) of several inactive benefits, the proportion of the working-age population in receipt of a non-student income-support benefit fell from 21.3% in 1996 to 15.2% in 2007. About 2 percentage points in the total are accounted for by inactive benefits for partners, similar to the dependant additions to a main benefit paid in some other countries. About 2 percentage points in the total are accounted for by people who have some earnings, and thus may represent only about 1 point in full-time equivalent terms. On a comparable basis, this benefit dependency rate is probably one of the lowest among those OECD countries that provide a broad entitlement to disability, unemployment, and social assistance benefits. The activation strategy (consisting of measures tending to reduce unemployment as well as recipiency of inactive benefits) is apparently responsible for a significant share of the longer-term 6-point reduction in the income-support recipiency rate, which is in turn a key factor in the 6-point increase in the employment rate, and a reduced cost of active and passive labour market programmes. Thus, on one important account, increasing the employment rate, Australia's activation strategy has achieved notable success.

Australia's experience, however, illustrates why success in terms of aggregate outcomes will not necessarily translate into greater jobseeker and employer satisfaction with employment services. A large relatively-employable population subgroup that previously was in the jobseeker population is now employed. Moreover, a harder-to-place population subgroup has been transferred from inactive benefit status to (if not yet employed) a jobseeker status. Close to a third of the JSA caseload has a reduced-hours work requirement related to partial incapacity or child-care responsibilities, close to another quarter are early school leavers or mature age unemployed with modified participation requirements, and at all times a proportion of the caseload has temporary exemption from active jobseeker status related to illness or personal crisis.

Several policy developments since 2008 adapted policy to the more disadvantaged profile of the jobseeker caseload. In 2008, safeguards were introduced to minimise the application of benefit sanctions to clients with a limited capacity to comply and in 2009 when the Job Services Australia (JSA) model replaced the JN model, fees for placing the short-term unemployed (those in Stream 1, see below) were sharply reduced in order to shift the focus of providers' efforts to the most-disadvantaged client groups. These developments may have gone too far too fast but they were soon rebalanced. Providers – who have always complained about failure to enforce attendance at appointments – increasingly reported that their efforts to engage with some jobseekers had become almost futile and it had become too easy to evade participation requirements, and in 2010 and 2011 compliance policies were strengthened again. In 2009, as soon as the JSA model entered operation, service fees and outcome fees for placing workers who had been made redundant were increased. The integrated outsourcing model allows a rapid response to a recession, or perhaps another crisis, through fee changes and related incentives. In Denmark and New Zealand, two other countries that had greatly reduced their unemployment benefit caseload in the 2000s and shifted resources towards social services for the hard-to-place, unemployment and unemployment benefit claims more than doubled in 2009 and 2010, albeit from a low base. In the drive to focus on the most-disadvantaged clients, it should be kept in mind that employment services need capacity to deal with short-term and less-disadvantaged jobseekers in a recession, so as to minimise the numbers who become long-term unemployed and at least maintain service levels for those who are long-term unemployed.

### *The governance of labour market policy*

In Australia, ministers and budget statements announce new policies, key issues are debated in parliament, and, in the case of DEEWR, the Department from time to time publishes lengthy departmental impact evaluation studies and stakeholders each year submit hundreds of submissions in response to formal consultation processes and official discussion papers. The designs of the 2003 Job Network model and JSA and mid-term adjustments to them, as well as some benefit system reforms, have been significantly influenced by the findings of DEEWR evaluation studies of the impact of policies on employment outcomes. Labour market policy is on the whole well-documented and debated. Perhaps because employment service providers are managerially distinct and their survival depends on achieving employment outcomes, they plead for tackling operational problems – such as DEEWR “red tape” or Centrelink failure to impose sanctions – more than in other countries. Non-profits, advocating for disadvantaged clients based on front-line experience, highlight concerns about the social impact of strict activation measures. The government partly funds the National Employment Services Association and some other organisations which, in turn, publish high-quality summaries of their members’ experiences and concerns. Another technique used by government, *e.g.* for the Jobs Fund set up in the recession, is to co-opt organisations that request funding into a “Panel” to advise on the Fund’s broader strategy or the viability of individual projects.

Since the 1990s the Department of Employment has progressively extended output-based funding while integrating multiple services under the responsibility of a single provider. A single JSA provider now delivers the equivalent of the three original JN former services, is responsible for additional client groups with significant barriers, and implements Work Experience Activities. The principle of output-based funding was also similarly applied to disability “open” employment services (which promote employment in the open labour market with varying levels of ongoing support) and Vocational Rehabilitation Services (VRS). Longstanding arrangements for block-grant funding of providers were replaced by funding with outcome fee elements (a modified version of the Intensive Assistance payment model) in 1999 on a trial basis, and extended to all open employment services in 2005 to create the Disability Employment Network (DEN). An open tender process was held for VRS contracts in operation from 2007, and will be held for open employment services to enter operation from 2013. Star Ratings of provider performance were published with first reference dates July 2006 for DEN and 2007 for VRS. A large proportion of participants in these services – which were replaced by Disability Employment Services (DES) in 2010 – are engaged primarily in job-search and case-management activities, and could be regarded as participants in employment services rather than in any other type of ALMP.

An important feature of JSA and DES is that there is no requirement on providers to spend fee income on any particular client. Individual clients attract funding for intensive services based on their level of disadvantage – which is assessed mainly by DHS/Centrelink based on administrative records and client responses to JSCI questions – but providers are then free to allocate intensive services across individuals to maximise their effectiveness, in terms of generating paid employment outcomes and maintaining the provider’s Star Rating. Assuming that providers have the best knowledge of their clients’ needs, this arrangement is more efficient than one where DHS/Centrelink or DEEWR decides which services are needed by individual clients, and purchases those.

Although there is scope for some further activation of inactive benefits, and scope for some further integration of JSA with disability services, moves in these directions should now be incremental in nature. For example, an attempt at applying participation requirements

to a large proportion of the existing DSP caseload would be not very effective and might be counterproductive. A period of broad stability with a policy focus on progressive improvement should not be taken as an opportunity for further cost-squeezing, which would be a false economy if it weakens the ability of employment services to assist jobseekers with significant employability barriers, or to tackle cyclical increases in unemployment. A halving of expenditure on the broad Public Employment Service (PES) functions (including unemployment benefit administration and labour market programme administration, as well as payments to service providers) would radically reduce service quality, and would be counter-productive for government finances overall if the benefit-recipient rate rises by just 1 point, a relatively small change.

### ***Transaction and administration costs in the JSA contract***

A single provider now has to manage a much more complex contract than in the past, with four different streams of jobseekers in the case of JSA (see below); involvement in the reclassification process when jobseeker barriers are identified; four main funding types, including service fees and the quarantined Employment Pathway Fund (EPF), which are subject to surveillance and auditing by DEEWR contract managers; DEEWR monitoring of provider governance and service quality; and transactions with DHS/Centrelink concerning referrals and compliance. In relation to jobseekers, JSA providers in 2009 and 2010 often seemed focused on assessment processes, participation reports, contact requests and suspended caseloads as much as assistance with curricula vitae, jobseeker counselling, job vacancies and training.

JN frontline workers, in a survey in 2008, reported that they spent 25% of their time on “contract compliance to meet government reporting/administration requirements”. The JSA model was supposed to reduce “red tape”, but providers tend to say it is worse than ever. A provider-commissioned study in 2010 reported that providers were spending up to 50% of their “process time” on administration and compliance with over 3 000 pages of JSA rules, and that close to 30% of the administration time (or 15% of overall time) duplicated work done by Centrelink or was unnecessary (this account is contested by DEEWR). Providers are funded through service fees, placement fees and outcome fees which may be paid at 144 different rates. Significant purchases from the EPF need to be itemised, with documentation demonstrating that they fall within the guidelines, although reporting requirements for purchases of less than AUD 300 have been relaxed, as compared with similar procedures in the ESC3 period. Client participation in Work Experience Activities, re-administration of the JSCI by the provider, evidence of non-compliance that may result in a benefit sanction, etc. need to be documented. To implement the Key Performance Indicator 3 (KPI3) – which refers to the “quality” of providers’ organisation, services and client experiences – DEEWR contract managers may request analysis of providers’ internal accounts distinguishing JSA activities from those supported by other funding. Especially for small providers, such demands absorb scarce managerial time. Larger providers benefit from some economies of scale by streamlining their procedures and letting staff develop expertise in particular areas.

Some current transactions between providers, DEEWR and Centrelink would not always arise within a public employment service: in some countries a PES case manager may individualise the placement techniques and service intensity for a particular client, grant temporary exemption from requirements or impose a sanction, or refer the client to a specialist, etc. with less documentation and fewer transactions. In other countries, arrangements for subcontracting the case-management function appear to not involve so much formal or structured reporting and monitoring by the contracting body. In some

cases a “black box” approach is used, as in the Work Programme in the United Kingdom, and in other cases the purchaser supervises the provider informally, in a day-to-day joint working relationship. Australia has relatively strong central management of its employment services. This is necessary to create the “level playing field” that is needed for effective competition to operate. Only central management can consistently implement Star Ratings, which evaluate provider performance in detail and relative to all other providers operating the contract, and consistently monitor the quality of service delivery.

Design changes that could achieve major reductions in the volume of transactions and “red tape” include:

- To reduce the efforts devoted to formal assessment of jobseeker barriers, model the expected employment and unemployment rate (allowing also for part-time employment, participation in training, etc.) of each provider’s caseload through time based on clients’ original JSCI scores, dates of commencement, and other data as used for Star Ratings, and then pay outcome fees based on *actual* versus *expected* performance. Providers could update JSCI scores when necessary as a service, but not directly affecting either the total outcome fees or the incentive to serve one client relative to another;
- Replace the EPF, which is “quarantined” for expenditure on a defined set of allowable items, with untied payments, removing the need for item-by-item accounting for expenditure;
- Limit the assessment of “quality” to a few measurable indicators, not including assessments of providers’ internal processes; and
- Introduce a system of provider accreditation, with accredited providers allowed to monitor the quality of their own Employment Pathway Plans, use of the EPF, etc. without ongoing auditing by DEEWR.

However, there are clearly trade-offs involved, with a risk that changes along the lines above reduce the information available to DEEWR and hence its ability to monitor and improve the quality of services delivered, and facilitate “gaming” of payments. It may be preferable to maintain most of the current structure, while expecting providers to minimise their costs of compliance, and identifying individual procedures that can be dropped or simplified. A reduction in the volume of jobseeker assessments was expected from 1 July 2012, due to the removal of the requirement for the JSCI to be re-administered by Centrelink after a year (the *Stream Services Review*). Another suggestion is that when the provider has obtained a written confirmation from the client’s employer after 13 weeks, DEEWR should pay the 26-week outcome fee on the basis that the client is no longer claiming income support, rather than requiring a second written confirmation from the employer.

## The Job Services Australia model (*Chapter 3*)

### *Integration and Stream Services*

From July 2009, the JSA model integrated several formerly-separate programmes. JSA providers now handle highly-disadvantaged youths formerly referred to Job Placement, Employment and Training (JPET) and highly-disadvantaged adults formerly referred to the Personal Support Program (PSP), as well as the core caseload formerly referred to JN providers. Also, JSA providers now have to create WfD activities for their clients, or alternative activities, and refer clients to them. In each case, a plausible rationale for the policy change exists. According to estimates presented in a DEEWR publication *Labour*

*Market Assistance: A Net Impact Study*, participation in JPET and PSP for individuals who commenced in February 2007 had a negative net impact on the percentages that were off benefit, or on a reduced rate of income support because of earned income, 11 or 13 months later.

WfD was previously a separately-funded programme, and it was more expensive to implement than most other Mutual Obligation activities. Also, it did not incorporate payments related to whether participants subsequently entered ordinary employment. JSA providers must now fund WfD activities from the Employment Pathway Fund (EPF), which is in other respects similar to the Job Seeker Account of the ESC3 period. In principle, the integrated structure gives providers an incentive to minimise the cost of WfD activities, to structure WfD activities so as to maximise subsequent employment outcomes, and to reorient clients towards cheaper activities such as training or voluntary work if this is equally effective.

In the JSA model, jobseekers (except for some voluntary registrants) are allocated to one of four “streams”. Allocation across Streams 1, 2 and 3 is based on JSCI scores (Stream 1 if the JSCI score is below 20, Stream 3 if the JSCI score is above 28). Regardless of their JSCI score, jobseekers who report serious health or other personal barriers can be additionally referred to an *Employment Services Assessment* (ESAt), which may lead to referral to Stream 4. After a year in one of the streams, jobseekers in most cases enter the *Work Experience Phase*. This is similar to the Mutual Obligation period of the JN era. Unless they exit from JSA, jobseekers stay in the Work Experience Phase for the remainder of the contract, and are obliged to participate for six months of each year in a Work Experience Activity, with part-time work, voluntary work, training, and WfD among the main options.

### ***Focus on assessment of client barriers***

Under the JN contracts, providers in principle had an incentive to delay placing clients until they had reached a specific duration of unemployment at which higher outcome fees became payable (in particular, after 12 months). In the JSA model, this incentive is reduced, because the link between a client’s unemployment duration and the fee available for placing him/her is less direct (except for Stream 1 clients, when they pass 12 months of unemployment). But there is an increased focus on JSCI scores and further assessment procedures, which determine the allocation of jobseekers to streams. A more disadvantaged client profile also increases a provider’s Star Rating, for any given rate of employment outcomes. Thus, providers have incentives to identify more client barriers – for example, identifying a client as homeless may directly increase the fees payable, whereas solving the homelessness problem does not. The risk of serious or widespread exaggeration of client barriers by providers is limited because DEEWR can statistically monitor providers’ track records, DEEWR and Centrelink can examine individual cases, and the largest components of the JSCI score are based on administrative data held about clients’ age, gender, location and income-support history and, in some cases, independent further assessments. However, providers can refer clients for a further assessment and do not bear the cost of this. Expenditure on Job Capacity Assessments (JCAs), which are conducted by a relevant health professional, increased steadily after their introduction in 2006, and in 2009/10 was equivalent to nearly 15% of the entire JSA budget. Moreover, there are signs that referrals from employment services to an expensive assessment by an external health professional tended to encourage applications for DSP.

Recent reforms include the replacement, for jobseekers, of the JCA by a less-medicalised and cheaper ESAt procedure, and the abolition of Stream Services Reviews, which involved

the re-administration by Centrelink of the JSCI for all clients after one year in Stream Services. Providers still have an incentive to identify client barriers because this increases their fees – rather than because this helps in the placement process – and it is important to maintain other features that limit this incentive.

### ***Low weight on Stream 1 performance***

From the fourth to the twelfth month of unemployment, JSA providers are responsible for Stream 1 clients, but incentives to achieve placements are much lower than in the JN model because no outcome fee is paid, and Stream 1 performance has a weight of only 10% in Star Ratings. Outcome fees and part of the 10% weight in Star Ratings relate to clients who have been unemployed for a year and have entered the Work Experience Phase. Many providers devote minimal resources to clients in the first year of Stream 1. In response to the Global Financial Crisis, in 2009 and 2010 this problem was partly addressed by automatically allocating redundant workers to Stream 2.

Incentives to deliver employment services to Stream 1 clients could be increased, without paying for large numbers of “deadweight” placements of short-term unemployed workers, by making payments to providers that are linked to their Star Ratings. Payments for net impact on outcomes give providers the same incentives as payments for all outcomes including those that are deadweight, but cost much less: and a provider’s net impact on placements of Stream 1 clients is already calculated for the Stream 1 Star Ratings. This approach need not reduce the resources available for other target groups, because it would probably pay for itself in terms of benefit savings, as sites where there is currently a poor performance in Stream 1 devote somewhat more resources to this group, as they did under the Job Network arrangements.

### ***Promoting long-term outcomes for disadvantaged jobseekers***

In the JSA model, employment outcomes are tracked for up to 26 weeks. There is relatively little call for longer-term tracking of employment outcomes from providers, except some with hard-to-place clients, although this might be partly because documenting such employment outcomes is administratively burdensome for them. A DEEWR survey in 2008 found that 78% of people who were employed three months after leaving Intensive Support Customised Assistance were also employed after 16 months, and in 65% of cases this was in the same job. Across all programmes, less than 20% of those employed at both three months and 16 months had more than two employers over the period. This suggests that payment for only the first six months in employment did not provoke much “churning”, at least over a 16-month horizon.

The longer-term tracking of individual employment outcomes and earnings – which would probably need to be based on administrative records such as superannuation contributions – could promote employment retention and advancement by rewarding placement into *stable* jobs and the delivery of pre-placement training and post-placement assistance. Current maximum outcome fees, at around AUD 6 000, are about one tenth of annual average wages per full-year full-time employee, which is well below the social value of an additional long-term employment outcome. Longer-term tracking could support the payment of higher maximum outcome fees, which would encourage providers to invest in training and in hard-to-place clients. Some providers call for “social outcome” fees to be paid for non-vocational outcomes, but arguably indicators of individual progression, such as recovery from substance abuse, cannot be measured robustly enough to be used as the basis for payment.

Two existing measures that in principle encourage investment in training or specialist assistance are the EPF, which lowers the shadow price for the provider of investments that tackle jobseeker barriers, and the high weights on Stream 4 outcomes in the Star Ratings system. In some cases, where a long-term unemployed client came into the caseload in 2009 and the contract continues to 2015, a provider can already benefit from an employment outcome generated by an investment in improving the client's employability several years earlier.

### ***Star Ratings and performance measurement***

At an annual rate, JSA appears to be achieving fewer paid placements than the JN model did in 2005/06 and 2006/07. However, the JSA model no longer makes payments for placements in some situations where a high rate of deadweight (*i.e.* payments for placements that would have happened anyway) was suspected. JSA appears to be achieving about as many 13-week employment outcomes as in 2005/06 and 2006/07, but again, the detailed circumstances triggering payment and contextual features have changed.

Employment outcome rates decline from Stream 2 to Stream 4. For Stream 4, over the first 21 months of the JSA contract the number of 13-week outcomes at an annual rate was about one fifth of the average number of active jobseekers. According to survey statistics, exits from the labour force outnumber employment outcomes for this group.

DEEWR's regression analysis generates Star Ratings at individual site level, using a more comprehensive information base than would be available to any individual provider. This plausibly drives performance more effectively than would be the case if ratings were generated only at the level of each provider's aggregate performance.

Provider Star Ratings indicate great variation in Stream 1 performance with (after two years of operations) about 40% of providers having a rating of one (placements and other outcomes 50% or more below average) or five (placements and other outcomes 40% or more above average). This probably reflects the decisions by many providers to devote minimal resources to Stream 1 clients in their first year.

In terms of the overall rating across the four streams, variation in performance at site level is still substantial: the top 20% of sites achieve about twice as many outcomes (relative to the predicted levels, given differences in client characteristics, etc.) as the bottom 20%. The ten largest providers together manage around 1 000 sites, nearly half of the JSA total. Among these large providers, each managing around 100 sites, the top two average about 25% more outcomes (again, relative to the predicted levels given differences in client characteristics, etc.) than the bottom two. This smaller range suggests that performance levels have converged to a considerable degree, as compared with the situation in the first Employment Services Contact that operated from 1998 to 2000. This could reflect the influence of more detailed contractual requirements and their supervision by DEEWR as well as the adoption of similar approaches to case management by providers. Arguably successful performance management squeezes out diversity. Nevertheless, some diversity should be encouraged and exploited, for example by sometimes transferring very-long-term unemployed clients to another provider or a different service.

Providers specialised in Youth at risk, Mental health, and Homeless or at risk of homelessness, have on average relatively low Star Ratings. This seems to also be true for providers at remote sites and some depressed metropolitan areas. Research should investigate possible technical reasons why the Star Rating regressions over-predict expected outcomes for certain disadvantaged client groups.

### ***“Quality” rating and monitoring***

Alongside the Star Ratings, DEEWR assesses performance against the KPI3 “quality” indicator. For the JSA contract period a detailed framework, listing four main dimensions of quality with some subdivisions, was set out. DEEWR contract managers advise providers of their performance assessment on a one-to-one basis but DEEWR does not publish scores for the quality indicators. Within the KPI3 framework, DEEWR contract managers not only rate governance and other criteria, but also engage the providers in a discussion and continuous improvement process. In 2012, business will be rolled over on the basis of published Star Ratings only, but KPI3 performance will in principle be a selection criterion for future tenders.

In the process evaluating bids for JSA contracts, a 40% weight was attributed to a “local strategies” selection criterion which was scored on the basis of written submissions. Most observers agree that a number of providers with a good record of performance lost business in 2009 because selection was based on performance in “essay-writing” and prospective collaborative arrangements with other organisations that might or might not be viable in practice. Future tenders should use selection criteria that have a track record of measurement or failing that, for which measures can be developed.

Monitoring of the quality of JSA provider internal activity by DEEWR contract managers is currently necessary to “level the playing field” since if, for example, a provider can deliver less assistance to unpromising clients in return for service fees, or charge more to the EPF for given staff time used for reverse marketing or other professional services, this translates directly into profit. As with “red tape”, to eliminate swathes of monitoring, radical structural redesign would be needed.

Consistent implementation across DHS/Centrelink local offices of things that affect providers’ performance such as jobseeker exemptions, participation reports, the JSCI and referral procedures, is probably desirable in its own right, but it is also necessary to ensure a “level playing field” for the comparative measurement of provider performance. Referral procedures after registration are monitored through the Bilateral Management Arrangement at a national level and down to the site level by DEEWR and Centrelink staff on a quarterly basis. Also, there are clear guidelines about the use of the JSCI, and its character as a scripted questionnaire limits the scope for inconsistent application.

## **Unemployment and related benefits (*Chapter 4*)**

### ***Evaluating the activation of inactive benefits***

In 1993, unemployment in Australia reached a record level, but in 1994, long-term unemployed workers aged 60 or more were transferred to an inactive benefit, Mature Age Allowance. In 1995, the allowances for a dependent spouse paid with a working-age benefit were individualised, so that each member of a couple had to separately claim a benefit. Each partner’s benefit remains subject to means-testing on the couple’s joint income. As a result, although unemployment had started to fall according to survey statistics, the overall rate of reciprocity of working-age benefits reached a record level in 1996.

One of the benefits created in 1995, Partner Allowance, was from the start restricted to people born before 1955. In 2005, a similar restriction was applied to Widow Allowance, another inactive benefit. In 2003, Partner Allowance and Mature Age Allowance were closed to new entrants, and sole parents whose youngest child was aged between 13 and 15 years were subject to participation requirements of up to 150 hours of approved activities each

26 weeks. From July 2006, Parenting Payments (PPs and Pp) were generally limited to parents with children up to ages 8 and 6 respectively, and, for parents with their youngest child aged 6 (or 7) or more, were subject to participation requirements, although parents, including those claiming an unemployment benefit, are only expected to be available for part-time work. By 2011, the percentage of the working-age population on one of these inactive benefits had fallen, as compared with the peak levels attained in the years 2003 to 2005, by nearly 3 points, equivalent to around 450 000 people.

When Partner Allowance, and Parenting Payments except for the parents of young children, were closed to new entrants, the demographic groups that had previously claimed these benefits were entitled to claim NSA, but in each case the annual flow from the relevant demographic group into NSA was only about half the previous annual flow onto the inactive benefit. Also, parents who went onto NSA or continued on a Parenting Payment after it became subject to participation requirements left benefit considerably faster than comparable parents who had claimed an inactive benefit had done. The net result is that relatively few sole parents with older children maintain an income support claim for years, a major change. Thus, most of the reduction in the caseloads of Partner Allowance and the two Parenting Payments fed through into a net reduction in the total numbers on income support. By contrast, about 40% or 50% of the fall in the Mature Age Allowance caseload appears to have been offset by an increase in the number of 60-64 year-old males claiming NSA – although this may not be surprising given that NSA participation requirements are significantly reduced from age 50.

For males aged 60-64 and for single parents, movements in employment rates can be compared with movements in overall benefit reciprocity rates. Single parent employment rates increased quite sharply in recent years, but by only about half of the decline in their net benefit reciprocity rate. Older male employment rates increased by 10 percentage points, about twice the decline in their net benefit reciprocity rate. There is some evidence that the closure of Partner Allowance had a “cross gender effect” that helped to keep the (usually male) partner in the labour force.

For most inactive benefits, activation has been a success. Although the reforms lowered the benefit amount payable to a particular demographic group in some cases, their impact can mainly be attributed to participation requirements and employment assistance measures – without these, claims would merely be diverted from an inactive benefit to an unemployment benefit but without a net reduction in the numbers on an income-support payment. The Australian experience supports a general idea that, for demographic groups that are capable of working, a lack of effective availability-for-work requirements greatly increases benefit caseloads by a factor of around two in the fairly short term and perhaps more in the medium term. In Australia, although much of the decline in benefit reciprocity rates occurred in the JN period, arguably maintaining this outcome – despite continuing flows of disadvantaged groups onto unemployment benefits and periods of economic downturn – is an equally-great challenge, and the JSA model has made a promising start on this.

The 2006 restriction on access to Disability Support Pension was less successful. It did not clearly reduce the flow of new claims. New claimants with an assessed work capacity of 15 to 29 hours now receive NSA, and enter work more often than they did when DSP was paid, but the outflows to employment seem still too low to prevent a build-up in the stock of jobseekers with partial work capacity. This is probably due more to the hard nature of the barriers faced by many people with partial work capacity, rather than to weaknesses in the employment services for them. However, it may be possible to increase outflows somewhat further, for example, by referring more jobseekers in this group to the reformed Disability

Employment Services. The Australian Government could attempt a cost-benefit analysis of the 2006 and 2012 reforms in terms of operating costs, benefit costs and employment outcomes for the group directly affected (those with a work capacity of 15 to 29 hours, in 2006), modelling flows into and out of NSA and into and out of employment and how they build up into stocks to give perspective on whether DSP eligibility criteria should be further tightened. The impact of the 2012 reforms will be evaluated in 2013-14.

The 2006 reforms also had a relatively small impact on employment outcomes for PPs claimants whose claim started before July 2006, who were “grandfathered”, *i.e.* were allowed to stay on PPs when their child turned eight. The PPs rate of benefit is 22% higher than the NSA rate. For new claimants, the entitlement to PPs is (*via* the child age condition) time-limited which is an incentive to enter work even during the PPs period, whereas “grandfathered” claimants who start a job cannot return to PPs at a later date and this acts as a disincentive to enter work. Overall, Australia’s experience from the activation of inactive benefits suggests that participation requirements, benefit disincentives, and client employability barriers, particularly disabilities, all significantly influence employment outcomes. This suggests that unified system management with close tracking and analysis of benefit caseload trends, with a capacity to determine benefit levels and taper rates, participation requirements and the employment services offer, depending on client group characteristics, will be the most effective approach.

### ***Exemptions and suspensions***

About 50% or more of unemployment benefit recipients are currently not statistically classified as jobseekers, because they are temporarily exempt (for example, due to illness), or are meeting their participation requirements (for example, through part-time work or participation in approved training), or are engaged with a DES provider rather than a JSA provider. The jobseeker/non-jobseeker categorisation should be interpreted with caution, because people who are meeting their participation requirements through work or training may still have job-search activities specified in their Employment Pathway Plan (EPP), and DES clients are not necessarily exempt from job-search requirements. A better statistical overview should be developed, distinguishing benefit recipients in terms of their participation-requirement status and provider-registration and suspension status (some benefit recipients are not registered with a provider, and some are registered with a provider but are suspended from the provider’s active caseload). This would inform reviews of the treatment of particular subgroups: for example, JSA providers tend to regard the suspension from their active caseload of older workers doing voluntary work as a lost opportunity for employment service delivery.

Although Centrelink exemptions from job-search requirements for unemployment benefit recipients might *a priori* be viewed as counterproductive, it is also arguable that Centrelink is best placed to determine whether a medical report, or a domestic situation investigated by a social worker, etc., implies that job-search requirements or benefit sanctions based on them would be impractical. Reporting requirements allow Centrelink to keep the circumstances that justify exemptions under review. This approach helps to restrict compulsory referrals of unemployment benefit recipients to JSA providers to people who are more likely to benefit from employment services, which enhances the overall effectiveness of these services. In cases where the job-search requirement is suspended because the client meets requirements through part-time work, the unemployment benefit acts as an in-work benefit that involves continuing reporting to Centrelink, with tightly-defined eligibility criteria and a relatively low total caseload, which is probably much less costly than the broad in-work benefits that exist in a number of other OECD countries. From this perspective, Centrelink’s exemption and suspension decisions implement

structured and individualised management of participation requirements, complementing the structured and individualised employment-service interventions by JSA providers for those who have participation requirements.

### ***Benefit levels and taper rates***

For a single person, in July 2011 the basic rate of DSP (including the Pension Supplement payable) was 54% higher than the basic rate of NSA, and the differential was still increasing because NSA is indexed to prices rather than wages. This creates pressure to align the NSA rate upwards. An OECD model net benefit replacement rate for Australia fell between 2001 and 2010 by 7 percentage points to 52%. This may well have contributed to the overall decline in unemployment. A fairly low replacement rate makes it feasible to keep unemployment low with an employment-service-based activation strategy, and also makes it feasible to apply a low taper rate on earnings from part-time work. In a recent survey, NSA recipients reported difficulty in paying for accommodation and food, and a strong desire to find work among those not caring for children, but almost all had made some sort of financial assessment about the income from a potential job and the impact it might have on their welfare payments.

From 2014 (with transitional provisions in 2013), the entitlement of “grandfathered” sole parents to PPs will be restricted to those with a child aged less than 12. At the same time, all sole parents on NSA will benefit from the lower (40%) taper rate that is applied to PPs. The sole-parent client group on NSA has reduced hours requirements, and is relatively unlikely to work full-time. In this case, low benefit taper rates can raise net incomes for those who take up part-time work, and thus raise the incentive to enter part-time work, and the impact of the associated disincentive for moving on to a full-time job is relatively limited.

### ***Attendance at appointments and the jobseeker compliance regime***

Benefit sanctions for failure to attend appointments with an employment service provider have been a source of tension and controversy since the start of the Job Network. In 2008, a regime in which a third failure to attend an appointment (without a valid excuse) resulted in an eight-week benefit sanction was widely described as punitive and placing already vulnerable individuals and their families under severe added stress, or worse. However, after reforms which introduced additional safeguards, in 2009/10 only about one sanction was being imposed for every 400 missed appointments, and providers could feel that their efforts to pursue cases with a history of non-compliance were, even with careful documentation, futile.

In 2010 the government announced a tightening of the grounds on which Centrelink officers could reject participation reports, and in 2011 legislation was amended to provide for suspension of payment following an initial failure to attend an appointment (or in some circumstances, an activity such as training). A full back payment will be made when the jobseeker agrees to a rescheduled appointment, but failure to attend the rescheduled appointment will result in loss of payment for each day until he/she attends another rescheduled appointment. This matches a 2001 OECD recommendation. A recent change in Centrelink procedures allows most jobseekers to lodge their fortnightly claim renewals online, but now non-attendance at a provider appointment will trigger suspension of payment. The link between non-attendance without notice and a benefit sanction should be automatic for most people. However, related to the fact that unemployment benefits in Australia also function as last-resort social assistance, relatively long-term illness or personal crisis can be valid reasons for repeated non-attendance. The Comprehensive Compliance Assessment

procedure and Vulnerability Indicator help to avoid sanctioning of vulnerable clients, but encouraging and enforcing participation by vulnerable clients then requires extra time and attention from Centrelink and the provider.

## Active labour market programmes (*Chapter 5*)

### *Level of expenditure*

Expenditure on ALMPs in 2008/09 and 2009/10 was about 0.3% of GDP, which is half the OECD average but is close to the average for high-income non-European countries. A large share of the ALMP total was devoted to disability measures (Supported Employment and Rehabilitation) and to job-creation and employment incentives for Indigenous workers (Community Development Employment Projects, CDEP, and the Indigenous Employment Program), although expenditure on CDEP declined in 2007 following a decision to phase it out in non-remote areas.

Among the remaining programmes, the largest in expenditure terms were the Job Seekers Element of the Productivity Places Program (PPP), the Language, Literacy and Numeracy Program, Work for the Dole (WfD) and the New Enterprise Incentive Scheme. From 2009/10, WfD is delivered and organised by JSA providers and expenditure on it is not separately reported, but WfD participant stocks have fallen to below 10 000, which is about 40% of the level in earlier years.

### *Labour market and vocational training*

The PPP was expected to deliver 711 000 training places over five years, of which 319 000 are allocated to jobseekers. In its first year, 2008/09, PPP was administered by the federal government. Under Australian Government delivery, there were 92 280 jobseeker commencements referred through a JSA provider, of which 61 294 have now completed (a completion rate of 66.4%). From early to late 2009, and through to June 2012 (in terms of dates of enrolment), PPP has been administered by states and territories under a National Partnership Agreement. Federal government payments to states and territories are “notional”, and based on fixed rates of funding per training place (*e.g.* AUD 5 000 for certificate III and IV level qualifications) and assumed numbers of enrolments and qualifications per year, without linking of payments to actual participation, which is often not reported reliably and is not always distinct from participation in state-financed training.

In statistics relating to all jobseekers (who are not necessarily registered with any JSA provider), 193 000 jobseekers commenced PPP training by end June 2010. Completion rates remain high, with one jurisdiction reporting PPP completions for jobseekers as double their state’s average Vocational Education and Training (VET) completion rate. However, in JSA administrative statistics, fewer than 10 000 completions were recorded between end 2009 and end 2010. This suggests that jobseeker participants in PPP are frequently not registered with any JSA provider. Also, although significant numbers of jobseekers are recorded as commencing PPP training as their JSA Work Experience Activity, PPP only rarely becomes their ongoing Work Experience Activity or their principal activity during the Work Experience Phase. This suggests that the commencements in PPP recorded by JSA providers were often only referrals, which did not result in effective participation.

For less-disadvantaged jobseekers the existing PPP options, and the work-first approach to employment services which treats apprenticeships as outcomes, remain viable. However, according to JSA providers, with the roll-out of funding for training places to the states

the visibility of places for jobseekers diminished, and there has been poor understanding of employment services and opportunities to integrate them with VET initiatives. Under current PPP arrangements, Registered Training Organisations (RTOs) are funded to deliver courses at a given price and although this may be efficient for some purposes, it will not often benefit disadvantaged jobseekers unless further incentives to serve them are incorporated into the structure. JSA providers could be allowed and expected to supplement the PPP payments to Registered Training Organisations (RTOs) in the case of disadvantaged clients (restricted to those in the Work Experience Phase or in higher JSA streams, to prevent “double-dipping” in the case of non-disadvantaged jobseekers). With such a supplement in place, RTOs would have more incentive to co-operate in terms of providing feedback on attendance and progress to the provider, and co-ordinating pathways for disadvantaged clients who need separate services, such as foundational courses or work experience, prior to or together with the vocational training.

In June 2011, nearly 110 000 NSA recipients – 20% of the total – were in education or training, most of them without job-search obligations. In most countries, education and training participation that qualifies for the continued payment of unemployment benefits would be described and managed as a type of labour market training. Although some NSA recipients are in national training programmes, many are probably in state and territory training (in some cases, PPP). DEEWR does not publish any overview of training supported by unemployment benefit (or other benefit) payments in terms of whether the participant is or was registered with JSA or was referred by a JSA provider, and the training content, hours of attendance, duration and rates of completion and qualification and employment outcomes, etc. Vocational training statistics also do not identify participants by receipt of income support and type of income support or referral method. Without such information, it is hard to assess the role played by PPP or most other training provision within active labour market policy in Australia.

### ***Programme evaluation***

DEEWR official evaluations of labour market programmes are generally highly policy-relevant due to their broad scope and coverage (except for the training area, as described above). In the case of benefit-system reforms, direct comparisons of outcomes before and after the policy change clearly capture the impact of the reforms. In the case of “net impact” evaluations of ALMPs, the accuracy of the impact estimates available is less certain because, with the comparison-group approach used, selection on unobservables may affect participation, which biases the impact estimate. The JPET and PSP programmes targeted on the hard-to-place were assessed as having negative net impacts. Similarly, providers specialising in several types of disadvantage now have relatively low Star Ratings. Selection bias might be researched by a random assignment experiment (randomising referrals to the programmes that specialise in disadvantaged clients, perhaps only in marginal cases). Alternatively, research might identify and record some of the additional jobseeker characteristics or other factors that influence intake to these programmes. A jobseeker’s history of Centrelink exemptions, above what can be explained in terms of other known characteristics, provides information about individual barriers that tend to reduce employment outcomes, but this variable is not yet used in research. Upward revisions to an individual’s points on particular component of the JSCI may also indicate the presence of previously-unrecognised barriers. Any biases in the Star Ratings are probably serious for only a relatively small proportion of sites, so that refinement of the system rather than a wholesale revision of it would be justified. Star Ratings, because they are based on data that are used operationally for individual case management, and to make outcome payments to

providers, remain far better-grounded as measures of comparative performance than the *ad hoc* indicators of local employment office performance used by most other countries.

Since the mid-2000s there have been few if any external statistical evaluations of the impact of WfD or other ALMPs and case-management systems, although there have been some evaluations of the benefit-system reforms. Outside analysis of administrative data is limited by difficulties in understanding the processes generating them, which are not always well-documented, the work involved in tidying data sets for public release, confidentiality concerns, and limited interest. However, other countries provide various models for the organisation of public-private partnership in the area of labour market policy evaluation: see, for example, publications by Sweden's Institute for the Evaluation of Labour Market and Education Policy (IFAU), and the United Kingdom's series of Department of Work and Pensions Research Reports.

### Summary of main policy recommendations

#### Pursue incremental reforms

- Recognising that restrictions on access to inactive benefits have increased the number of hard-to-place unemployed, continue the focus on placement performance for this group and implement further restrictions on access to inactive benefits cautiously.
- Maintain activation measures for the short-term unemployed, so as to minimise the risk that unemployment will rise rapidly in a future recession losing the recent favourable outcomes.
- A wide range of regular employment services are now integrated under a single provider and disability employment services have similarly been integrated. However the contracts managed by a single provider are complex. Incremental improvements to optimise incentive structures and minimise unnecessary transaction and monitoring costs should be pursued.

#### Improve activation measures for specific groups

- About half of all unemployment benefit recipients are not jobseekers, but these statistics need careful interpretation. Relatively detailed data about labour-market-related status are available for JSA registrants, but that is a very different population. Clarify information about the number of clients who have different types of benefit status and job-search-related status, according to administrative records.
- Review job-search requirements for older workers and their exemption from the requirement to participate in Work Experience activities, and increase their engagement with JSA providers.
- Model how the stocks of people with partial work capacity on unemployment benefit and in stable employment build up over time when access to DSP is restricted as in 2006 and 2012, and assess the long-term costs and benefits of pursuing these restrictions.

#### Improve the compliance regime

- Ensure effective implementation of the principle that benefit payment is suspended when clients fail to attend an appointment with their provider, and resumed when the client attends a new appointment, or successfully applies for a temporary exemption.
- Ensure that evidence-based provider reports of non-compliance are given credence, since this issue causes a lot of frustration.
- With appropriate use of safeguards for vulnerable clients, achieve greater stability in the benefit suspension and sanction regime.

### Summary of main policy recommendations *(continued)*

#### Reduce “red tape” and the cost of assessment procedures

- Check whether the identification of barriers and participation in formal assessment procedures affects jobseeker motivation.
- Moderate the financial incentive for providers to identify additional client barriers and to refer clients to costly job capacity assessment procedures.
- Reduce “red tape” inherent in the current model, through simplifying information demands and improving reporting technology wherever possible and in consultation with providers.

#### Optimise performance management

- Check whether Star Ratings adequately capture the disadvantage level of specialist provider clients. Similarly, pay additional attention to the issue of selection bias in net impact evaluations of labour market programmes.
- For future tender rounds, use tender selection criteria grounded in measurable performance, including robust components of the existing KPI3 (quality) indicator.

#### Improve provider incentives

- Improve incentives for placements in Stream 1 by paying for impact on outcomes, similar to components in the Star Ratings, rather than gross placements.
- As duration of unemployment increases, increase the individual client’s JSCI score and outcome fees, but reward providers for minimising the proportion of clients that transition into higher-fee regimes.
- Check the evidence that some provider strategies or investments *e.g.* in training, generate delayed employment outcomes and/or greater subsequent job stability, with a view to incentivising investments that generate long-term outcomes or directly rewarding long-term outcomes.

#### Training

- To engage disadvantaged JSA clients in training, more of the funds for jobseeker training should be managed by JSA providers, allowing them to either fund more training directly, or complement existing sources of funding to promote appropriate support for their clients and feedback to the provider about their attendance and progress.
- About a fifth of all unemployment benefit recipients are participating in education or training of some kind, but this is often not reported as participation in a labour market programme. Improve information about the referral processes, the types of training involved and outcomes after completing or leaving this training.

#### Ensure robust evaluation

- Maintain the broad evidence-based approach to policy design, publishing findings and releasing data to outside researchers as much as possible.

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## Chapter 1

### The background to active labour market policies in Australia

*Australia's labour force has a large foreign-born share and a generally high level of educational attainment, although the share with less-than-secondary education also remains relatively big. Labour market outcomes have steadily improved since the mid-1990s, and were not much affected by the recent recession. Australia's employment rate is now one of the highest in the OECD area. Target groups for activation measures include lone parents, people with disabilities, Indigenous Australians, immigrants, youth and older workers.*

## Introduction

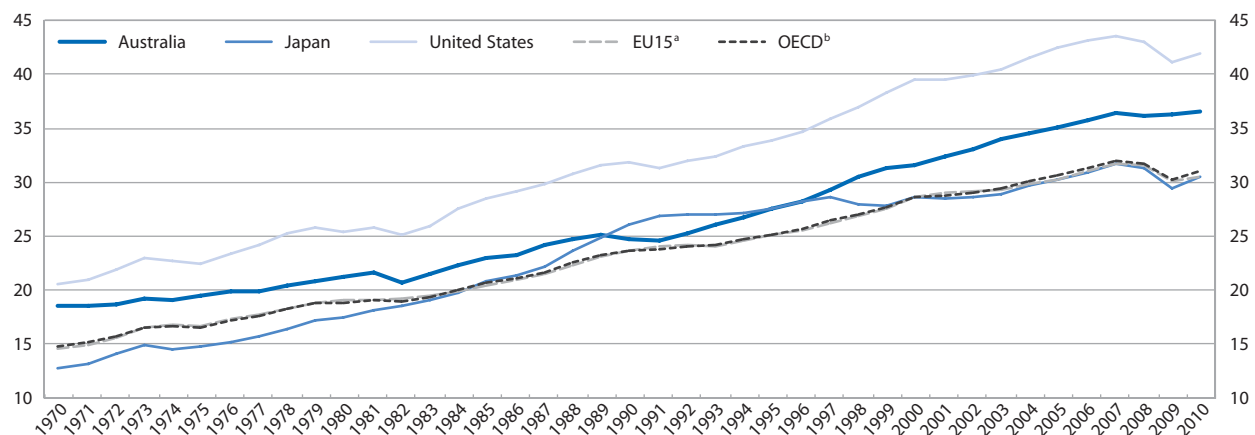
Australia had a resident population of 22.48 million at the end of 2010 (ABS, 2011a). It is the least-densely populated country in the OECD area (OECD, 2009a). Australia is a federal nation consisting of six states and two mainland territories which have their own parliaments. In addition, Australia has seven offshore territories: six administered by the federal government, and Norfolk Island which is self-governed.

During the decade preceding the global financial crisis, Australia's economy grew rapidly and employment rates were high. Between 1989 and 2008 the annual average GDP growth rate, 3.3%, ranked seventh in the OECD area (OECD, 2009a). Australia's employment rate,<sup>1</sup> which was close to the OECD average in the early 1990s, has steadily increased. In 2010 it was five percentage points above the G7 average, at 72.4%, and after adjustment for differences in the age range covered by national labour force surveys it was the sixth highest in the OECD.<sup>2</sup> With regard to hourly labour productivity, in the pre-recession year 2008 Australia took only a mid-field position, well below the levels in some European countries such as France, Germany, Ireland and the Netherlands as well as the United States (OECD, 2010). However, Australia's GDP per capita in 2008 ranked 9<sup>th</sup> among OECD countries (OECD, 2009a). It has been above OECD and EU15 average levels since the 1970s, and has also been higher than in Japan except in the first half of the 1990s. The shortfall relative to the United States increased in the 1970s and 1980s and stabilised in the 1990s and 2000s, then fell with the onset of the current recession (Figure 1.1).

In contrast to the high growth rates of GDP per capita, real wages grew by just 1.1% on average from 2000 to 2010, although this was still above the rate in EU15 countries, Japan and the United States (OECD, 2011a). The ratio between minimum and median wages was high as compared with other OECD countries that have a minimum wage system.<sup>3</sup> The rate of in-work poverty<sup>4</sup> was among the lowest in the OECD area, but Australia's rate of household poverty after taxes and transfers<sup>5</sup> was close to the OECD average

Figure 1.1. GDP per capita, Australia, Japan, United States, EU15 and OECD, 1970-2010

Thousands of US dollars (USD)



a. Weighted average of EU15 member countries.

b. Weighted average of 26 OECD countries, excluding Chile, the Czech Republic, Estonia, Hungary, Israel, Poland, the Slovak Republic and Slovenia due to incomplete GDP data.

Source: OECD National Accounts Database for GDP per capita, USD, constant prices, 2000 purchasing power parities.

(OECD, 2009b, Figures 3.3 and 3.5). In the mid-2000s, the Gini coefficient for the degree of household income inequality was near the OECD average (OECD, 2008a).

Australia did comparatively well during the global financial crisis. Although the growth of real GDP slowed considerably between 2007 and 2009 (from 4.6% in 2007, to 2.6% in 2008 and to 1.4% in 2009), this compared with negative growth in most other OECD countries in 2009, averaging –3.5%. The average unemployment rate increased from 4.3% in the second quarter of 2008 to 5.7% in the second quarter of 2009, but fell back to 4.9% in the second quarter of 2011. Australia’s economy recovered rapidly thanks to demand from Asia, a freely floating exchange rate, a well regulated and properly-functioning banking system, an effective monetary policy response and a large fiscal stimulus. Regarding monetary policy, the Reserve Bank of Australia reduced the Official Cash Interest Rate Target from 7.25% to 3.0% between August 2008 and April 2009. Australia’s fiscal stimulus package introduced in 2009 as a response to the crisis was one of the largest among OECD countries in terms of its share of 2008 GDP (OECD, 2009b). The AUD 42 billion “Nation Building and Jobs Plan” economic stimulus announced on 3 February 2009 consisted mainly of cash payments to specific groups of the population and investment in education (Building the Education Revolution Initiative), infrastructure and housing (Australian Government, 2010a). Some regional labour markets were defined as needing specific action. A Jobs and Training Compact<sup>6</sup> was announced to support young people, retrenched workers and local communities affected by the crisis. One component was a Jobs Fund to support innovative projects that create job and training opportunities in local communities (see Chapter 5 and Australian Government, 2009b). Other stimulus measures included the AUD 10.4 billion Economic Security Strategy and AUD 15.2 billion in Council of Australian Governments reform packages.

During the long period of sustained growth prior to the global financial crisis, skill shortages emerged as a major challenge for the Australian economy, with a risk that they will persist as Australia enters a long phase of population ageing (Access Economics, 2009; and Treasurer of the Commonwealth of Australia, 2010). Thus, there is a need for making better use of labour resources. This involves reducing underemployment (involuntary part-time work) and enhancing participation rates of some groups of the population as well as upgrading skills.

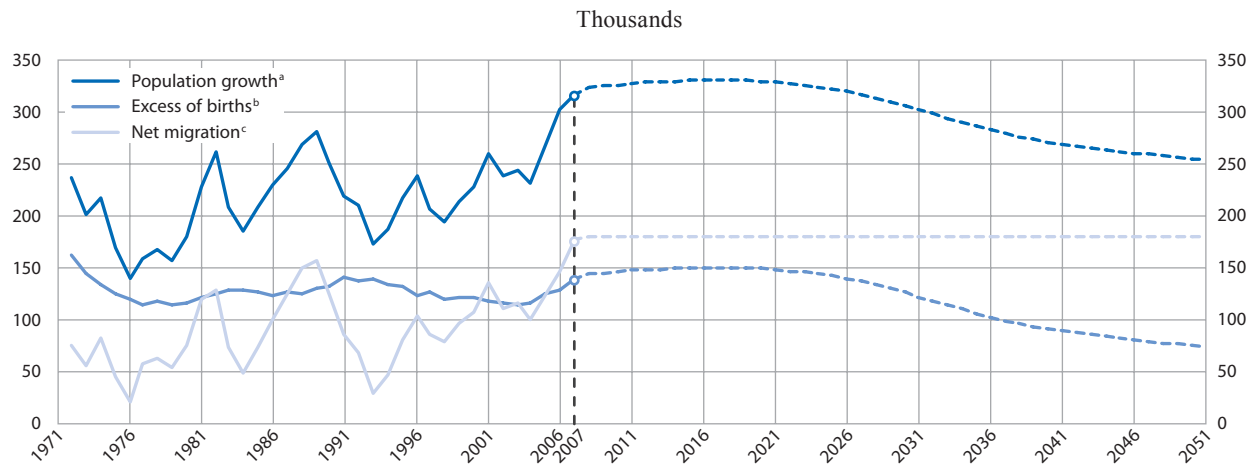
## Demography, immigration and education

Since the mid-1970s the growth rate of total population has averaged about 1.3% per year, equivalent to 30% every two decades. In 2008 and 2009, net migration exceeded the natural increase in the population. The total fertility rate also increased slightly since the beginning of the 2000s and, at 1.90, was significantly above the OECD average in 2009 (ABS, 2010a; and [www.oecd.org/els/social/indicators/SAG](http://www.oecd.org/els/social/indicators/SAG)). In the latter 2000s, annual population growth was near 2%, higher than in nearly all other developed countries.<sup>7</sup>

Figure 1.2 shows the components of past population growth, as well as population projections up to the year 2051.

The population is expected to grow further over the next decades in all three scenarios established by the Australian Bureau of Statistics (ABS). The medium scenario assumes a decrease of the total fertility rate to 1.8 births per woman, an increase in life expectancy to 85 years for men and 88 years for women, and net migration of 180 000 persons per year, higher than the average of 165 000 in the 2000s (ABS, 2010c). In 2008/09, these projections were exceeded as 530 000 people immigrated to Australia and 230 000 left, and net

Figure 1.2. Elements of population growth, Australia, 1971-2051



- Population growth is the difference in population on 30 June between two subsequent years. For certain years, population growth does not fully equal excess of births *plus* net migration.
- Excess of births is defined as live births net of deaths.
- Net migration is defined as the total number of immigrant nationals and foreigners *minus* the total number of emigrant foreigners and nationals. Arrivals and departures for purposes such as tourism and business travel are not included in the statistics.

Source: Australian Bureau of Statistics, *Australian Historical Population Statistics*, Cat. No. 3105.0.65.001, Data Cubes “1. Population Size and Growth” (Excel worksheet Table 1.3) for data until 2007; and *Population Projections, Australia, 2006 to 2101*, Cat. No. 3222.0, Data Cubes “Projected population, components of change and summary statistics – Australia, state/territory, capital city/balance of state, 2006-2101” (Excel worksheet Table 1.3, Australia) for data from 2008 onwards.

migration peaked at nearly 300 000, which accounted for two-thirds of population growth that year; however the higher figures are affected by a statistical break (ABS, 2010c). Despite projected net migration, Australia’s population is expected to grow older. The old-age dependency ratio (people aged 65+ over as a ratio to 15-64 year-olds) is projected to increase from 19% in 2009 to 31% by 2030 and 42% by 2056 ([www.un.org/esa/population](http://www.un.org/esa/population) and ABS, 2009a). Like Canada and the United States, Australia belongs to the group of countries which still had a comparatively low old-age dependency ratio in 2009: in a few OECD countries (Italy, Germany and Japan), it already exceeds 30%.

Australia has traditionally pursued a pro-active and skills-oriented immigration policy. While the United Kingdom has traditionally been the main country of origin, immigrants are increasingly coming from non-OECD countries, in particular from Asia. Linked to the skill-based immigration policy – since the end of the 1970s, skilled migrants account for the majority of immigrants – the average educational level of immigrants is above that of native-born Australians (Liebig, 2007). In 2004, more than half of immigrants aged 25-64 who had arrived after 1995 were highly-skilled (*op. cit.*, Table 2.2). Like Canada, Australia uses a points-based system to select economic migrants (Hawthorne, 2007). In recent years its role has declined,<sup>8</sup> and employer-sponsored skill migration, and state-sponsored migration intended to meet regional skills needs, have increased. Given the growing proportion coming from non-English-speaking countries, the selection criteria for skilled migrants now also include job-ready English. Furthermore, immigration policy now favours Australian degrees and is thus directed towards attracting and retaining foreign students (Liebig, 2007). Between 2004/05 and 2007/08, most of the net migration was on a temporary basis, consisting of students<sup>9</sup> and workers on business visas.<sup>10</sup> Net immigration on a permanent basis, mainly with work and family visas, also increased. Over the past

decade, inflows of immigrants from China and India, many of them entering as students, have increased and they made up more than a fifth of total inflows in 2009 (OECD, 2011b). About 3.2% of net overseas migrants came *via* the humanitarian channel (this share was somewhat higher in previous years).

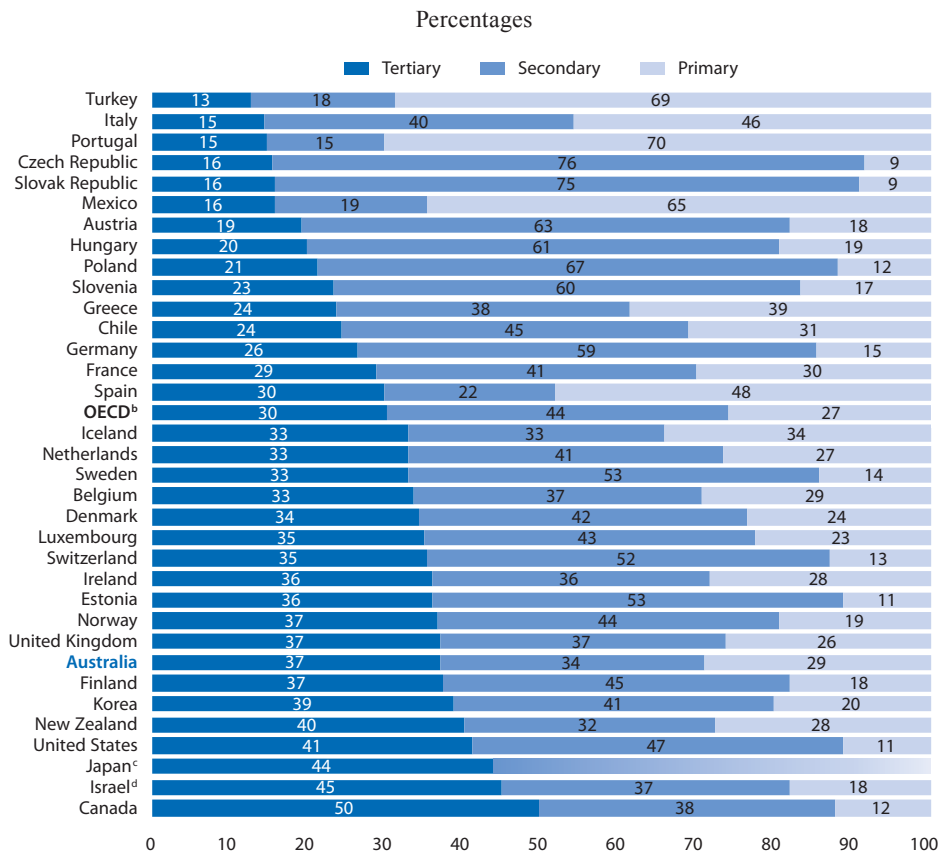
In 2003, about a quarter of the total population was foreign-born, a markedly higher proportion than in all other OECD countries except Luxembourg. A quarter of the foreign-born population came from the United Kingdom, a quarter from other European countries, a quarter from Asia, 12% from Oceania and the remainder from the rest of the world (Liebig, 2007).

In 2010, about 560 000 people or almost 3% of the population were Indigenous Australians (ABS, 2010d). They live more often in remote areas than the total Australian population (25% and 2%, respectively) and less often in major cities. The Indigenous have a very young age profile as compared with the total Australian population; they also have significantly lower rates of year 12 and post-secondary educational attainment (SCRGSP, 2009). In 2008, 46% of Indigenous households were in the bottom quintile of household incomes.

The share of Australia's population with tertiary education is comparatively high (Figure 1.3), and this is true for all age groups. This high share results partly from the skills-based immigration policy. Over 20% of students are international, the highest share in the OECD, and this contributes to the high share of population with tertiary education, as many of these students stay in Australia after completing their university education. In 2009, among 25-34 year-olds about 45% held a tertiary education degree. However, 29% of the population had less than upper-secondary education, a share that is also above the OECD average, and among 25-34 year-olds 17% had less than upper-secondary education. When comparing enrolment rates of 15-19 year-olds in public and private training institutions, Australia ranked only 25<sup>th</sup> out of 31 OECD countries; enrolment rates for both 15-19 and 20-29 year-olds have increased in many other OECD countries since 1995, but in Australia for 20-29 year-olds they remained quite stable since 2002 (OECD, 2011c, Chart C3.4, Table C3.1, Table A1.3a, Table A1.4, Chart A1.2, Chart C1.2, Table C1.2 and Chart C1.1).

Public and private expenditure on primary, secondary and tertiary education amounted to 5.2% of GDP in 2008, slightly below the OECD average of 5.9%, with expenditure on tertiary education, at 1.5% of GDP, reaching the OECD average (OECD, 2011c, Table B2.1).

Australia has a well-developed and flexible VET system, covering about 80% of occupations (Hoeckel *et al.*, 2008). The system allows for the completion and assessment of multiple separate modules, and for the recognition of prior learning by skilled workers. In 2009, about 1.7 million people were enrolled in the public VET system. One key feature of the Australian VET system is its well-established apprentice and traineeship schemes, with employer- and school-based training as an apprentice usually for three to four years, or as a trainee usually for one to two years. Typically, an apprentice signs a contract with his or her employer and 80% of the apprentice's time is spent on training on the job (Knight and Mlotkowski, 2009); in 2009 about 271 000 apprenticeship and trainee contracts were commenced (NCVER, 2010a). However, low completion rates are a serious concern.<sup>11</sup> Labour market outcomes for those having completed training are fairly good: in 2010, about 90% were employed nine months after completing training, and 68% of them stayed with the same employer (NCVER, 2010b, Table 10). An exceptional feature is the role that the VET system plays in supporting further training, as about 55% of students in the broad public VET system were 25 years and older in 2009 (NCVER, 2010c).<sup>12</sup>

Figure 1.3. Educational attainment in OECD countries,<sup>a</sup> 2009

a. Persons aged 25-64.

b. Unweighted average of the 34 countries shown in the chart.

c. For Japan, data refer to 2006 and persons who have completed *Primary* are combined with persons who have completed *Secondary*.

d. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD Education Database.

The number of apprentices and trainees has been rising since the reform of the system to a national system, called the New Apprenticeship Scheme in 1998; in 2009 about 3.8% of Australian workers were employed as an apprentice or trainee, up from 2.8% a decade earlier (NCVER, 2010a). In the context of the recent economic downturn (2008-09), as in previous major recessions, commencement rates declined, but a rise in completion rates more than offset the decline. The Australian Apprentices Taskforce (2009) proposed a number of actions to increase the number of apprentices who commence and complete apprenticeships, and improve the quality of the apprenticeship system.

In the 2009 Programme for International Student Assessment (PISA) results (Thomson *et al.*, 2010), Australian 15-year-olds performed well above the OECD average in all areas. Out of 65 participating countries, Australia ranked 9<sup>th</sup> in reading literacy, 15<sup>th</sup> in mathematical literacy and 10<sup>th</sup> in scientific literacy. However, scores for Indigenous

Australians and students with low socio-economic background lag considerably behind those for other students.

According to results from the Adult Literacy and Life Skills Survey conducted in 2006, the skill levels of the unemployed were markedly below those of the employed (ABS, 2007). Skills Australia<sup>13</sup> (2010) concludes on the basis of this survey that 40% of the employed and 60% of the unemployed have a literacy level below the accepted standard needed to work in an emerging knowledge-based economy.

In response to future skills demands and the reported weaknesses of the education system, the government has implemented measures targeted across the range of educational levels. For those already in the labour force, a skills voucher programme, providing up to AUD 3000 of income support for adult participants in courses leading to year 12 educational attainment or to certificate II level and accredited literacy and numeracy courses, was introduced in 2007. It was replaced under the “Skilling Australia for the Future” initiative announced later in 2007. A key element of this strategy was the five-year Productivity Places Program (PPP) which, with additional funding provided in the 2009 Budget, aimed to deliver 711 000 training places by 2012, of which 319 000 were to be allocated to jobseekers (Australian Government, 2009a). The training places cover different training levels, ranging from certificate II level to the advanced diploma level (for employed people), and to the diploma level (for the unemployed).<sup>14</sup> In 2010, a workforce development strategy (Skills Australia, 2010) recommended, among other items, increasing adult language, literacy and numeracy skills, as well as increased funding and a workforce development strategy for tertiary education.

In the area of tertiary education, the government announced a number of reforms to improve output in terms of quality, quantity and inclusion of under-represented groups, with an investment of AUD 5.7 billion in higher education and innovation between 2009 and 2013. Quantitative objectives include increasing the number of university commencements by 50 000 (10%) by 2013, and increasing the proportion of graduates among adults aged 25-34 from 32% to 40% by 2025, which implies around 217 000 more graduates than expected under previous policy settings (Australian Government, 2009b and 2009c).

The “Skilling Australia for the Future” initiative also includes the Compact with Young Australians, which introduced a requirement for all under 17-year-olds to participate full-time in education, training or employment, and introduced an “earn or learn” policy, making income support and family benefits conditional on participation in education and training for young people aged under 21 without year 12 schooling or a certificate II level qualification.<sup>15</sup>

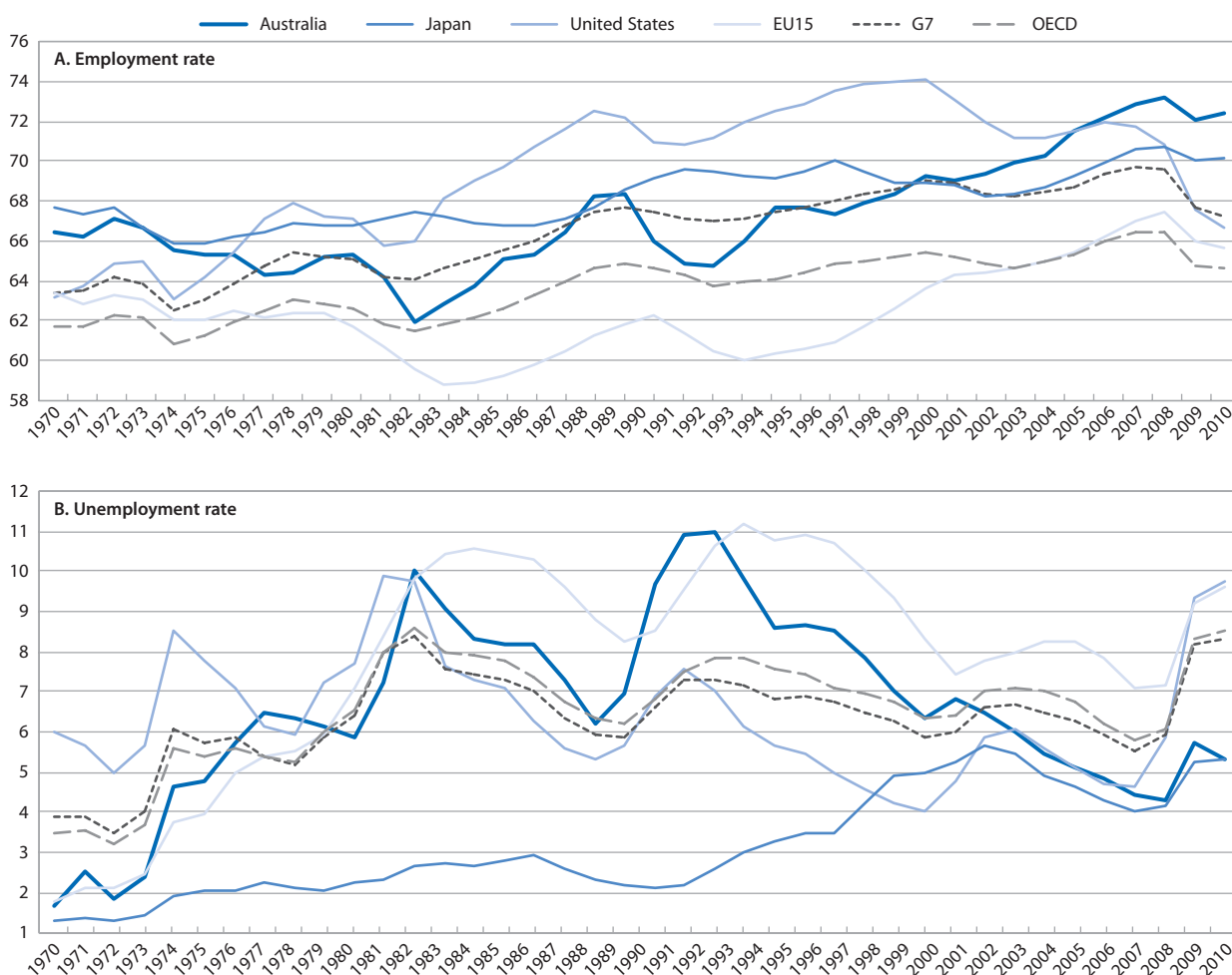
## Labour market trends

Over the two decades to 2010, the Australian labour force increased by 41% and total employment by 43%. The labour force participation rate of people aged 15-64 is comparatively high and has been on rise for many years. In 2010, it was 5.8 percentage points above the weighted OECD average, largely thanks to participation rates 8 points higher for women, and 21 points higher for 15-24 year-olds. The participation rate of prime-age people (25-54 years) was only slightly above average, and below the rates in Canada, Japan, New Zealand and many European countries.

## Employment

Over the past three decades there has been a marked increase in Australia's employment rate, with cyclical variation (quite limited in the recent financial crisis) during the major world recessions (Figure 1.4). From the early 1970s to the early 1980s it fell relatively sharply, at one point reaching about the OECD average. But it widened the gap with EU15 average rates later in the 1980s and then overtook the rate in Japan at end of the 1990s, and the rate in the United States in the mid-2000s.

Figure 1.4. **Employment and unemployment rates,<sup>a</sup> Australia, Japan, United States, EU15,<sup>b</sup> G7<sup>b</sup> and OECD,<sup>c</sup> 1971-2010<sup>d</sup>**  
Percentages



- Ages 15 to 64, employment as a percentage of the population and unemployment as a percentage of the labour force.
- Weighted average of EU15 and G7 member countries, respectively.
- Weighted average of the 34 OECD countries.
- Time-series data are incomplete for some countries particularly before 1983. Regional totals for employment, labour force, population and unemployment are estimated (retropolated) by applying year-to-year growth rates which are calculated using regional totals for all the countries that have non-missing data in successive pairs of years.

Source: OECD Online Employment Database ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)).

The high employment rates are associated with a high incidence of part-time employment, which reached 25% in 2010. Among OECD countries only the Netherlands and Switzerland have higher shares. Part-time employment is not all voluntary: 27% of part-timers wished to work more hours in 2008, and this share jumped to 32% in 2009 before falling back in 2010 (*OECD Online Employment Database, www.oecd.org/employment/database*). More than half of part-time workers did not have paid-leave entitlements,<sup>16</sup> while this was the case for only 10% of full-time workers (ABS, 2010e).

In 2010, involuntary part-time employment was 7.2% of the labour force, which is the highest share among OECD countries and compares with an OECD average of 2.9% (*OECD Online Employment Database*). Since the beginning of the 2000s, the so-called “underemployment rate”<sup>17</sup> has exceeded the unemployment rate, peaking at 7.8% in August 2009. In May 2010, women had higher underemployment rates than men (9.3% versus 5.4%), more than a third of the underemployed were aged 15-24, and more than a half had low (year 12 or less) educational attainment (ABS, 2010f). Lack of vacancies, in particular during the economic downturn, as well as a lack of skills and experience were the main difficulties in finding more hours reported by underemployed workers.

Australia’s labour market is characterised by comparatively high job turnover and low job tenures among employees.<sup>18</sup> As compared with other OECD countries, employment protection legislation is not very strict (Venn, 2009). In 2009, about 2.1 million employed workers, representing nearly a quarter of all employees, had no paid leave entitlements and could be considered as having casual contracts. Casual employment may constitute a transitional phase, but it can also last for a long period of time as 57% of employees without paid-leave entitlements have been with the same employer for more than a year.<sup>19</sup> Labour market flexibility also arises from the high number of independent contractors and “other business operators”, each about 1 million and together representing 19% of total employment (ABS, 2010e and 2010g).

### ***Unemployment and population not in the labour force***

In the post-World-War-II period in Australia, the unemployment rate peaked at 10% in 1983 and again near 11% in 1993, as in the EU15. However after 1993 it declined near-continuously. The rate was already well below the EU15 and OECD average levels by the mid-2000s. It rose only moderately from 4.3% in September 2008 to 5.9% in June 2009, but has since fallen back to around 5%, so that since 2009 it has been several percentage points below the OECD average (Figure 1.4).

The incidence of long-term unemployment (12 months and over) reached a peak of 37% in 1993 but then fell. By 2009 it was 14.7%, its lowest level since 1978, and in 2010 it rose slightly reaching 18.5%. By contrast, about half of all Job Services Australia (JSA) customers have been registered for 12 months or more, and 20% for 36 months or more.<sup>20</sup>

In 2009, about 3.36 million persons of working age (15-64) were not in the labour force, representing 22% of the working-age population. Excluding those who attended an educational institution, one in six people of working-age were out of the labour force. Among this latter group, more than one-fifth was out of work due to health reasons and more than one-fifth had caring responsibilities.<sup>21</sup> Among all persons not in the labour force, more than one-fifth (745 000) declared that they wanted to work and were available for work, but were not actively looking for a job.

In June 2007, about 17.5% of the working-age population received some kind of income-replacement benefit (Daniels, 2008). Linked to the tightening of eligibility requirements for

some benefits and the abolition of others, as well as the tight labour market, the dependency rate had decreased by 30% from the peak level of 24.9% reached in 1996. In 2007-08, about a quarter of income support recipients aged 16-64 were in paid employment (ABS, 2010h).<sup>22</sup> The relative importance of different benefit categories has varied as a function of the labour market context and benefit reforms (see below and Chapter 4 for further discussion).

## Labour market situation of specific groups

### Women

The gap in employment rates between women and men in Australia is smaller than the OECD average, but it is somewhat larger than in some other major OECD economies (see Table 1.1). In 2009, the share of women working part time was high (38%) as compared with the OECD as whole (26%). Given the projected skill shortages and the higher educational attainment rates of women at tertiary level, there is a strong rationale for enhancing the participation rates of women and increasing incentives for full-time work.

Table 1.1. Gender gaps, selected OECD countries, 2010 or latest year available  
Percentages

	Employment gap <sup>a</sup>	Wage gap <sup>b</sup>	Tertiary education gap <sup>c</sup>		Tertiary type A (university) education gap <sup>c</sup>
	15-64		25-64	25-34	25-34
<b>Australia</b>	<b>84.2</b>	<b>86.0</b>	<b>117.3</b>	<b>135.4</b>	<b>136.1</b>
Finland	96.0	80.3	138.0	161.7	159.4
Germany	86.9	78.4	77.7	110.2	112.2
Ireland	87.5	89.6	117.2	130.7	123.0
Japan	75.1	71.3	95.7	113.1	67.2
Korea	71.2	61.1	76.2	101.0	91.6
New Zealand	85.4	93.2	123.0	125.2	122.3
Norway	94.7	91.9	126.3	150.2	150.1
Switzerland	85.3	80.5	63.6	87.8	96.3
United Kingdom	86.8	81.6	101.0	109.0	106.9
United States	87.9	81.2	111.3	127.6	128.5
<b>OECD average</b>	<b>78.0</b>	<b>82.9</b>	<b>108.6</b>	<b>127.0</b>	<b>126.5</b>

a. Data refer to 2010. The employment gap is calculated as the ratio between female and male employment rates multiplied by a hundred. OECD average refers to the weighted average for the 34 OECD countries.

b. Data refer to 2010 for Australia, Japan, New Zealand, Norway, the United Kingdom and the United States; for the remaining countries shown in the table, they refer to 2009, with the exception of Switzerland for which they refer to 2008. The wage gap is calculated as the ratio between median earnings of women and men multiplied by a hundred. OECD average refers to a 22 country unweighted average in 2009.

c. Data refer to 2009. The tertiary education gap is calculated as the ratio between the percentage of women and men with tertiary education (respectively, tertiary-type A education) multiplied by a hundred. OECD average refers to the weighted average for the 34 OECD countries.

Source: OECD Online Employment Database ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)) for employment gap, OECD Earnings Distribution Database for wage gap, and OECD Education Database for education gaps [see OECD (2011), *Education at a Glance 2011 – OECD Indicators*, web only, Tables A1.3b and A1.3c].

In 2005, the employment rate of mothers with at least one child below 6 years of age was significantly below the OECD average, while the rate for mothers with a youngest child aged 6-16 was above average (OECD, 2007). OECD (2008b) highlighted the need for improved access to affordable quality child-care facilities, and for tax reform to enhance the incentive to move from part-time to full-time work by reducing the relatively high marginal effective tax rates that apply in this case.

### ***Lone parents***

The 2006 Welfare to Work reform restricted new claims of Parenting Payment – Single (PPs) to parents with a child younger than eight, and introduced participation requirements when the child turns six or seven. Reflecting these restrictions, the number of PPs recipients with a child aged eight or more has fallen steadily. The total fell by over 100 000 between 2005 and 2009, a fall of about 24%, and most of the fall represents a net fall in sole-parent benefit reciprocity, since in 2009 there were only about 20 000 sole parents on the unemployment benefit, Newstart Allowance (NSA). After many years of increase, PPs recipients as a percentage of the working-age population peaked at 3.4% in 2004 and 2005, and fell back to 2.2% by 2010 (FaHCSIA, 2011a; ACOSS, 2009).

The employment rate of sole parents, which was 47% in 2002 and 49% in 2005, has increased significantly to 55% in 2009. However in 2005 Australia's rate was the second lowest in the OECD, and since the OECD average was about 70%, only a fraction of the gap has been closed subsequently (OECD, 2007; DEEWR, 2008, Chart 2.2; ABS, 2010j, lone parent chapter).<sup>23</sup>

As a further measure to encourage work, sole parents who started a PPs claim before July 2006 will, from 2014 (with transitional provisions in 2013) be transferred to the lower-level NSA when their youngest child is aged 12 or more.

### ***People with disabilities***

In 2010, there were 793 000 Disability Pension Support (DSP) recipients, representing 5.3% of the working-age population (15-64). The DSP share increased sharply from 3.6% in 1990 through to 2005, and fell slightly between 2005 and 2007, but rose again quite significantly in 2010 (Daniels, 2008; FaHCSIA, 2011a). About 9% of DSP recipients declared some earnings, and about 4% were registered with Disability Employment Services and 1% with JSA (FaHCSIA, 2011b; DEEWR, 2011, Figure 3.6; Table 3.6).

The 2006 Welfare to Work reforms restricted eligibility for DSP to those with work capacity of less than 15 hours per week, for new claims: people assessed with a capacity of 15 to 29 hours per week are able to claim NSA with adjusted participation requirements. Annual growth of the DSP caseload slowed to less than 1% in 2006-07, but more rapid growth soon resumed. In addition, rehabilitation services were expanded, and in March 2010 Disability Employment Services started operation.

### ***Indigenous Australians***

The employment rate of 25-64 year-old Indigenous people increased from 52% to 58% between 2002 and 2008, but still was considerably lower than for the total population (75%) (ABS, 2010d; and *OECD Online Employment Database*). Indigenous people living in major cities had higher employment rates (64%) than those living in regional areas (54%) and in remote areas (58%). In the latter, 43% of Indigenous people were working part-time, related

to their high rate of participation in Community Development Employment Projects (see Chapter 5).

In December 2007, the Council of Australian Governments (COAG) agreed to a partnership between all levels of government to work with Indigenous communities. The National Indigenous Reform Agreement (COAG, 2008) set out six “Closing the Gap” targets relating to life expectancy, child mortality rates, education (three targets) and employment. In the latter two areas, the targets are (SCRGSP, 2009):

- to halve the gap between Indigenous and non-Indigenous students in reading, writing and numeracy within a decade;
- to halve the gap in employment outcomes within a decade;
- to ensure access to early childhood education for all Indigenous 4-year-olds in remote communities within five years; and
- to at least halve the gap for Indigenous students in year 12 or equivalent educational attainment by 2020.

In October 2011, informed by feedback, the Australian Government launched the Indigenous Economic Development Strategy 2011-2018 (Australian Government, 2011). The strategy focuses on five key areas for action (Australian Government, 2010b):

- strengthen foundations to create an environment that supports economic development;
- invest in education;
- encourage participation and improve access to skills development and jobs;
- support the growth of Indigenous business and entrepreneurship; and
- assist individuals and communities to achieve financial security and independence by increasing their ability to identify, build and make the most of economic assets.

### ***Immigrants***

Linked to the skill-based immigration policy, migrants tend to be better-integrated in the labour market than in many other OECD countries. In 2007, employment rates were higher for recent migrants (those who arrived after 1997) than for native-born Australians (ABS, 2008). Recognised skills and English-language proficiency are key factors favouring labour market integration, and requirements for English language proficiency and for work experience in the case of former overseas students in the skill stream have been strengthened (OECD, 2008b). One remaining problem is the low labour market participation and relatively higher unemployment rates of migrant women (ABS, 2008).<sup>24</sup> There are also signs of incomplete labour utilisation since highly skilled migrants from non-OECD countries, in particular, tend to be overqualified for their jobs, and labour market outcomes for those who immigrated for family reasons and for humanitarian migrants are less favourable (Liebig, 2007).

### ***Youth***

The employment rate of Australian youth aged 15-24 is comparatively high. It increased from 62.1% in 2000 to 64.5% in 2008, but fell back to 60.7% in 2010. However, over the whole period, youth employment far outperformed the OECD average. In 2010,

the employment rate of young people was more than 50% above the OECD average, and the employment rate of the youngest (15-19 year-olds) more than twice as high. The high employment rates of young people are based on two quite different features: *i*) a comparatively high share of students working part time; and *ii*) a low propensity to stay in education beyond the age of 16 (OECD, 2009c).

As in other OECD countries, young people are more likely to experience unemployment than adults. In 2010, the youth unemployment rate in Australia (11.5%) was over twice the total unemployment rate (5.2%). The youth unemployment rate was below the OECD average but the ratio between the youth unemployment rate and the total unemployment rate was near the OECD average, as it had been during most of the decade preceding the crisis. Despite overall low youth unemployment rates, the problem of labour market integration of disadvantaged youth remains. As reported in OECD (2009c), longitudinal data show that youth who have already spent a year receiving Youth Allowance – other [YA(o)] or NSA are more than ten times more likely to be on income support during the five subsequent years than those who have no income-support record. Among youth not fully engaged in education and training and/or employment<sup>25</sup> (nearly a fifth of young people in 2009), nearly half were early school leavers (ABS, 2010k).

### ***Older workers***

As can be seen from Table 1.2, the employment and labour force participation rates of 55-64 year-olds are among the highest in the OECD, together with those of some of the North European countries. The effective exit age is nearly one year above the OECD average for men and a half year for women. The hiring rates of 50-64 year-olds are much higher than in most of Europe, but slightly lower than in the United States.

The labour force participation of older workers (aged 55 years and over) increased over the past decade linked to a favourable labour market context and a high demand for labour, to tax concessions for older workers and to pension policies (ABS, 2010l). Between 1994 and 2008, the participation rates of men aged 55-64 increased from 55% to 66%: for 60-64 year-olds, the most rapid increase coincided with the phasing-out of the Mature Age Allowance, which was paid to 9% of them in 2003. The participation rates of women aged 55-64 increased from 28% to 50%, probably linked also to changes in benefit eligibility (the phased increase in female age pension eligibility from 1995 and the individualisation of benefits in 1995, with the inactive benefits restricted to older age cohorts and subsequently closed). Part-time employment, in particular among older women, is high. The unemployment rate of older workers was about half of that of people aged under 55 years in June 2010, but those who do become unemployed experience greater difficulties in finding a job. ABS (2010l) shows that the underemployment rate of older workers is lower than for other age groups, but that this situation lasts longer. Difficulties in re-entering the labour market are also reflected in the fact that more than half of all discouraged jobseekers were aged 55 years and over (ABS, 2010i).

The employment rate of people aged 65 and over has increased considerably over the past decade, from 6.1% in 2000 to 10.6% in 2009. This rate is higher than in most European countries, but it compares with rates of over 15% in Chile, Japan, New Zealand, Norway, Portugal and the United States, and over 25% in Korea and Mexico. Recent pension reforms aim to increase work incentives. The effective tax rate on work and other income received in conjunction with superannuation was reduced (OECD, 2008b). The reform package announced in May 2009 included the introduction of the Work Bonus for pensioners of pension age, which consists of earnings disregards for the income test

(with this change, the previous Pension Bonus Scheme was closed to new entrants), and – starting shortly after the alignment of female and male pension ages by 2014, a process that started in 1995 – a gradual increase in the pension age starting at 65½ years in 2017 and reaching 67 years in 2023. Around half of OECD countries have already begun increasing pension ages or plan to do so in the near future, including Denmark, Germany and the United Kingdom (OECD, 2011d).

Table 1.2. **Employment rates, average exit age and hiring rates of older workers, selected OECD countries, 2010 or latest year available**

Percentages and years

	E/P ratios <sup>a</sup> (%)			Effective exit age <sup>b</sup> (Years)		Hiring rates <sup>c</sup> (%)
	50-54 year-olds	55-59 year-olds	60-64 year-olds	Men	Women	50-64 year-olds
<b>Australia</b>	<b>79.5</b>	<b>70.0</b>	<b>50.4</b>	<b>65.1</b>	<b>63.2</b>	<b>9.0</b>
Denmark	82.4	75.9	39.6	64.0	61.7	8.4
Finland	81.6	72.5	40.7	61.8	61.7	7.9
France	80.9	60.6	17.9	59.3	59.6	4.9
Germany	80.4	71.5	41.0	61.9	61.2	6.2
Ireland	68.1	59.7	40.7	63.9	63.9	5.9
Japan	81.0	74.5	57.1	70.1	67.1	..
Norway	84.1	78.2	58.9	64.2	63.7	4.4
Sweden	85.5	80.7	61.2	65.7	63.9	6.4
Switzerland	86.0	79.9	56.1	65.5	63.3	6.2
United Kingdom	78.9	70.5	43.6	64.1	61.9	6.4
United States	73.7	68.1	51.2	65.6	65.3	8.7
Europe <sup>d</sup>	72.4	59.2	30.9	..	..	5.8
<b>OECD<sup>d</sup></b>	<b>73.6</b>	<b>64.3</b>	<b>42.7</b>	<b>64.0</b>	<b>62.8</b>	<b>8.8</b>

E/P: Employment to population.

.. Data not available.

a. Data refer to 2010.

b. Effective exit age over the five-year period 2005-10. The effective exit age (also called the average age of retirement) is derived from labour force survey results for two dates separated by five years. It is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 *at the first date*, using absolute changes in the labour force participation rate of each cohort as weights. The exit age for each cohort is assumed to be the mid-point of the ages and dates involved *e.g.* 60 for the cohort aged 55-59 *at the first date* and 60-64 *at the second date*. The five-year absolute change in the participation rate is the rate for each age group (*e.g.* 60-64) *at the second date minus* the rate for the age group that was five years younger (in this example, 55-59) *at the first date*. The result of this calculation is reported as the effective exit age *at the second date*. By construction the calculation abstracts from differences in the initial size of age cohorts, and changes in cohort size through time due to death. Note also that for older workers who retire after a period of unemployment, exit from employment precedes exit from the labour market.

c. The hiring rates reported are the percentage of employees aged 50-64 with job tenure of less than one year. Data refer to 2010 (except for Australia where they refer to 2009).

d. Weighted averages, with the exception of the effective exit age where data for OECD refer to unweighted average of the 34 OECD countries.

Source: OECD estimates using national labour force survey data for effective exit age; and *OECD Online Employment Database* ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)) for E/P ratios and hiring rates.

## The role of social and labour market policies

### *Workplace relations*

Through much of the 20<sup>th</sup> century, the organisation of industrial relations in Australia was relatively exceptional, with wages and other working conditions regulated at the detailed industry level through “awards”. Although parts of the earlier system still play a role, the system as a whole has gone through several major reforms since the mid-1990s, giving a greater role to firm-level determination of conditions and to national minimum standards (Box 1.1).

#### Box 1.1. Australia’s industrial relations system

Australia’s labour relations system has evolved in a manner quite different from that in other OECD countries. Since the early 1900s, for many years state and federal conciliation and arbitration tribunals regulated industrial relations matters through instruments known as “awards”.

However, since the 1980s, bargaining has become more prominent and the role of tribunals in setting terms and conditions of employment has considerably diminished. The shift was begun by a Labor government, and gained momentum in the second half of the 1990s under a Liberal-National coalition government. Workplace reform measures initiated at the time aimed to determine wages and working conditions, as far as possible, by means of bargaining at the enterprise or workplace level, while setting the stage for a long process of award simplification.

Apart from strengthening collective bargaining arrangements, the Workplace Relations Act 1996 allowed employers to conclude agreements with individual employees (Australian Workplace Agreements – AWAs). It limited the scope of awards to “allowable matters”, and emphasised their role as a safety net above which employers and employees could bargain.

Successive governments from 1993 to 2005 changed the constitutional foundation for labour relations in Australia, basing it on the “corporations power” in the Constitution, which supports legislation in relation to trading, financial and foreign corporations. This allowed the federal government, *inter alia*, to directly legislate concerning minimum conditions of employment for most incorporated companies and their employees, although in practice it only did so in relation to a limited number of matters and left awards to deal with the remainder.

The 2005 Work Choices amendments further emphasised individual over collective workplace relations, handed the responsibility for setting minimum wages to a new Fair Pay Commission, introduced a number of restrictions on trade union activities and accelerated the process of simplifying and rationalising the award system. The Work Choices measures proved to be highly controversial, and were a major issue in the 2007 federal election campaign.

Although the Coalition lost the 2007 federal election, the constitutional basis of its Work Choices legislation had been upheld by the High Court, and the subsequent Labor government also relied on the corporations power to support its Fair Work Act 2009. In addition, the Fair Work Act was supported by referrals of legislative power from all states except Western Australia. These referrals of power enable the Act to apply to employers such as unincorporated businesses and their employees. Reliance on the corporations power has led to the creation of a national workplace relations system, greatly diminishing the role of state governments in regulating the labour market.

Some other features of Work Choices and earlier legislation were, however, reversed by the Fair Work Act, since it re-emphasised collective as opposed to individual bargaining and abolished AWAs; strengthened the

### Box 1.1. Australia's industrial relations system (continued)

“safety net” for low-wage workers; and changed the way unfair dismissal claims in small business were treated (there was no longer a total exemption, and a small business code was introduced). The Australian Industrial Relations Commission (AIRC) and the Fair Pay Commission were replaced by Fair Work Australia (FWA) as the federal body setting safety-net wages and conditions.

Industrial relations reform in Australia did not go as far as the 1991 Employment Contracts Act in New Zealand, which abolished the country's arbitration system altogether. A mixed system remains, where employees can be covered by enterprise-level bargaining arrangements, but these are underpinned by awards that set minimum standards as well as a number of National Employment Standards (NES) outside of the awards system. The Fair Work Act has defined ten standards, covering, *inter alia*, maximum working hours, leave and termination and redundancy provisions, but not minimum and award wages which are adjusted annually by a Minimum Wage Panel of FWA. The NES marks a move away from the internationally unique arbitral traditions of Australian industrial regulation. Minimum standards are now set by a combination of the NES and a reduced number of “modern awards” (currently 122).

In contrast to two or three decades ago, when wages of close to half of Australian workers were actually determined by awards, only 1 out of 7 workers today have their pay set by “awards only”. These are mainly employees in low-paid occupations in wholesale and retail trade, restaurants and accommodation services. A certain proportion of workers are still not covered by any award, many of them at the higher end of the labour market. At the lower end, those not subject to awards are, in principle, covered by the NES and National Minimum Wage regulations. There are, however, estimates that up to 15% of workers earn below the minimum wage, although estimates based on the main data sources are rather below 10%, and for a notable percentage of employees who are estimated to earn below hourly federal minimum wage rates, this could be related to long reported working hours.

The ABS Employee Earnings and Hours Survey of May 2010 reported that collective agreements were the most common method of setting pay (43%), followed by individual arrangements (37%), while 15% of wage earners were covered by awards only. Trade unions now bargain for only a minority of employees, and their membership has fallen from 50% of dependent employment in the mid-1970s to less than 20% in 2010, a steeper decline than in most other OECD countries. Union density in the private sector is even below 15%. The merger of about 360 federally-registered unions during the 1990s to form about 20 “super-unions” failed to stop the decline. Most unions are represented at peak-level by the Australian Council of Trade Unions.

The main employer bodies include the Australian Chamber of Commerce and Industry, the Business Council of Australia and, within manufacturing, the Australian Industry Group. There are also employer bodies that cover other particular industries such as retail and mining and manufacturing. These employer organisations lobby the federal government on a wide range of economic and social policy issues and often make submissions to FWA in arbitration cases; however, apart from providing advice and information to their members, they have little involvement in collective bargaining, which is normally enterprise-based.

The Department of Education, Employment and Workplace Relations (DEEWR), on behalf of the Australian Government, continues to make submissions to FWA, as it did in the past with the AIRC, presenting labour market and economic analysis as a basis for the decisions to be made on minimum and award wage setting. The government, however, no longer recommends a specific quantum for wage increases. The government continues its work on workplace relations reform, with a view, *inter alia*, to further modernising the award system and to making workplaces more flexible and competitive.

*Source:* Lansbury, R.D. and N. Wailes (2011), “Employment Relations in Australia”, Chapter 5 in G.J. Bamber, R.D. Lansbury and N. Wailes (eds.), *International and Comparative Employment Relations – Globalisation and Change*; Cooper, R. (2010), “The New Industrial Relations and International Economic Crisis: Australia in 2009”, *Journal of Industrial Relations*, Vol. 52, pp. 261-274; Healy, J. (2010), “The Minimum Wage Workforce in Australia: Extending the Evidence”, National Institute of Labour Studies, Flinders University, Working Paper No. 162; ABS (2011), “Employee Earnings and Hours, Australia: May 2010”, Cat. No. 6306.0; and Nelms, L., P. Nicholson and T. Wheatley (2011), “Employees Earning Below the Federal Minimum Wage: Review of Data, Characteristics and Potential Explanatory Factors”, Fair Work Australia Research Report No. 3/2011.

### *Features of the welfare state and labour market policies*

Australia has a market-oriented economy. This is reflected in the low share of government expenditure in GDP, 34.1% in 2008 (OECD, 2009a).<sup>26</sup> At only 7.7% of GDP, social security transfers were among the lowest in the OECD. In contrast with most other OECD countries, benefits are generally income-tested or asset-tested and are thus targeted to the poor; they are flat-rate entitlements financed from general revenue (Whiteford, 2010).<sup>27</sup>

“Mutual obligation” is a broad principle of the Australia’s activation strategy. From 1998, “Mutual Obligation” referred to a formal requirement in the benefit system that people who have been unemployed for some time should take up one of a number of options (including part-time and voluntary work) or participate in the Work for the Dole programme, which involves participation in non-market work activities. Other elements of the strategy included the phasing out of several inactive benefits so that for income support their former target groups would generally need to claim NSA (unemployment benefit), where activity requirements apply. The 2006 Welfare to Work reform introduced part-time participation requirements for sole parents and partnered principal carer parents with children aged 6 or more, and for people with a disability with an assessed work capacity of 15 to 29 hours per week, again transferring many of them to NSA, with additional changes for jobseekers aged 50 to 54 and the very long-term unemployed. It also provided additional services to help people find a job, reformed the compliance framework and encouraged employers to hire disadvantaged groups (DEEWR, 2008).

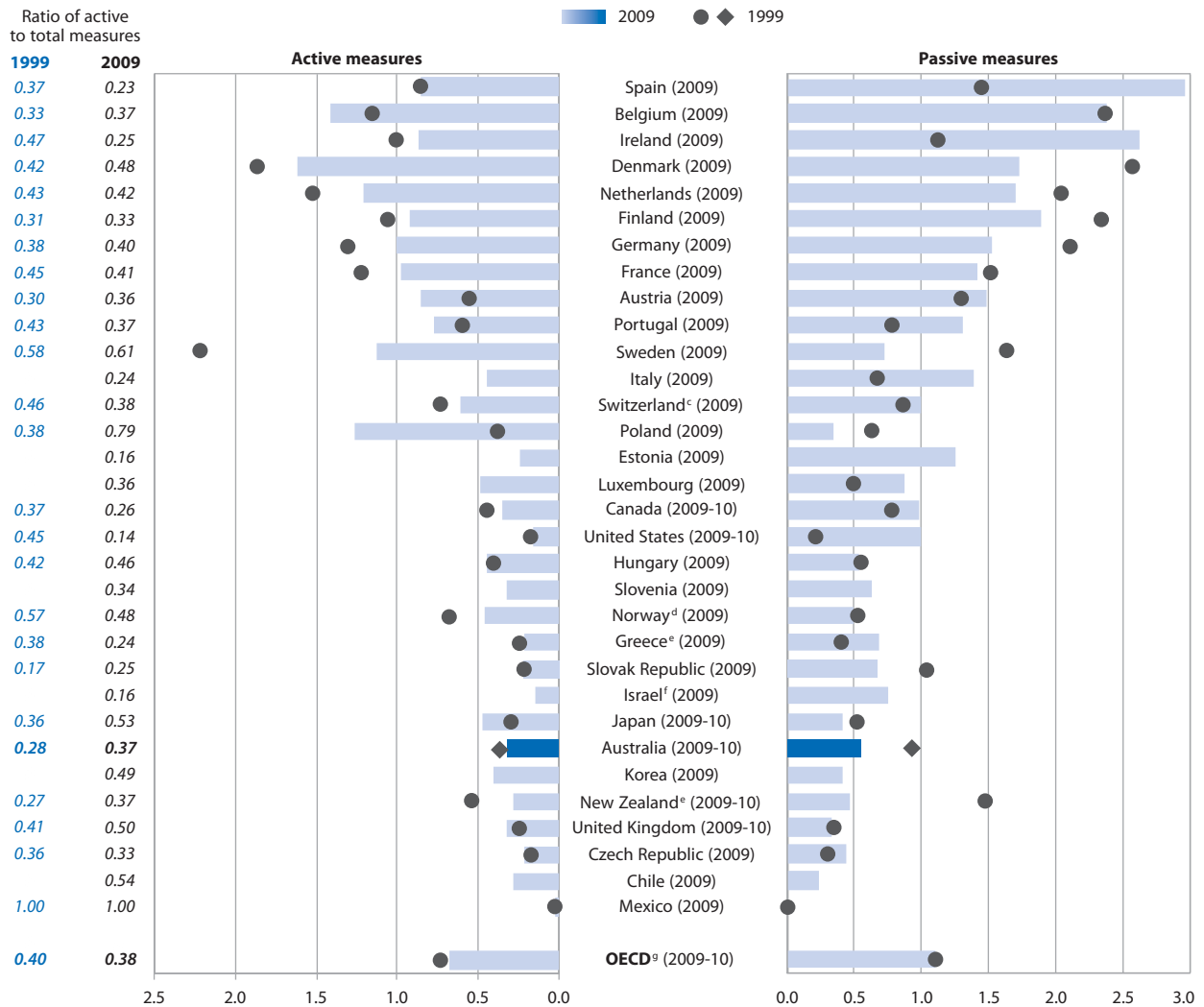
The delivery of employment services by private providers was developed in the mid-1990s, and in May 1998 the Job Network replaced the former Commonwealth Employment Service. The national government defines interventions and processes to be implemented by Centrelink and, to some extent, the private employment service providers. Jobseeker target groups are defined in terms of age, type of benefit, duration of unemployment and stage in the scheduling of interventions, and individual characteristics as summarised by the Job Seeker Classification Instrument (JSCI). National data sets are used to assess the placement performance of over 2 000 local employment offices across Australia.

The government elected in 2007 introduced some major changes. In July 2009, Job Services Australia (JSA) replaced the Job Network. This reform integrated several formerly-separate types of employment services and programmes, and aimed to better serve disadvantaged groups through the classification of jobseekers into four streams according to their level of disadvantage (see Chapters 2 and 3). The jobseeker compliance framework was reformed (see Chapter 4) and in 2010 disability employment services were restructured (see Chapter 5). As already described, the government launched initiatives in response to the downturn that began in late 2008, and for Indigenous Australians, vocational training, and youth. The government’s Social Inclusion agenda ([www.socialinclusion.gov.au](http://www.socialinclusion.gov.au)) focuses on disadvantaged groups such as Indigenous Australians, jobless families and children at risk of long-term disadvantage.

### **Patterns of labour market spending**

Figure 1.5 shows patterns of labour market programme spending in OECD countries, where such data are available. In terms of spending on active and passive measures as a share of GDP, Australia ranked considerably below the OECD average. The share of passive spending in GDP fell by about 40% in the ten years to 2009/10, despite the impact of the recession in 2009/10. The share of active spending in GDP fell, but not so much, and the share of active measures in total LMP expenditure increased from 0.28 in 1999-10 to 0.36 in 2009-10, which was near the OECD average of 0.37.

Figure 1.5. Active and passive labour market programmes<sup>a</sup> in OECD countries,<sup>b</sup> 2009 versus 1999  
Public expenditure as a percentage of GDP



Countries are ranked in decreasing order of the total of both active and passive measures.

- Active measures refer to Categories 1-7, passive measures to Categories 8-9 of the *OECD/Eurostat Labour Market Programme Database*.
- Iceland and Turkey are excluded.
- For Switzerland, data for Category 5 (Supported employment and rehabilitation) were extrapolated because data related to the sub-category 5.1 (Supported employment/*Emplois protégés*) were not provided by the Swiss labour market authorities.
- For Norway, active measures are calculated as the sum of Categories 2-7.
- For Greece and New Zealand, active measures are calculated as the sum of Categories 1.1 and 2-7.
- The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
- Unweighted averages for countries where both active and passive measures are shown, *i.e.* except Chile, Estonia, Israel, Italy, Korea and Slovenia.

Source: *OECD/Eurostat Labour Market Programme Database*, available online at [www.oecd.org/employment/database](http://www.oecd.org/employment/database). For further country notes, see OECD (2011), *OECD Employment Outlook 2011*, Statistical Annex, Table K. For data at the national programme level of detail for Australia, see Annex 5.A1.

## Notes

1. Employment to population ratio for 15-64 year-olds (*OECD Online Employment Database*, [www.oecd.org/employment/database](http://www.oecd.org/employment/database)).
2. The employment rates in Sweden, Denmark, the Netherlands, Norway, Switzerland and Iceland were higher in unadjusted labour force survey (LFS) data. However the LFS in Sweden, Denmark and Norway covers ages 16-64 years, and after a downwards adjustment of about 1 percentage point to bring data onto an estimated 15-64 year-old basis, Sweden's rate was slightly below Australia's. DEEWR estimates that Australia's employment rate for 16-64 year-olds was 1.0 percentage points higher than for 15-64 year-olds in 2010, based on ABS (2012). See Abhayaratna and Lattimore (2007) for a discussion of several other data comparability issues: they highlight that the working-age population reported on the basis of the labour force survey includes the institutionalised population in Australia but not in other countries.
3. The Australian ratio of 0.54 in 2010 was markedly above the corresponding figures in the United States (0.39), Canada (0.42) and the United Kingdom (0.46), but below the ratio in France (0.60) and New Zealand (0.59) (*OECD Online Employment Database*). From July 2011, the minimum wage is AUD 15.51 per hour or AUD 589.30 per week ([www.fairwork.gov.au/pay/national-minimum-wage/pages/default.aspx](http://www.fairwork.gov.au/pay/national-minimum-wage/pages/default.aspx)).
4. The in-work poverty rate is defined as the percentage of individuals living in households with disposable income, adjusted for family size on the basis of the "square root equivalence scale", below 50% of the median, among all individuals living in a given type of household with a head of working age and at least one worker.
5. Calculated with poverty defined as income below 50% of the median.
6. Measures in the "Compact" were mainly designed and financed by the federal government, but it included a framework agreement with the states in relation to training (the Compact with Young Australians), and sought to engage local business people, community leaders and community organisations.
7. Annual population growth from 2005 to 2010 was 1.9% in Australia, above the rates of 0.5% in the France, Sweden and the United Kingdom, 1% in Canada and the United States and 1.2% in the world as a whole (ABS, 2010b).
8. A new points test which was introduced in July 2011 "will deliver the best and brightest skilled migrants by emphasising high level qualifications, better English language levels and extensive skilled work experience" (DIC, 2010).
9. In 2007/08, 108 700 net migrants were students (ABS, 2010b).
10. People entering Australia on a business visa are sponsored by an employer to fill skilled positions for a period of up to four years. Net migration based on business visas more than tripled between 2004/05 and 2007/08, when it reached 33 400, although it declined in the downturn. The largest sending countries were the United Kingdom, the Philippines, South Africa, India and China (ABS, 2010b).
11. Remarkably, the 271 000 apprenticeship and trainee contracts commenced in 2009 correspond to over 85% of the average size of an annual population cohort in the age range 15 to 34. Completion rates have been about 50%, in recent years, and about a third of apprentices and trainees are existing workers and about a third are aged 25 or more, which suggests that some people commence two or more apprenticeship or trainee contracts within their career. However, there is evidence that short-term breaks in training that is later completed are statistically recorded as non-completions, and this could also be inflating the commencement numbers (Mitchell and Ward, 2010).

12. In 2009 about 45% of apprentice and trainee commencements were by people aged 25 and over, and about 40% of apprentices and trainees in training were aged 25 and over (NCVER, 2010a; McDowell *et al.*, 2011).
13. Skills Australia is an independent statutory body providing advice to the Minister on Australia's workforce skills and workforce development needs.
14. Vocational and educational training (VET) may lead to four different certificate levels, to a diploma or an advanced diploma. The latter two can also be obtained through university qualification and correspond to the International Standard Classification of Education (ISCED) 5B level. Certificate I and II levels correspond to ISCED 2B, certificate III to ISCED 3C and certificate IV to ISCED 4B. In 2006, about 15% of completed VET qualifications were at diploma or higher level, 17% at certificate IV level, 38% at certificate III level, 22% at certificate II level and 7% at certificate I level. Among the trainees and apprentices having completed their training, 84% obtained either certificate III or IV level, and 16% obtained certificate I or II levels; while the share of those obtaining a diploma or higher level was negligible (Knight and Mlotkowski, 2009, Table 19 and Table 21).
15. See [www.deewr.gov.au/Youth/YouthAttainmentandTransitions/Pages/compact.aspx](http://www.deewr.gov.au/Youth/YouthAttainmentandTransitions/Pages/compact.aspx) and Chapter 5; the Compact was agreed by the Council of Australian Governments.
16. Roughly a quarter of the part-timers without paid leave entitlements were sales workers.
17. The underemployed include part-time workers who wish to work more hours and who are available for work, as well as full-time workers working shorter hours for economic reasons.
18. In 2009, about 43% of workers had stayed with the same employer for less than three years and only 23% for ten years or more. In many other OECD countries, workers stay longer with the same employer. For example, 42% were with the same employer for ten years or more in Germany, and between 30% and 33% in the United Kingdom, Canada and Ireland (*OECD Online Employment Database*, [www.oecd.org/employment/database](http://www.oecd.org/employment/database)).
19. Thus, casual employment in Australia is not necessarily precarious (see OECD, 2001, Box 1.2). Since casual employment is not treated as temporary employment, Australia has a relatively low incidence of temporary employment in international comparative statistics (see the *OECD Online Employment Database*).
20. Data from [www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip) referring to September 2011 (viewed on 24 October 2011). Over 75% of JSA customers are on unemployment benefits (see Table 3.6 in Chapter 3). A provision for an allowable break of 13 weeks and the possibility of reversing a cancellation of status for up to 12 weeks afterwards make it possible for a long-term beneficiary to retain long-term beneficiary status after an employment spell of up to 25 weeks (OECD, 2001).
21. More concretely, 21% were out of work due to health reasons (19% long-term illness or disability and 2% short-term illness or injury), 21% had caring responsibilities (16% caring for children and 5% for ill or disabled persons), 14% were retired or voluntary inactive, 35% declared as their main activity home duties and 9% reported other activities including unpaid voluntary work, travel, holiday and leisure (calculations based on ABS, 2010i, Table 2).
22. In these data from the ABS Survey of Income and Housing, "income support recipients" refers to individuals who reported an income support payment in a specific recent period (probably often a fortnight, since this is the standard period in Australia), and individuals "in paid employment" refers to individuals who reported this status and that they worked an average of one or more hours of paid work per week, but not referring to a specific payment period. See Chapter 4 for administrative data about employment while on income support.
23. Australia has one of the highest rates of family joblessness among OECD countries, but this outcome is mainly due to the low sole-parent employment rates, since by 2007/08 76% of jobless families were one-parent families, the incidence of other types of family joblessness having fallen sharply over the decade (ABS, 2009b).

24. While the participation rate of recent male migrants and temporary residents was higher than that of native-born men, the reverse was the case for women. The gender gap in participation was 42% for foreign-born recent migrants and temporary residents as compared with 21% for native-born. Even for those holding a Skill visa the participation gap (31%) was higher. The unemployment rate for women who recently immigrated was 7% in 2007, compared with 4.3% for native-born women and for men who recently immigrated.
25. The ABS concept of “not fully engaged” is broader than the widely-used concept of “neither in employment nor in education or training” (NEET), since it includes young people who work part time and are not enrolled in study.
26. This share was 35.7% in Ireland, 36% in Japan, 33.7% in Switzerland and 37.3% in the United States, while in most European countries it is above 40%, or even 50% as in the cases of Sweden, Denmark and Belgium.
27. Expenditure on income-tested benefits in Australia as a percentage of GDP is more than four times the OECD average (Whiteford, 2010).

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## Chapter 2

### The institutional set-up of Australia's labour market policy and employment services

*Labour market policy in Australia is primarily the responsibility of the Department of Education, Employment Workplace Relations (DEEWR) and two other departments, one of which manages Centrelink, the benefit administration body. Vocational training is mainly implemented by the states. The different public sector actors co-ordinate their work through “business partnership arrangements” and other policy agreements. DEEWR defines the conditions of contracts with private and not-for-profit employment service providers such as the schedule of payments, and monitors contract compliance and service quality. This helps to ensure consistent national implementation but it also results in administrative cost and complexity. The structure of Disability Employment Services is, following a long process of convergence, now fairly similar. Features promoting good governance include written submissions by stakeholders, including numerous employment service providers, to comment on proposed legislation and the conditions of new contracts. Associations that represent different professions and interest groups also actively analyse and advise on policies, based on the experiences of their member organisations, staff and service users.*

## Introduction

Australia was one of the first OECD countries to introduce market-type arrangements into its employment service framework. Since the second half of the 1990s, it has delivered employment services mainly through contracts with private and non-profit community providers – starting with “Case Management” contracted-out for disadvantaged target groups, followed by several contract periods for “Job Network” and most recently “Job Services Australia”. The previous public provider of placement services was abolished, and government changed its principal role in the field from that of a provider to one of a purchaser of services, even though some Public Employment Service (PES) functions, such as initial jobseeker registration, benefit administration and jobseeker compliance, are still managed by public authorities. Implicit in the contracting-out of employment services has been the assumption that competition can bring about greater efficiency, cost reductions and/or a better quality of service.

In this chapter, the following section discusses the public and private labour market actors in the Australian quasi-market for employment services, the third section describes the evolution of mainstream employment service contracting frameworks, provider profiles and payment structures, and the fourth describes operational contract management and performance monitoring. The fifth section outlines similar issues in the area of disability employment services, the sixth describes the project funding method of delivery, and the last section concludes with a discussion of staffing levels involved in the provision of employment services.

## Key actors in labour market policy

### *From public to privately-organised employment services*

After the Second World War, the Commonwealth Employment Service (CES) became responsible for matching supply and demand in the labour market and organising a variety of labour market programmes. Unemployment benefits were administered by the then Department of Social Security. From the late 1980s, providers implementing the SkillShare training programme developed quite detailed case-management procedures, and the state government in Victoria started to link its grant funding of community organisations to their outcomes in terms of placements. Under the 1994 Working Nation programme, the long-term unemployed were referred to private and community sector Contracted Case Managers (CCM), who competed with the CES. By 1997/98 their market share had increased to about a half (OECD, 2001).

In May 1998, the Liberal/National Coalition government under Prime Minister Howard introduced a “fully competitive employment services market”<sup>1</sup> with over 300 providers – the Job Network – driven by job-outcome-related payments while having broad flexibility to determine service provision (Riggs, 2001).<sup>2</sup> In the OECD’s (2001) assessment, “... the radical nature of the new arrangements [was] without parallel in OECD member countries”. The Coalition Government outlined its key overall objectives for the Job Network (JN) as follows (Thomas, 2007):

- Deliver a better quality of assistance to unemployed people, leading to better and more sustainable outcomes;
- Target assistance on the basis of need and capacity to benefit;

- Address the structural weaknesses and inefficiencies inherent in previous arrangements for labour market assistance, and put into effect lessons learnt from international and Australian experience; and
- Achieve better value for money.

Since the establishment of the Job Network, the Department of Employment in its varying compositions (currently DEEWR, see below) has been the main purchaser of employment services.<sup>3</sup> The JN model went through later tender rounds for the contract periods commencing in 2000 and 2003 (Grubb, 2006; Thomas, 2007; McDonald and Marston, 2008; UKCES, 2010). Each new contract involved substantial adjustments in the structure of the market and the design of services, and a fall in the number of providers. Rather than holding a fourth tender round, most of the 2003 contracts were “rolled over” for the period 2006-09. Responding to criticism that the JN had led to perverse effects, such as failure to provide continuing training, the parking of the long-term unemployed, and excessive red tape, a new model was developed by the incoming Labor government and contracts for the renamed Job Services Australia (JSA) entered into operation from July 2009 (see the section *Contracting-out under Job Network and Job Services Australia* below for more detail on the evolution of contracting frameworks).

### ***Government agencies involved in employment services***

Although employment services are organised as a quasi-market involving a large variety of providers, several government agencies play decisive roles in the planning and governance of this market, and retain most of the powers in the area of benefit administration.

Under the current set-up, the main Commonwealth Government bodies involved in employment services are the:

- Department of Education, Employment and Workplace Relations (DEEWR);
- Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA); and
- Department of Human Services, which delivers payments and social services to families and individuals through its Centrelink programme.<sup>4</sup>

State governments also run some employment-related programmes, in particular most of the vocational training provision for school graduates and jobseekers.

DEEWR is responsible for the development of labour market policies. It employs over 6 000 staff, of whom 60% are female and 20% work outside the capital city, across regions and territories. It administers most working-age income support payments (unemployment and student allowances, Parenting Payments, Sickness Allowance and Widow Allowance),<sup>5</sup> through its Bilateral Management Arrangement (previously called Business Partnership Agreement) with DHS/Centrelink.

DEEWR administers the employment services market by *i*) defining purchaser-provider arrangements, detailed in service contracts with private and community-based providers; *ii*) organising public tenders and the award of contracts; and *iii*) monitoring and supervision of the contract implementation. The Department oversees contracts with currently over 100 private and community-sector providers. It pays providers fees for contracted services and placement outcomes, supervises contract implementation at the level of the Department and through its state and district offices, and monitors provider

performance at the level of about 2 300 individual sites through “Star Rating” assessments and other performance indicators.

DEEWR's current set-up dates back to 1997, when responsibilities for Employment, Workplace Relations and Small Business were united to form DEWRSB. The Department was renamed DEWR in 2001 with the splitting-off of responsibility for small business, and DEEWR in 2007 with the transfer of education and training to the portfolio. With the objective of lifting average skill levels and combating skill shortages, the Department contributes around one-third of the total funding for public-sector vocational education and training (VET), while the remainder is financed by states and territories. Key areas of investment include the modernisation and expansion of the apprenticeship system, the expansion of continuing training for both employed and unemployed workers under the Productivity Places Program, and the Foundation Skills initiative. An overarching National Foundation Skills Strategy for adult Australians was launched in the first half of 2012 (see [www.deewr.gov.au/Skills/Overview/Policy/NFSS/Pages/Overview.aspx](http://www.deewr.gov.au/Skills/Overview/Policy/NFSS/Pages/Overview.aspx), accessed 6 September 2012; and DEEWR, 2010a).

For many years, Australia had a separate ministry for Industrial Relations, and the creation of DEWRSB in 1997 stressed the linkages the incoming government saw between employment and workplace relations. DEEWR's Workplace Relations cluster continues to provide policy and legal advice on workplace relations and workers compensation, and intervenes in conciliation and arbitration issues at tribunals, until recently the Australian Industrial Relations Commission (AIRC) and now Fair Work Australia (FWA) (DEEWR, 2010a; O'Neill *et al.*, 2009).

The Department of Human Services (DHS), created in 2004, is responsible for the development of service delivery policy and provides access to social, health and other payments and services. DHS has around 44 000 staff. The services of Centrelink, Medicare Australia, and CRS Australia were integrated into DHS in July 2011, and Child Support was integrated in October 2011:

- The Medicare programme looks after the health of Australians through the efficient delivery of programmes such as the Pharmaceutical Benefits Scheme, the Australian Childhood Immunisation Register and the Australian Organ Donor Register;
- The Child Support programme provides support to separated parents to provide the financial and emotional support necessary for their children's wellbeing;
- CRS Australia assists people with an injury or a disability to find employment or return to work by providing individualised vocational rehabilitation, and help their employees to keep their workspaces safe;
- The Centrelink programme delivers a range of payments and services for retirees, the unemployed, families, carer's, parents, people with disabilities, Indigenous Australians, and people from diverse cultural and linguistic backgrounds, and provides services at times of major change.

Centrelink, established in 1997 through the Commonwealth Services Delivery Agency Act, is the principal service delivery agency, with over 400 local offices. In 2009/10 it was directly funded from the Commonwealth budget for FaHCSIA and DEEWR, and previously it received funding from them as a payment for its delivery of services. It concludes multi-annual business agreements with each of the departments it does business with (see further below).

DHS/Centrelink local offices (Service Centres) are typically the initial point of contact for all people seeking to obtain publicly-financed social services. Their employment-service-related tasks include registering those reporting themselves as unemployed; determining their eligibility for benefit payment; assessing their relative “barriers” and distance from the labour market; and subsequently orienting them to JSA or other service providers. Some of these services are also available through Medicare offices.

Thus, local offices function as a “gateway”. They provide jobseekers with access to self-help facilities, but have no other direct role in placement. They can sanction benefit recipients for violation of the conditions attached to income support. Until recently, most jobseekers had to report to their local office on a fortnightly basis in person, but since 2010 most recipients (depending on client status) report by telephone or online, while in-person interviews are at longer intervals. Again depending on client category, DHS/Centrelink also shares with service providers responsibility for job-search monitoring<sup>6</sup> and receives reports from providers on jobseeker behaviour (“participation reports”) as a basis for sanction decisions. A recent pilot project in disadvantaged locations (Local Connections to Work, LCTW) enhances co-operation with employment service providers by bringing their staff into DHS/Centrelink premises on a part-time basis.<sup>7</sup>

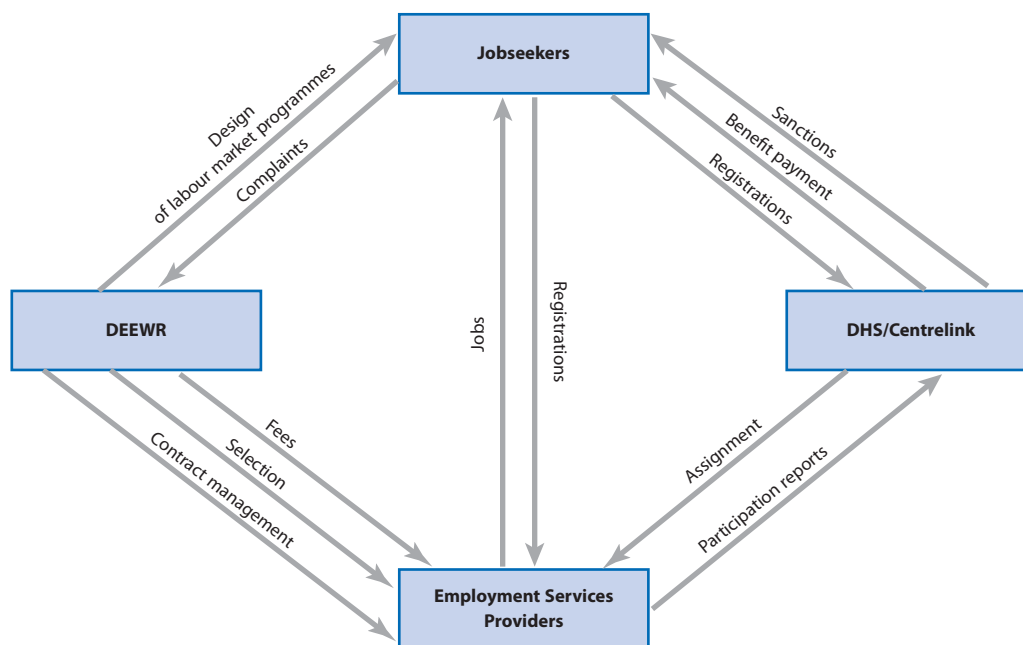
With the addition of responsibility for Indigenous affairs in 2006 and for housing in 2007, the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) is the successor to the Department of Family and Community Services (FaCS), itself originating in the late 1990s from the Department of Social Security. Among its key functions are managing policy for direct income support payments through DHS/Centrelink and other agencies (for example the Age Pension, Disability Support Pension (DSP) and Family Tax Benefit); working with states and territories in policy areas such as housing, disability services and Indigenous policy; and funding organisations to deliver services in, among other areas, family policy and supported employment for people with disabilities (FaHCSIA, 2010). Two-thirds of its 3 500 staff are based in the capital, and the remainder in state and territory offices and regional operation centres, including those for Indigenous affairs, around the country.

The Social Security Appeals Tribunal is a statutory body operating within the FaHCSIA portfolio which reviews DHS/Centrelink decisions regarding social security and other payments. The Commonwealth Ombudsman plays a role in handling jobseeker complaints. Ombudsman Annual Reports have noted complaints about Centrelink’s procedural fairness, operational delays, management of debt recovery and the administration of Job Capacity (now Employment Service) Assessments (which determine activity test requirements and eligibility for disability support), and complaints about employment services, which may concern issues such as the assignment of a jobseeker to a non-suitable provider, the transfer of jobseekers between providers or provider non-responsiveness to client wishes or requests (Social Security Appeals Tribunal, 2010; Commonwealth Ombudsman, 2010).

The Council of Australian Governments (COAG) deserves mention as a peak intergovernmental actor. It comprises the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association. COAG was established in 1992 with the mandate to initiate, develop and monitor the implementation of policy reforms of national significance. One of its concerns is education and training; for example, it has been involved in setting up the framework for an expansion of nationally-accredited training and other intergovernmental agreements (see references in Chapter 1 to “Compacts”, and [www.coag.gov.au](http://www.coag.gov.au)).

Figure 2.1 provides a simplified scheme of relationships among the principal actors in the employment services market, *i.e.* jobseekers, service providers, DEEWR and DHS/Centrelink.

Figure 2.1. Principal employment services actors



Source: Author's analysis.

### ***Business partnership arrangements***

DHS periodically concludes business agreements with Commonwealth Government departments, in particular DEEWR and FaHCSIA. These agreements lay down strategic features of co-operation to ensure the successful delivery of services. They include purchasing, governance and consultation arrangements and define performance standards as a measure of whether Centrelink services meet agreed targets.

Employment assistance activities by DHS/Centrelink are set out in a Bilateral Management Arrangement (BMA), supplemented by various protocols, between DHS and DEEWR. The previous Business Partnership Agreement had to be renewed every three years. In the BMA concluded in November 2009, joint responsibilities are defined, *inter alia*, as *i*) working together closely in the design, development and delivery of services; *ii*) supporting the achievement of individual client outcomes; and *iii*) identifying issues that may impact on the achievement of objectives and priorities, so that obstacles can be appropriately addressed (Australian Government, 2009).<sup>8</sup>

Under the BMA of November 2009, DHS/Centrelink engages with private and community-based employment service providers who have entered into contractual relationships with DEEWR, and the Department specifies what is required of DHS/Centrelink in relation to its interactions with these providers. Under the heading of *Service Arrangements*, the agreement specifies payment and referral services by the agency for Education, Employment and Child Care programmes. Referral services include, *inter alia*, registration of jobseekers, their initial

assessment, referral to providers,<sup>9</sup> as well as eligibility and compliance reviews to allow clients to participate in programmes and activities designed to improve their skills and chances of finding suitable work. Referrals to the National Green Jobs Corps (which closed at end 2011) and the holding of Jobs Expos are also specified in the agreement. It is understood that referral services include the provision of computer and other self-help facilities for active job search. Twenty-four types of payments under Education and Employment programmes are also listed in the agreement; before 2005, the working-age income support payments were listed in the partnership agreement with FaCS.

Five key performance measures are listed in the agreement to assess performance and goal attainment. The detailed metrics include, *inter alia*, the timeliness of referrals and accurate use of the Job Seeker Classification Instrument (JSCI, see Chapter 3); the accuracy and timeliness of benefit payment; and jobseeker compliance policy and the application of appropriate benefit sanctions.

The agreement also lays down governance structures and provisions for dispute resolution. Governance structures are established on three levels: First, Program Managers from both departments meet at least quarterly to discuss business issues across all elements of programme delivery, including proposals for changes in policy design and implementation. Next, Relationship Managers from both departments are the primary point of contact for issues arising under the agreement. At the top level, a Bilateral Management Committee (Secretary DHS and Deputy Secretary – Employment, DEEWR) oversees the functioning of the agreement, ongoing performance in each policy area and the management of risk. One of the many protocols of the agreement outlines the process for the shared management of change, including costing new policy proposals; while another protocol specifies arrangements for handling jobseeker complaints, including their possible referral to DEEWR's customer service line.

Another BMA, again concluded in 2009, establishes FaHCSIA's requirements of DHS in the delivery of benefit payments and other types of services. Payment integrity, the achievement of agreed service delivery outcomes and the implementation of risk management strategies are on top of the list of performance indicators in this agreement. At the same time, a multilateral statement of principles was signed between FaHCSIA, DHS, Centrelink and DEEWR, aiming to achieve better co-operation between the partners affecting the whole social security system across government (FaHCSIA, 2010, Part 1, Chapter 4).

### ***Advisory bodies and other stakeholders***

Australia has many employment and social services industry associations at local, state and national level. At national level:

- The Australian Council of Social Services (ACOSS) was formed in 1956. It is the peak body of the community services and welfare sector and defines itself as the national voice for the needs of people affected by poverty and inequality.<sup>10</sup> Its members include a large number of national and state-level organisations, and it also allows individual associate membership. It produces about 30 information papers and submissions annually across a wide range of social services, and has an annual staff budget of about AUD 0.7 million;
- The National Employment Services Association (NESA) was established in 1997, at the early stage of implementation of the then Job Network. In 2009/10 it had about ten staff with a staff budget of slightly over AUD 1 million. It represents both for-profit and non-profit providers in the employment and related services industry,

including providers delivering disability, Indigenous, business start-up, youth and other programmes. It provides a news service as well as insurance, software and other services *via* partner organisations. It is strongly focused on the preparation of policy position papers to support advancement of the industry, and organises an annual conference;

- Jobs Australia, established in 1989, represents the interests of non-profit employment and related service organisations. In 2009/10, it had 271 member organisations and about 25 staff with a staff budget slightly over AUD 2 million. Its relatively large size partly reflects the commitment of non-profits to broader social objectives and smaller non-profits' need for some pooling of resources to allow efficient operation. It provides a news service, industrial relations advice, insurance, and professional training workshops, and organises an annual conference (Jobs Australia, 2010). It makes frequent written submissions in response to government policy consultations which, reflecting the objectives of its non-profit constituents, advocate for disadvantaged jobseekers clients as well as the member organisations themselves; and
- The National Welfare Rights Network (NWRN) – itself a member of ACOSS – is a network of community legal centres throughout Australia which specialise in Social Security law and its administration by Centrelink. Based on the experience of its members' clients, and through sub-committees which track national developments, the NWRN develops policy positions and advocates for reform. It provides advice and assistance to individuals to ensure that they can maximise their entitlements while respecting obligations, and produces an Independent Social Security Handbook. It is particularly reliant on time donated by its members, with minimal direct funding.

These associations benefit from government grants, although these represent only a limited share of their income. Their inputs to the policy formulation process, informed by feedback from their street-level operations, give society a good return on a relatively small investment – although the inputs typically criticise current Departmental policies and call for increased expenditure. The associations make statements to the media and public submissions to Departments and Senate committees in relation to changes in legislation, Senate enquiries, official statements of strategy and other matters. Particularly since 1998, governance arrangements for the employment services market have involved intensive consultation with stakeholders at the stages of each planned revision of the model, as well as the draft request for tender that sets out the revised operational model in detail.

Tripartite or multipartite public bodies involved in employment policies and/or workplace relations are the National Workplace Relations Consultative Council (NWRCC) and, to some extent, the Regional Development Australia (RDA) Committees. Based on a 2002 Act, the NWRCC is a national consultative body meeting at least twice a year to discuss workplace relations matters of national concern. It succeeded the National Labour Consultative Council, which was established in 1977 and had a similar legislative mandate.<sup>11</sup> Its membership includes seven representatives nominated by the Australian Council of Trade Unions, and seven representatives of various business groups. The NWRCC is chaired by the DEEWR Minister who can ask other persons and organisations to participate on an *ad hoc* basis. It can set up sub-committees on any issue, for example to comment on pending legislation ([www.directory.gov.au](http://www.directory.gov.au)).

RDA Committees (RDAs), an initiative of the Commonwealth Government, bring together stakeholders from the business sector, community organisations and regional and

local government in order to further regional development. They are concerned, *inter alia*, with attracting investment, community infrastructure, skill development, social inclusion and the development of employment opportunities. RDAs are the successor to the network of Area Consultative Committees (ACCs), established in 1994, which advised DEEWR on local training needs and were supposed to develop local and regional strategies for job creation. The ACCs, and now the RDAs, subsequently evolved to take on a much broader mandate ([www.rda.gov.au](http://www.rda.gov.au)). The government in 2011 created a Regional Development Australia Fund with “competitive, merit-based” funding of up to AUD 1.4 billion for projects over five years, restricted to applications that have the backing of the local RDAs.<sup>12</sup> Also, under its strategy for Place-Based Initiatives, in 20 designated Priority Employment Areas the government has also engaged, by competitive tender, Local Employment Co-ordinators. They were created in response to the global financial crisis in 2009 (co-ordinated with the *Jobs Fund*, see below). In the 2011/12 budget they were funded for a further two years to work with employers, employment services and local communities, as well as all levels of government, tackling local labour market problems through the implementation of a regional employment plan (DEEWR, 2011a).

In view of DEEWR's setting of national standards, local and regional government are not decisive actors in employment policy in Australia: in a recent OECD analysis, Australia was ranked among the OECD countries with the least flexibility available to public agencies and departments operating below the national level (OECD, 2009). However, state governments to varying degrees have set up programmes to encourage employment, such as wage subsidies and payroll tax reductions, training grants, financial support for apprenticeship and assistance to workers affected by major retrenchments. Some states also run regional development organisations outside of the RDAs.

Also, Australia has a long tradition of state competition to attract industry, with its expected repercussions on employment creation, although the Productivity Commission has concluded that this has not had much impact on the aggregate level. Local government has expanded its services over the past few decades, due to the withdrawal of provision by other levels of government and increased community expectations, and local authorities have been increasingly involved in generating employment opportunities for companies that provide services as contractors and sub-contractors (Cook, 2008; Cook *et al.*, 2008).

## **Contracting-out under Job Network and Job Services Australia**

### ***Historical evolution of contracting frameworks***

The purchase of employment services occurs through a combination of national tenders and “roll-over” of existing contracts. Under each tender, existing and potential providers engage in a bidding process, specifying the market share they wish to serve in specified geographic tender areas called Employment Service Areas (ESAs). DEEWR determines which organisations qualify as providers and allocates to them a market share with some allowance for variation. In a “roll-over” procedure, existing contracts may be renewed for a new contract period based on their performance record, as assessed by Star Ratings (see below).

Four full employment service tenders have been organised so far (1997, 1999, 2002 and 2008 – in 2006 most contracts were “rolled over”) with the delivery of services starting the following year, each time inviting private-sector and community-based organisations to tender for provision of services in over a hundred (currently 116) ESAs. Each ESA has multiple sites, a site being the office of a particular provider at a particular location. DEEWR's initial offers

of business at the ESA level are, to some extent, subject to negotiations over the location of the provider's sites within the ESA.<sup>13</sup> Within JN, the Employments Service Contract periods are designated ESC1 (1998 to 2000), ESC2 (2000 to 2003) and ESC3 (2003 to 2009), and the current JSA arrangement is sometimes designated ESD4 (Employment Services Deed 4). Except for ESC1, each contract has operated initially for three years, "rolled over" for a further three years in the cases of ESC3 and ESD4.

The first tender in 1997 was the largest public tender of human services in Australia's history. More than 5 300 bids were submitted by more than 1 000 organisations, only 300 of which were awarded contracts.<sup>14</sup> Organisations were asked to bid separately for three types of service. Jobseekers without identified severe disadvantage had to initially select at least one Job Matching provider, but could register with many. If unemployment persisted beyond three to six months, they were referred to a provider of Job Search Training, which took place over two weeks. People unemployed for more than a year (as well as some people assessed as having a high level of disadvantage at the start of the unemployment spell) were referred to an Intensive Assistance provider for a year (extended in some cases).

The Job Network also included the New Enterprise Incentive Scheme (NEIS) aimed at training registered unemployed to start new businesses. Outside of JN, a Community Support Program<sup>15</sup> targeted jobseekers with the most severe barriers to employment, as assessed by the JSCI, a Special Needs Assessment and the identification of three or more employment/personal barriers (DEWRSB, 2000). The Work for the Dole (WfD) programme, introduced in 1998, enabled the registered unemployed to gain work experience and was the default activity for them to meet their "Mutual Obligation" requirements. It was progressively extended from young people to jobseekers up to 50 years of age and from six month's participation in the first year of unemployment to six months each year.

Although the government, from the beginning, emphasised the role of *jobseeker choice* in order to enhance competition among providers, relatively few jobseekers chose their provider. In 2001, approximately two thirds made no choice and were automatically referred to a provider, while most of those who made a choice based their decision on convenience of location (Productivity Commission, 2002). At that stage, no provider ratings were made available to jobseekers. Those jobseekers who did not choose a provider were randomly assigned to a provider with sufficient spare capacity.

Since Centrelink offices assigned the majority of jobseekers, they were able to alter the pattern of referrals to achieve the contracted "business share" (a percentage of the available flow of JN clients) for each provider within each ESA. Business shares were guaranteed with a "tolerance" of 80% to 120% of the contracted share. This left some scope for providers to attract additional jobseekers or for Centrelink to reallocate business share to better-performing providers, up to the maximum level.

The first evaluations of the Job Network reported that Intensive Assistance, the service level which attracted the lion's share of government funding, only marginally improved average short term employment outcomes (DEWRSB, 2000; DEWR, 2002; Productivity Commission, 2002). It turned out that providers did not invest sufficient resources to assist the more difficult-to-place jobseekers in their Intensive Assistance phase. This was partly due to the fee structure which introduced perverse incentives to "park" hard-to-place jobseekers in Intensive Assistance, despite the attempt at promoting assistance through higher outcome payments.<sup>16</sup>

Partly in response to these concerns, the ESC2 tender took into account, as well as price and past performance, the prospective interventions in the unemployment spell outlined by tenderers. Minimum levels of assistance were specified, in particular, for Intensive

Assistance contracts. Providers had to outline the services they intended to provide in a Declaration of Intent. This tender led to some market volatility, with a sometimes-significant redistribution of business shares in specific ESAs.

Further substantial changes were introduced by ESC3 which led to the elimination of many providers, even though over half of contracts – the highest performing sites across the country according to Star Ratings – were rolled over. This tender round established the Active Participation Model (APM) of Job Network assistance which operated, with some variations in its third and final contract, from 2003 to 2009. Among the major adjustments of the model were the following:

- Job Matching, Job Search Training, and Intensive Assistance, which had previously been tendered separately, were rolled into one. This meant that providers had to tender to provide all three services (although a separate category of Job Placement Licensed Organisations, JPLO, providing only job-matching services was created),<sup>17</sup> and the same provider was responsible for assistance during all stages of a jobseeker's unemployment spell;
- Service fees were paid, tied to a schedule of interviews with jobseekers throughout the service continuum, and providers had to log jobseeker attendance at interviews onto a national IT platform, EA3000;
- Part of the funding was allocated to a "Job Seeker Account" (JSKA), a "quarantined" fund which had to be spent on the purchase of various services and programmes aimed at overcoming barriers to employment (*e.g.* buying work clothes, vocational training, hiring subsidies), *i.e.* could not be used for basic services or retained as profit; and
- There was a stronger focus on "compliance": providers were not paid service fees for clients who did not attend, and DEWR contract managers pressured providers to notify non-attendance to Centrelink for consideration of a possible benefit sanction.

The APM represented a significant shift from the initial "black box" model of contracting, which had left service delivery strategies largely in the hands of the providers, towards a prescribed continuum of service, during which providers were paid to undertake regular interviews with each jobseeker.<sup>18</sup> In a standard case, the service continuum started with counselling, followed after three months by job-search training, after six months by a Mutual Obligation activity (which was now partly managed by the provider)<sup>19</sup> and, after 12 months, by the highest level of JN services, Intensive Support Customised Assistance (ISCA). Responding to the finding that the impact of Intensive Assistance had tended to fade after the first few months, participation in ISCA was limited to six months, then another cycle of six months' Mutual Obligation activity commenced, followed by a second phase of customised assistance (ISCA2). Monitoring of the service fees mentioned above addressed the problem of parking. The APM also committed jobseekers and providers to a relatively long-term relationship, since jobseekers had to choose a provider at the start of their unemployment spell and would if they remained unemployed continue with that provider for at least several years (through to ISCA2 and beyond), also returning to the provider if they re-entered unemployment, so as to ensure continuity of service. Transfer to another provider was generally allowed only in cases of "irretrievable breakdown" of the relationship, subject to approval by DEEWR.

### *New features of Job Services Australia*

In 2008, the recently-elected government announced a major review of employment services (DEEWR, 2008a). The Job Network was criticised for its “... one-size-fits-all, time-based approach” where jobseekers are part of a production line which takes no account of their individual needs (cited by SEEWRC, 2009). The government discussion paper and submissions to the review identified the following problems with the previous arrangements:

- The Job Network was not targeted sufficiently on those jobseekers who were more disadvantaged in the labour market, and who formed a growing proportion of the register;
- Employment service providers were not appropriately rewarded for investing in jobseeker skills through education and training;
- The time-based service continuum was too inflexible and should be more individualised;
- There was excessive administrative burden and red tape for providers. Dozens of submissions by stakeholders to the 2008 review of employment services had criticised excessive red tape and an over-emphasis on processes rather than outcomes;<sup>20</sup>
- Employment services were too fragmented and needed a more coherent pathway to employment (for example, jobseekers with barriers to employment lost contact with the “mainstream” JN services while they participated in specialist programmes such as WfD or the Personal Support Program, PSP); and
- Providers lacked incentives to work more intensively with employers and improve their knowledge of industry.

The government subsequently announced that seven existing programmes – including Job Network, the specialist PSP and Job Placement, Employment and Training (JPET) programmes, WfD, NEIS and Harvest Labour Services – would be rolled into a single programme called Job Services Australia (JSA). The subsequent request for tender (DEEWR, 2008b) led to the announcement of results for a total of about 2 300 JSA sites and opening of these sites for business on 1 July 2009. In practice, only the functions and client groups of four former services – JN, JPET, PSP and WfD – were directly merged under the responsibility of JSA providers. In the APM model, JPET and PSP as separate programmes had an estimated negative impact on employment outcomes (see Chapter 5), and the funding of WfD projects was not related to employment outcomes. These features provided a rationale for the further integration of services.

Three other types of provider – about 54 NEIS providers, nine Harvest Labour Services providers and one Harvest Labour Information Service provider – continue to be separately contracted although they are now listed as part of JSA (DEEWR, 2009a; SSCEWR, 2009; DEEWR, 2011b). In the JSA model there is a flow of funds from JSA providers to NEIS providers, but the operational links are still not very substantial.<sup>21</sup>

Under JSA, the allocation of jobseekers to different levels of assistance is governed to a greater extent by his or her JSCI score, rather than their duration of unemployment or position in a continuum of service. However, the Intensive Activity during the first year in Stream 1 is similar to the former Job Search Training, and entry to the Work Experience Phase (see below), now arising after a year in one of the streams, combines the previous Mutual Obligation requirements (which led to referrals to WfD projects organised by a separate provider) after six months of unemployment, and Customised Assistance after 12 months of unemployment. Jobseekers are streamed on entry to JSA into four levels of assistance:

those with the lowest JSCI score are allocated to Stream 1 and those with higher scores to Streams 2 and 3. A fourth stream, attracting higher fees, has replaced the former PSP and targets jobseekers with particular barriers to employment, as identified by a Job Capacity (now Employment Service) Assessment. At the same time, the weight on unemployment duration within the JSCI was increased,<sup>22</sup> increasing the chance that jobseekers in Streams 1 and 2 will be upgraded eventually if their unemployment is prolonged.

Specialist providers were not recognised in the first round of Job Network but were introduced in ESC2. For JSA, tenderers could bid to provide Stream Services for client groups with specific needs. Specialist client groups are, among others, Indigenous Australians; youth at risk; and people from diverse cultural and language backgrounds, with mental illness, and with disability.

Other changes in the JSA model include:

- Additional grounds for a client to be able to change provider: “job seeker and provider are unable to maintain a reasonable and constructive servicing relationship” and “requests to change provider and both providers agree to the change”. Requests are still subject to approval by DEEWR, and jobseekers are still generally expected to remain with the same provider;<sup>23</sup> and
- A provider’s business shares within each ESA can now vary within a 30% tolerance range rather than 20% previously (DEEWR, 2008b).

Providers are expected to draw up an Employment Pathway Plan (EPP) with the client at initial registration. They must then interview jobseekers monthly during the first year of unemployment (apart from the first three months for Stream 1 jobseekers where monitoring is Centrelink responsibility) and every two months during the WEPH. Apart from these requirements, the service continuum is more flexible than it was in the APM model. There is no Mutual Obligation requirement in the first year of unemployment, although providers may refer jobseekers to work experience or training activities during that year. Also, providers have discretion to determine the level of any job-search requirements for Stream 4 participants. Under Job Network, PSP participants generally did not have such requirements.

After 12 months’ unemployment (up to 18 months in the case of Stream 4 jobseekers), most jobseekers are expected to enter the Work Experience Phase (WEPH). However, jobseekers are reassessed at 12 months’ unemployment in a Stream Services Review (SSR), which may result in them being upgraded to a higher stream for another six months.<sup>24</sup> Stream 4 jobseekers may be extended in that stream for a further six months before they are expected to enter Work Experience. The range of activities during the WEPH is similar those under the previous Mutual Obligation arrangements, including WfD (which remains the default activity), part-time employment or study, and voluntary work.

### ***The transition from Job Network to Job Services Australia***

As an outcome of the 2008 tender process, a large share of all JN employees were laid off, including some with long tenure. Many were subsequently rehired by another organisation, but it was also widely stated that permanent losses of experience, knowledge and specialised skills arose as in some cases workers left the industry. As in previous tenders, individual providers had to close down sites in some regions, and open new ones in others, at considerable cost. An outcome of the consultation process had been that past performance was given a weight of only 30% (which in principle would be split across the four programmes that JSA replaced) in the tender selection criteria for JSA, and many providers

or individual sites that lost business had been performing quite well according to their JN Star Ratings (Box 2.1: see Finn, 2011a, for an alternative description of the transition process).

### Box 2.1. The consultation and tender process for 2009 Job Services Australia contracts

The request for tender issued in September 2008 specified that selection of providers would be based on four Criteria: 1. Past Performance (Weighting 30%); 2. Understanding and General Strategies (Weighting: 20%); 3. Local Strategies and Collaborative Arrangements (Weighting: 40%); and 4. Management and Governance (Weighting 10%). Bidders were required to give descriptions under each heading: in the case of Criterion 1 descriptions of past experience and achievements, and for the other criteria, descriptions of services that would be provided, plans for partnerships with training and other service providers and local government, and plans for staff recruitment, customer service, etc. The request for tender also stated that “Past performance will primarily be assessed on the information provided in a tender. DEEWR may use past performance data as it considers appropriate. Tenderers should not rely on DEEWR using other sources of information, and should provide a comprehensive and complete set of performance information, including referee reports (where appropriate).”

When contract decisions were announced in April 2009, about 50% of jobseekers were transferred to a different or a new provider and some longstanding providers had to shed many staff or close completely. The Senate held an enquiry into the conduct of the tender process, where witnesses described shock at the human and financial cost of closures and emphasised the loss of experience and the likelihood that some staff would leave the industry. Their testimony suggested that the tender assessment process had given high weight to bidders’ memoranda of understanding with employers or other local organisations, but not to information about providers’ existing arrangements with local organisations, and referees cited in the bids had not been contacted. The evaluation process involved double-blind scoring of the written bids to ensure objectivity. An ACOSS witness commented “You can have a process that is technically perfect and which is not open to the slightest external influence, but it will not produce the right result because the people making the decision do not have access to the information they need to make the right decision.” A NESAW witness commented “There is a lot of emphasis on the actual ability to write and the quality of the essay, as lots of people put it. What you are assessed on is the words in the paper”, and noted that the scope for comparative evaluation of past performance was limited by the incorporation of multiple former programmes in the new contract, that the Star Ratings for Job Network performance had been subject to criticism and providers during consultations had supported giving a low weight to past performance.

It is doubtful whether actual performance against tender selection Criteria 2, 3 and 4 can be rated when services are in operation. In DEEWR’s Key Performance Indicator 3 (KPI3) measure of JSA provider “quality”, factor 1.1 “Organisational Health” covers approximately the same field as tender selection Criteria 2 and 4. Also KPI3 factor 4.3 “Stakeholder Engagement” covers approximately the same field as the tender selection Criterion 3 Local Strategies and Collaborative Arrangements. However, KPI3 is a discussion and continuous improvement process, and quantitative KPI3 ratings, if any, are not published.

*Source:* DEEWR (2008), “Request for Tender for Employment Services 2009-12”; DEEWR (2009), “Job Services Australia: Quality Framework V1.0”; DEEWR (2009), “Inquiry into the DEEWR Tender Process to Award Employment Services Contract: Submission to the Senate Education, Employment and Workplace Relations Committee”; and SEEWRRRC (2009), “DEEWR Tender Process to Award Employment Services Contracts: Report”.

In the transition from ESC1 to ESC2 in 2000, and again in the transition from ESC2 to ESC3 in 2003, JN placement performance dropped sharply in the last months of the old contract period and the first months of the new contract period, with the monthly number of interim (13-week) outcomes falling by as much as 50% in the worst month. The fall in 2003 was aggravated by a procedure advising existing JN clients by mail to attend an initial interview with their provider (whether or not their provider changed at this time): six months after the commencement of the transition process for jobseekers, 22% of activity-tested jobseekers had failed to attend (Davidson and Whiteford, 2012, Figure 27). Also the new IT system EA3000, which had not been significantly load tested in advance, in the first few months of ESC3 was often unacceptably slow or unavailable and this delayed referrals and reduced the rate at which jobseekers attended JN appointments (ANAO, 2005b).

To minimise disruption from the transition to JSA, DEEWR set up a Transition Reference Group to advise, *inter alia*, on communications with stakeholders, the movement of jobseekers from ESC3 services into the new Stream Services, and arrangements to ensure providers would be prepared for quality delivery of the new services ([www.deewr.gov.au/Employment/JSA/Transition/Providers/Pages/TransitionReferenceGroup.aspx](http://www.deewr.gov.au/Employment/JSA/Transition/Providers/Pages/TransitionReferenceGroup.aspx), accessed 2 March 2012). In the first year of JSA operation, placements fell significantly, but placements had fallen at the start of previous Employment Service Contracts, and the global financial crisis was having an impact at this time (see Chapter 3). DEEWR (2010b) states that the transition process was very successful with the commencement rates of jobseekers, placements and outcomes exceeding those achieved in comparable earlier transitions.

### ***Provider profile and local structures***

There are currently over 100 contracted JSA providers, mainly from the private and community sector, competing with each other in about 2 300 locations to attract jobseekers and provide placement services for them. The providers come from a wide variety of backgrounds including charities originally specialised in providing assistance to the homeless or the disabled, training organisations, recruitment consultants and private placement agencies. In the case of non-profit organisations, employment service activities are often a separate profit-making arm with any profits remitted to the parent organisation.

As shown in Table 2.1, the number of contracted providers has decreased significantly from 300 in the first two years to a little over 100 in the third and fourth contract period,<sup>25</sup> while the size of the remaining providers has increased. Thus, there was already considerable concentration and professionalisation in the employment services market by 2003, when the share of the top ten providers in the contract volume had reached 55%. In 2009, the market share of the top 10 was 48%, while that of the top 25 was 75% (DEEWR, 2009a). The five biggest business allocations in 2009 were to Job Futures,<sup>26</sup> Jobfind Centres Australia, The Salvation Army Employment Plus, MAX Employment,<sup>27</sup> and Mission Australia, which together operated from over 600 business sites. Since the demise of Employment National (the successor to the CES) in 2000, the share of public providers has remained low, and not-for-profit providers have increased their lead over private-sector organisations.

Table 2.1. **Key elements of Job Network and Job Services Australia contract periods**

Contract period	Time frame	Duration	Number of service providers	Shares of government/ for profit/not-for-profit providers (%)	Share of new contract volume obtained by providers from previous period (%)
ESC1	01/05/1998 to 28/02/2000	22 months	306	One third each	–
ESC2	01/03/2000 to 30/06/2003	40 months	205	8/45/47	80
ESC3 – Stage 1	01/07/2003 to 30/06/2006	36 months	109	..	60
ESC3 – Stage 2	01/07/2006 to 30/06/2009	36 months	103	..	92
JSA <sup>a</sup>	01/07/2009 to 30/06/2012	36 months	116 <sup>b</sup>	3/36/61	..

– Not applicable

.. Data not available

- a. Jobs Australia (2009) reports that in 2009 116 JSA contracts, delivered by 141 providers supported by at least 48 subcontractors, replaced 280 previous providers delivering seven separate programmes (81 JN providers, 78 Community Work Co-ordinators, 100 PSP providers, around 60 JPET providers and a small number of Harvest Labour Service providers, with some providers delivering more than one programme).
- b. The number of 116 providers listed here is reported by DEEWR (2009) and listed in JSA Star Ratings for December 2010. It does not include NEIS or Harvest Labour Service providers.

*Source:* Thomas, M. (2007), “A Review of Developments in the Job Network”, Research Paper No. 15, Parliamentary Library, Parliament of Australia, 24 December; DEEWR (2009), “Use of Contracted Providers to Deliver Public Employment Services”, Presentation at WAPES Asia and Pacific Region Workshop, Seoul; DEWR (2006), “Creating and Managing an Employment Services Market. The Australian Experience”, in BMWA – Bundesministerium für Wirtschaft und Arbeit, *Innovations in Labour Market Policies: Challenges in Times of Globalisation*, Proceedings of an international conference, February 16-17, Hofburg, Vienna, pp. 76-80; Jobs Australia (2009), “Jobs Australia Submission to the Senate Inquiry into the DEEWR Tender Process to Award Employment Services Contracts”, 29 May 2009; and [www.deewr.gov.au/Employment/JSA/PerformanceFramework/](http://www.deewr.gov.au/Employment/JSA/PerformanceFramework/).

### **Payment structures**

Davidson and Whiteford (2012) discuss in detail the structure of fees paid to Job Network and JSA providers during the various contract rounds. Generally, payments have been structured so as to emphasise successful employment or training outcomes, with higher fees set for outcomes of those clients assessed by Centrelink as having stronger barriers to successful reintegration. However, the fine tuning of financial incentives has varied considerably over time. All JN and JSA contractual regimes have prohibited providers from charging fees to their jobseeker clients.

In the first and second contract periods, certain fees were based on competitive bids submitted under the tender. Fees were generally broken down into two components: a proportion paid on commencement of each jobseeker with the provider; and a proportion paid on attainment of an employment or other outcome. Outcome fees were scaled according to the assessed level of disadvantage faced by each unemployed person. The highest outcome fees could be achieved when employment was sustained for at least 26 weeks. The lion's share of the programme's funding was devoted to participants in Intensive Assistance.

This fee structure underwent major revisions under APM, following the 2002 tender. Outcome fees were fixed by the government, and commencement fees which had been untied to a particular service or outcome (other than commencement with the provider) were replaced by service fees (tied to jobseeker attendance at interviews as recorded in the EA3000 computer system) and deposits into the Job Seeker Account (JSA), which was earmarked for the purchase of specific services (subject to DEEWR auditing of the payments). This increased DEEWR information about providers' operations. Payments were varied by duration of unemployment. The fee for a full outcome (26 weeks in full-time employment) for a person with a 25-36 month duration of unemployment was more than five times the fee for the same outcome for a person unemployed for up to 12 months.<sup>28</sup> Annual input fees (service fees plus deposits into the JSA) were doubled for the second year of unemployment but were reduced again in the third and later years (Davidson and Whiteford, 2012, Table 9).

As shown in Table 2.2, JSA fees also vary widely by level of labour market disadvantage.<sup>29</sup> Deposits into the Employment Pathway Fund (EPF, the successor to the JSA) are almost zero for Stream 1 clients, and they double between Streams 2 and 3. Among the changes introduced by the JSA model are:

- In Stream 1 (before entry to the WEPH), only a placement fee of AUD 440 is payable and only from the fourth month of unemployment. In the ESC3 period, a placement fee of AUD 440 was payable from the start of the unemployment spell (for the placement of a Fully Job Network Eligible jobseeker into employment of at least 50 hours over ten consecutive working days), and from the fourth month of unemployment an outcome fee of AUD 550 was also payable (for a 13-week full outcome, following participation in Intensive Support Job Search Training).<sup>30</sup>
- Outcome payments have shifted towards higher rewards for outcomes that are sustained for 26 weeks as distinct from 13 weeks. While Job Network providers received higher payments for the first 13 weeks of sustained outcomes than for the next 13 weeks, in JSA the same outcome payment is payable after 13 weeks and again after 26 weeks;
- Providers received, for the first three years of the JSA contract, lower payments for jobs which the jobseeker found themselves, as distinct from those resulting directly from provider referrals ("provider brokered" jobs).<sup>31</sup> This change was designed to encourage greater engagement of providers with employers (an Employer Broker fund also promoted this objective: see the section *Project funding* below);
- Providers receive a 20% bonus on outcome payments if they achieve an employment outcome following qualifying vocational training including an apprenticeship. This is designed to encourage providers to refer jobseekers to training that will improve their future job prospects. There is also a 70% loading for service fees and EPF credits for jobseekers in remote areas.

The maximum totals of fees (service fee, placement fee and outcome fee) and the EPF credit for jobseekers in JSA Streams 3 and 4 who are placed in the second year of the Work Experience Phase<sup>32</sup> are AUD 9 392 and AUD 10 191 respectively. At around AUD 10 000 the payments are considerably greater than those for a jobseeker in the 25<sup>th</sup> to 36<sup>th</sup> month of ESC3 in 2007 to 2009, which were about AUD 6 600 (Davidson and Whiteford, 2012, Table 9). They are equivalent to about ten months of unemployment benefit at the 2011 rate for a single adult (AUD 475 per fortnight), or one-seventh of the 2010 annual average gross wage per full-year and full-time equivalent employee in Australia (AUD 69 300) (see Chapter 4). They are fairly low relative to impact of an additional six-month outcome

Table 2.2. **Job Services Australia fee structure**

	Stream 1	Stream 2	Stream 3	Stream 4
<b>Initial phase of JSA assistance, and placement before 12<sup>th</sup> or 18<sup>th</sup> month of unemployment</b>				
Equivalent programmes in previous system <sup>a</sup>	Job Search Support only	Intensive Support Job Search Training (and follow-up)	Intensive Support Customised Assistance	Personal Support Programme
Duration of initial phase of each stream	12 months	12 months	12 months	12/18 months
Typical service fees <sup>b</sup>	AUD 781	AUD 885	AUD 1 120	AUD 1 919 (AUD 2 736 for 18 months)
Employment Pathway Fund <sup>c</sup>	AUD 11	AUD 550	AUD 1 100	AUD 1 100 (AUD 1 600 for 18 months)
Typical placement and full outcome (provider brokered) fees <sup>d</sup>	AUD 440 (zero for outcomes in the first 3 months)	AUD 2 566	AUD 4 050	AUD 4 050 (AUD 5 550 after 18 months)
Total including EPF credits for a full outcome within 12/18 months	AUD 1 232	AUD 4 001	AUD 6 270	AUD 7 069 (AUD 9 886 after 18 months)
<b>Work experience phase</b>				
Typical service fees <sup>b</sup>	AUD 722 for the first 12 months, AUD 400 per annum thereafter	AUD 722 for the first 12 months, AUD 400 per annum thereafter	AUD 722 for the first 12 months, AUD 400 per annum thereafter	AUD 722 for the first 12 months, AUD 400 per annum thereafter
Employment Pathway Fund <sup>c</sup>	AUD 500	AUD 500	AUD 500	AUD 500
Typical placement and full outcome (provider brokered) fees <sup>d</sup>	AUD 2 258 (1360 months)	AUD 3 350 (1360 months)	AUD 5 550 (1360 months), AUD 7 150 (more than 60 months)	AUD 5 550 (1360 months), AUD 7 150 (more than 60 months)
Total including EPF credits for a full outcome in the second year of the Work Experience Phase <sup>e</sup>	AUD 4 672	AUD 6 407	AUD 9 392 (AUD 10 992 if higher fee is paid)	AUD 10 191 (AUD 11 791 if higher fee is paid)

- a. The streams are not directly comparable with the stages of Job Network assistance, as the latter were mainly based on unemployment duration.
- b. For jobseekers completing assistance and not living in a remote area (those attract a 70% loading).
- c. Note that there is (by initial design, although this was later changed) only one deposit into the Employment Pathway Fund at the commencement of the Work Experience Phase, regardless of the remaining duration of unemployment.
- d. Includes job placement fees (which are AUD 440 in Stream 1 and AUD 550 otherwise, for Newstart Allowance recipients). Stream 1 jobseekers only attract placement fees, not outcome payments, for the first 12 months, and job placement fees are not available for the first three months. The upper limits represent a combination of job placement fees and full outcome payments to which the jobseeker is directly referred by the provider and that result in a zero entitlement to income support for 26 weeks, or for a semester's continuous participation in a qualifying educational course for an early school leaver under 21 years. An additional 20% loading for employment outcomes attained within 12 months of completion of related training is not included. Note that lower pathway outcome fees (not shown here) are also payable for less substantial employment or educational outcomes.
- e. Does not include Stream 4 jobseekers who remain in the initial phase for 18 months. Includes the service fees and EPF allocation paid during Stream Services and during two years in the Work Experience Phase, a job placement fee (AUD 550) and full outcome (provider brokered) payments at 13 weeks and 26 weeks of employment. The upper limits represent payments for jobseekers who are placed in the second year of the Work Experience Phase, but have been unemployed for 60 months or more in total.

*Source:* Adapted from Davidson and Whiteford (2012), "Activation Policies in Australia: Consultants' Report to the OECD", OECD Social, Employment and Migration Working Paper, forthcoming, based on DEEWR (2008), "Request for Tender for Employment Services 2009-12".

on public finances – because typically a six-month full employment outcome generates savings not only on unemployment benefit but also on secondary benefits, and it increases tax receipts and the employment continues beyond the six-month point. Possible arguments for keeping payments relatively low are:

- A proportion of fee income pays for services for people who do not achieve an employment outcome and a proportion of paid employment outcomes are dead-weight, *i.e.* would have happened in the absence of the employment assistance;
- At higher fee levels there is a greater risk of perverse incentives or gaming behaviour<sup>33</sup> in particular cases; and
- Outcome fees are not the only incentive for providers. They need to maximise employment outcomes in order to maintain their Star Rating performance and thus retain business.

### Features of JSA contract management

To ensure that quasi-market provision of employment services is effective, DEEWR as the purchaser of services needs to manage contracts with the right balance between ensuring provider accountability and leaving them enough flexibility in choosing their methods to achieve the desired outcomes. The Department does this with the help of over 100 contract managers operating from state and district offices.

As the contractual framework has undergone substantial change since the original ESC1 period (see above), so has contract management. With the “black box” approach during ESC1, contract management focused mainly on compliance with obligations, accuracy of payments and verification of reported outcomes. In ESC2, provider commitments expressed in a Declaration of Intent were monitored and the services delivered were more systematically reported, accompanied by more regular performance assessments. The resulting style of contract management, which continued during ESC3, led to increasing criticism of bureaucratic requirements, and of growing inflexibility and micro-management by DEEWR regional offices, focusing on details of provider operations.<sup>34</sup>

### *Monitoring, compliance and administration costs*

DEEWR announced in its initial discussion paper on the establishment of the new JSA framework that the new contract management model would ensure that providers are “not unnecessarily burdened” by its monitoring activities (DEEWR, 2008a). The stated aims were “reduced contractual complexity” and “greater flexibility to providers”.

To signal a more collaborative approach to contract management under JSA, in consultation with providers DEEWR formulated an Employment Services Charter of Contract Management, which accompanies the formal legal contract and sets out standards of performance and conduct that providers can expect from the Department’s contract managers. Under this charter, DEEWR commits to:<sup>35</sup>

- Open and transparent consultations with providers over issues that affect their operations and reasonable notice of contract variations and new or amended guidelines;
- Holding regular performance feedback meetings at least once every six months, involving senior state office staff and providing written feedback following a monitoring visit within 28 days;

- Co-operative problem-solving and use of mediation in dispute settlement; and
- Professional and outcome-focused staff behaviour, based on appropriate staff training to enable consistency in the advice and information given to providers.

On top of this Charter, the state or district office signs a Communications Protocol with each provider, which is continuously reviewed in bilateral meetings.<sup>36</sup> This protocol lays down the intensity of contacts and details of performance measurement review. Contacts are at least every four to six weeks, and twice a year the office undertakes a formal performance review, focusing on all key performance indicators. Based on provider operational data, the office can produce provider-specific analytical reports, and also tends to inform the provider about national best practice. “Programme assurance” teams run auditing-type functions, checking whether claims were correctly made and substantiated, fees correctly paid out, etc. Contract managers also require documentation of the uses of the EPF.

Contract management also needs to deal with providers’ sub-contracting arrangements. Providers can only subcontract specific services with the agreement of DEEWR; details of the proposed sub-contracting arrangements must already be provided in the tender. Any changes to sub-contracting activities during the contract period must be notified to and agreed by the Department. It goes without saying that the main contractor remains responsible for the provision and quality of services they subcontract as set out in the original contract between the provider and the Department.

Information on the quality of service provision by individual providers can also be obtained through the Customer Services (complaints) line. A particular concern for managers is the ability of providers to change their clients’ JSCI score (which may engender higher fees); re-classifications do not need to be agreed but are always monitored ex-post, and if abnormalities or statistical deviations are discovered, fees can be reclaimed. By contrast, the suitability of staff-client ratios is not a common concern for contract managers, unless engagements for staffing were made in a particular provider’s bid for tender.

Two years into JSA, there was mixed evidence as to whether providers really experience the new framework as more flexible than JN. There were still complaints about the intensity of reporting requirements. A survey commissioned by Jobs Australia found that providers spend half of their time devoted to a particular jobseeker on administration and compliance, some of this representing duplication of effort with Centrelink (Nous Consulting, 2010). There are 144 outcome fee types (reflecting distinctions between pathway and full outcomes, provider assisted and provider brokered outcomes, with or without bonus for training, and variation across streams and by duration of unemployment) and “3,000+ pages of guidelines, fact sheets and Q&As posted on the Provider Portal” which might be reduced to 200 pages (Jobs Australia, 2011). However, DEEWR has disputed this figure and indicates that JSA contract rules and formal guidelines total 591 pages, with additional material being optional summary or diagrammatic re-phrasing of the core content.<sup>37</sup>

NESA (2011) states that the reduction of burdensome administrative requirements was a key objective of the reform of employment services, but “has not been realised”, and Boystown (2011) states “while the intent of JSA was to decrease administration and streamline processes for providers, this has not been the case at all”. However, this negative view is not universal. Jobfind Centres Australia (2008) observed “NESA presents the situation as a sector overwhelmed by ‘micro-management’ by DEEWR at the expense of business viability”, but took the view that DEEWR compliance monitoring to achieve national consistency, accountability and quality assurance was legitimate, that providers handling government contracts could reasonably be expected to engage in internal auditing and sophisticated

record-keeping, and that DEEWR's responses to complaints and willingness to vary contracts within the limits of the programmes provided adequate mechanisms for conflict resolution.

It seems exaggerated to suggest that the vast majority of the “red tape” could be eliminated in a simple way:

- The current system includes multiple types of constraints and reporting requirements: minimum service requirements, documentation requirements such as “case-noting” client interviews that are the basis for service fees, Centrelink requirements for participation reports to be valid (see Chapter 4), a multiplicity of outcome fees which require documentation of employment or education status, credits to the EPF which can be spent flexibly but within limits that raise borderline issues,<sup>38</sup> and DEEWR's demands for information relevant to assessing various dimensions of “quality” to implement the KPI3 (see below);
- It is not difficult to understand why most of these features were introduced, although their cost in terms of red tape may not be appreciated. For example, ANAO (2005a) examined whether DEWR had an appropriate strategic approach to, and focus on, “service quality across the Job Network; appropriate specification of the services to be provided to eligible job seekers [...] and of the quality of service provision” and “appropriately monitored and reported the quality of service delivery, and appropriately managed service performance.” This broad thrust of this large-scale audit was scarcely compatible with a “black box” approach, where appropriate incentives are set and providers are then left each to determine their own strategy;
- Although DEEWR issues a large volume of documentation it is not obvious that the detail in it is unnecessary – even after eliminating redundant and repetitious text, the volume would still be large – the 2008 request for tender alone was a 400-page document!
- There are also some indications that providers contribute to the level of red tape. Organisations may keep more detailed records than are actually required for auditing purposes, for example in relation to EPF expenditures, and front-line staff may focus on routine procedures and the need to devote time to them, since they are easier than face-to-face counselling work. Large providers typically have their own IT systems and record-keeping requirements, which incorporate provider-specific elements, applying to their local operations. In the current arrangements, DEEWR takes some of the blame off the shoulders of provider management for its internal auditing and reporting requirements.

DEEWR works in partnership with the employment services industry to reduce unnecessary administration, and in late 2011 launched a Business Support Officer (BSO) initiative<sup>39</sup> and set up an Advisory Panel on Employment Services Administration and Accountability (APESAA) which issued a discussion paper listing a number of possible reform themes and inviting feedback. One specific suggestion<sup>40</sup> listed is that providers might retain jobseekers' personal data for a longer period, in order to reduce administration costs when a jobseeker returns to the system after period of work or study. Providers have made a variety of suggestions for reducing “red tape” which involve simplification of the underlying requirements in various areas (see below and Chapter 3).

It is certainly arguable that Australia has developed more structured and consistent procedures for monitoring and reporting providers' service delivery than other countries have. In the United States, Welfare to Work contracting arrangements are locally variable. Welfare agencies generally aim to monitor service delivery by providers, but they often lack resources

and experience necessary to do this effectively (Finn, 2007). In the Netherlands, there are multiple purchasers, and a wide variety of contracting models are used. For social assistance recipients, in one model municipalities work closely with familiar and trusted providers of case-management services which have “strong ties to the social assistance desks”. In another model, municipalities refer clients to subcontractors for specific services but retain overall case-management responsibility themselves. For unemployment insurance recipients, as from 2005 the majority of contracts were on a “no cure, no pay” basis and this type of contract was also used for very small providers delivering “Individual Re-integration Agreements”, subject to little direct supervision of their service quality. However as from 2008, in response to concerns about service quality, an increased role was given to case managers employed by the contracting authority (called “reintegration coaches”) with subcontracting for specific services often on a fixed-fee basis (Struyven and Steurs, 2003; de Koning, 2004; CWI, 2009; Finn, 2011b). In the United Kingdom, the large-scale Work Programme which started operation in 2011 uses a “black box” approach, although there are some provisions for evaluating programme delivery against minimum service standards specified by providers in their bids, guidelines aimed at ensuring fair treatment of subcontracted organisations by prime contractors, and a broad objective of transparency concerning the services delivered and other matters.<sup>41</sup>

### ***Code of Practice and Service Guarantees***

Providers contracted to deliver employment services funded by the Commonwealth Government are committed to: *i*) observe the Employment Services Code of Practice; and *ii*) offer Service Guarantees for the jobseeker clients registered with them. These requirements are part of the government’s effort to ensure high quality of the employment services market.

In the Code of Practice (DEEWR, 2009e), JSA providers commit to:

- Using appropriate strategies for reintegrating jobseekers into the labour market; treating them fairly and with respect; and tailoring assistance to their personal circumstances so as to overcome their barriers to employment;
- Assisting employers meet their skill needs by referring appropriately qualified jobseekers; and
- Ensuring that their staff have the skills needed to provide quality services and ensuring ethical and diligent treatment of customers.

In return, the Commonwealth Government commits to evaluating and sharing provider best practices, and providing free telephone lines for jobseeker and employer queries and complaints.

Since the Active Participation Model under ESC3, providers are also required by DEEWR to offer Service Guarantees to their jobseeker clients. Under the current JSA set-up, they are broken down by client category (*i.e.* for Stream 1 to 4 clients and for Work Experience). They detail the provider’s commitment to undertake specific steps to help the client find work or training – such as job-search training, skills assessment, the set-up of an individual action plan (the EPP), regular counselling sessions, or access to computer facilities. Providers need to make available to their clients both the Code of Practice and the Service Guarantees.<sup>42</sup>

### ***Complaint procedures***

All JSA providers must have a process in place to deal with customer complaints. If these cannot be settled in direct contact, clients are advised that they can call the free-of-charge DEEWR Customer Service Line or send the complaint by mail to their state or local DEEWR office. If clients are not satisfied with the way DEEWR has handled their complaint, they can raise the issue with the Commonwealth Ombudsman's office ([www.ombudsman.gov.au](http://www.ombudsman.gov.au)).

If possible violations of the Code of Conduct or Service Guarantees are involved, a complaint may trigger a DEEWR request to the respective JSA provider to address a particular issue or improve certain practices. The Department may also initiate quality audits of providers at its discretion. When there are serious or continuous violations of the Code or other obligations under the *Employment Services Deed*, penalties effected by DEEWR may range from temporary suspension of referrals or payments, to a reduction of contracted capacity, increased reporting requirements, up to the termination of contract and recovery of service or outcome fees (DEEWR, 2009f).<sup>43</sup>

### ***Quality within the performance monitoring framework***

In ESC3, Job Network contracts specified three “key performance indicators” (KPIs). These were:

- KPI1 – average time taken for employment placements (designed to discourage “parking” of jobseekers and the delaying of outcomes until higher outcome payments became available);
- KPI2 – the proportion of jobseekers for whom outcome fees were paid (designed to reinforce the focus on job outcomes); and
- KPI3 – Quality, which was defined as “DEWR satisfaction with the delivery of services in compliance with the Code [the JN Code of Conduct] and the Service Guarantee”, while its objective was to “maximise the delivery of high quality, ethical, employment services” (ANAO, 2005a).

KPI1 and KPI2 were quantified and published as Star Ratings (see Chapter 3) while KPI3 ratings remained largely non-quantified and were not published. This basic structure was also applied to the former Disability Employment Network, and continues for JSA from 2009 and for Disability Employment Services (DES) from 2010.

For JSA, the Star Rating methodology was reviewed and revised. Based on Star Ratings, the majority of JSA providers delivering services in non-remote areas will have their current contracts extended to 2015. The business of providers performing below average, *i.e.* with Ratings 1 and 2, will be offered to high-performing providers or put up for a new tender (DEEWR, 2011f).<sup>44</sup>

In relation to KPI3, ANAO (2005a) reported that jobseeker awareness of the Code, Service Guarantee and associated complaints mechanisms remained very low, and that the assessment procedure did not provide a basis for systematic and objective measurement, because:

- Its assessment required subjective judgements by DEWR contract managers, because most of the commitments in the Code and Service Guarantee were not supported by explicit explanations that enable jobseekers, service providers or DEWR staff to determine what was to be achieved, to what standard, and within what timeframe;

- DEWR used the Quality KPI as a binary, pass/fail “hurdle”; and
- The absence of gradations in service quality (within the group of JN members that have “passed” overall) did not support consistent and transparent assessment of performance or enable the identification of substandard performance until after a substantial service delivery failure had occurred.

Among the measures recommended to improve KPI3 were:

- Establish minimum requirements for monitoring visits to JN providers by contract managers;
- Use survey information on jobseeker satisfaction with the achievement of service commitments made in the Code and Service Guarantee; and
- Improve the system for recording jobseeker complaints in order to more accurately identify the key sources of complaints and the frequency with which jobseekers complain about them.

The JSA request for tender (DEEWR, 2008b) stated that KPI3 would incorporate feedback from employers and participants and take account of whether the provider “is part of an accredited system of quality assurance or adopts a business excellence framework”, but the government at the same time set up a Charter of Contract Management and Quality Working Group and an Expert Reference Group on Performance Management. The Charter is discussed above. DEEWR (2009b and 2009i) listed the main factors in the current expanded “Quality Framework”:

- Organisational health (this refers to good governance);
- Quality of service delivery (this includes compliance with Employment Services Deed requirements);
- Individualised EPPs and active engagement of participants (the provision of individually-tailored services within specified timeframes); and
- Client experience, with subheadings: 4.1 “Participant experience”; 4.2 “Stakeholder engagement”; 4.3 “The provider’s complaint system/process”; and 4.4 “Handling of complaints addressed to DEEWR by jobseekers” (*e.g. via DEEWR’s telephone complaints line*).

The “stakeholder engagement” subheading refers to the provider’s linkages with employers, Indigenous organisations, organisation for the homeless, community and health organisations, Registered Training Organisations, Commonwealth, state and local governments and their vocational and education training programmes, etc.<sup>45</sup>

Factors 1 and 2 are assessed at organisation level, but for Factors 3 and 4 a rating is allocated to each ESA in which the JSA provider has business. Assessment of the KPI3 factors still requires subjective judgement by DEEWR contract managers, although statistics from the IT system may contribute to assessment of the second factor, the third factor is assessed partly by sampling individual EPPs, and subheading 4.4 was expected to be assessed by taking a representative sample of complaints from each site within an ESA every six months and applying a “matrix which assesses the JSA provider’s responsiveness against the severity of the complaint”. The assessment for Subheading 4.1 “Participant experience” uses jobseeker responses to questions in DEEWR’s Post Program Monitoring Survey.<sup>46</sup>

DEEWR (2010b) stated that KPI3 performance data would become available in late February 2010, but DEEWR (2010c) suggested as an “illustrative timeframe” that KPI3

ratings would be released in February 2011, and would be used as input to decisions in the 2011 mid-term business reallocation. In practice, DEEWR contract managers have informed providers privately of their KPI3 ratings, but the ratings are probably not fully quantified<sup>47</sup> and seem to have generated no comment. Also, providers with a Star Rating of three or more have been offered an extension of the contract to 2015, with no reference to their KPI3 performance (DEEWR, 2011b).

DEEWR has done much to implement the Quality Framework and the revised KPI3, through increased surveillance of providers' internal governance, external engagements, complaints procedures, etc. This is quite costly for DEEWR and sometimes for providers, when they are subject to additional reporting requirements and quality assurance procedure. Boystown (2011) reports that the new KPI3 framework has significantly increased the time and administration burden on providers, since they need to demonstrate quality at both site and organisational level, and can be required to extract and separately compile employment-specific information from information systems that cover a wider range of services and processes. DEEWR remains hesitant about publishing its KPI3 assessments or taking decisions that would reveal them. It also has not proceeded with plans to introduce a new social outcomes measure that captures the progress a jobseeker has made towards work readiness (see Chapter 3). If these additional indicators are published, they might be quite inaccurate and controversial, with also a risk that attempts at improving their accuracy would be costly notably in terms of red tape.

Centrelink practices in relation to jobseeker exemptions, participation reports, JSCI implementation and referral procedures affect measured provider performance. According to Mission Australia (2011) the role of Centrelink in relation to "suspended" status and participation issues can vary from ESA to ESA, making administration and delivery of the process cumbersome. Referral procedures after registration are monitored through the Bilateral Management Arrangement at a national level and down to the site level by DEEWR and Centrelink staff on a quarterly basis. Disney *et al.* (2010) report that that one measure of benefit sanction rates (the proportion of participation reports that are applied) was quite similar across the 15 Centrelink regions. Also, there are clear guidelines about the use of the JSCI, and its character as a scripted questionnaire limits the scope for inconsistent application.

## Disability Employment Services

Historically, sheltered employment and open employment services emerged from not-for-profit disability services and the disability consumer movement. Voluntary organisations were active in establishing sheltered workshops which, under public pressure, later received Commonwealth support. This led to tensions between the government's desire for accountability and the notion that voluntary agencies were superior. Since the passage of the Disability Services Act in 1986, three types of specialist employment services were provided to people with disabilities: *i*) rehabilitation services delivered by a public provider, the Commonwealth Rehabilitation Service (CRS), which prepare people with disabilities, often people recovering from an accident, to return to employment.; *ii*) open employment services, for people with a permanent disability needing varying levels of ongoing support in the open labour market (this could be in conjunction with a permanent wage subsidy, or setting a wage that matches individual productivity); and *iii*) supported employment services (called Business Services, in the 2000s) providing paid work in sheltered employment, for people with severe disabilities who cannot access regular jobs.

At the start of the 2000s, open employment services were delivered from 309 outlets and Business Services from 510 outlets, both with block-grant funding: a Business Services Review in 2000 reported that funding levels varied from roughly AUD 1 500 to AUD 30 000 per person per annum (OECD, 2001). Subsequently, block-grant funding was progressively replaced by case-based funding of providers and the selection of providers through a tender process.

A *Case Based Funding* (CBF) model for both open employment services and Business Services was trialled between November 1999 and June 2002. The CBF model for open employment services was a simple version of Intensive Assistance in the JN model, with the addition of maintenance payments to the provider that continued after an employment outcome had been achieved. At first, the JSCI was used to determine three funding levels for employment assistance and maintenance payments. In Phase 2 of the CBF trial a Disability Pre-Employment Instrument (DPI) and a Disability Maintenance Instrument (DMI) were added, the latter to assess the level of support required to maintain an individual in employment. According to evaluations, the CBF trials had improved administrative and operational practice for employment service providers, although some providers needed assistance with their financial situation. The 2003/04 Budget provided funds to replace the block-grant funding of open employment services with CBF as from 2005, and they were renamed the Disability Employment Network (DEN). Consultations with providers led to the development of the CBF 2005 model, which included an intake and assessment phase and an employment assistance phase, with employment outcome fees paid at the 4-week, 13-week and 26-week points. Under the CBF 2005 model, 43% of clients achieved 13-week outcomes within 18 months, which was much higher than outcome levels under the previous block-grant funding model (DEEWR, 2007b).

In 2006, DEN was divided into a *capped stream* – with a limit on a provider's number of clients at a given time – which funded providers to serve participants with an assessed future work capacity of 8 or more hours who were likely to require ongoing support to remain in employment, in which participation was usually voluntary, and an *uncapped stream* – in which each new client brings additional funding – to assist jobseekers with a work capacity of 15 to 29 hours per week who became subject to part-time participation requirements in the Welfare to Work reform. The uncapped stream did not provide for ongoing support beyond the 26<sup>th</sup> week of employment. Participation in the capped stream was for 18 months but could be repeated, while participation in the uncapped stream was for 24 months. CRS Australia was the sole provider of government-funded Vocational Rehabilitation Services (VRS) until July 2007, when 18 new providers gained a third of the business following a tender process. VRS was also divided into a capped stream and an uncapped stream (see the section *ALMPs for specific target groups* in Chapter 5 for further discussion of DEN and VRS operations). Star Ratings of provider performance were published with first reference dates July 2006 for DEN and 2007 for VRS.

As from March 2010, VRS and DEN were replaced by Disability Employment Services (DES). DES has two main subcomponents, the Disability Management Service (DMS) for jobseekers who are not expected to need long-term support in the workplace and the Employment Support Service (ESS) for jobseekers who are more likely to require ongoing support. All funding is now demand-driven and fully uncapped (see the section *ALMPs for specific target groups* in Chapter 5 for further discussion of DES operations).

In June 2011, the government announced that in non-remote areas, DES-DMS provider contracts will be extended to June 2015. DES-ESS provider contracts by contrast will be extended from June 2012 to March 2013, and those DES-ESS providers with a four- or

five-star rating at end of March 2012 will also be offered a contract extension to June 2015. However, other DES-ESS providers will need to submit tenders against a request for tender which is to be issued as an exposure draft in February 2012 and formally released in May 2012 (DEEWR, 2011g). This will be the first tender process for open employment services, since the case-based funding reform which created the DEN in 2005 was applied only to existing providers. June 2015 is expected to be the first time that both branches of DES undergo a request for tender process that is open to new entrants. With these developments, many of the key features of the disability employment services under DEEWR have progressively been unified and based on organisational and operational principles similar to those of the JSA model.

Business Services were transferred to FaHCSIA in 2004 and renamed Australian Disability Enterprises in 2008 (FaHCSIA, 2009). In this area, case-based funding with four levels of participant funding was introduced progressively from 2004 to 2006. In 2011, following a consultation process that led to more than 600 submissions, the Advisory Group for Inclusion for People with Disability Through Sustainable Supported Employment presented its ten-year vision (FaHCSIA, 2012).

## Project funding

Apart from its funding of JSA and Disability Employment Services, the Australian Government promotes labour market policy objectives through project funding. This involves defining the objectives of a fund and its name and budget, developing programme guidelines, issuing a call for proposals with a deadline for bids (with possibly several “rounds”, allowing for some adjustment of the conditions), setting up structures to evaluate the bids, making the grants to organisations with successful bids, and engaging in some level of monitoring and *ex post* evaluation.

The *Jobs Fund* announced on 5 April 2009 in response to the global financial crisis provided funding by DEEWR (additional to any funding from other sources) of AUD 171 million through one-off grants of up to AUD 2 million. Grants supported the delivery of innovative projects that built infrastructure and social capital in regions and local communities experiencing high levels of unemployment or “vulnerability”,<sup>48</sup> with the aim of maximising job and training opportunities and delivering positive environmental, heritage and social outcomes. The 174 Round 1 grants were announced in September 2009 and 53 Round 2 grants were announced in March 2010. Most of the projects were completed by June 2011 although some were extended to June 2012. These projects created over 10 500 jobs, 2 800 traineeships/apprenticeships and 6 000 work experience places.<sup>49</sup>

The *Employer Broker* fund provides AUD 6 million over the three years 2009-12 to engage with employers in a skill or labour shortage industry, improve the flow of information and match large national employers in particular with the efforts of employment service providers on behalf of jobseekers. Only “Employer Broker panel members”, who should have strong links with the employer community in a particular industry, are eligible to apply for funding. Documentation suggests that panel members would not only submit proposals for funding of their own activities, but also develop proposals in partnership with DEEWR, respond to proposals which DEEWR might address to specific panel members for a particular type of project, and develop projects suggested by non-panel members such as the Australian Social Inclusion Board or a local government. Thus, the “panel” should act as a management or consultative committee of members who are planning to implement projects or already engaged in implementation.

The *Innovation Fund* provides AUD 41 million over the three years 2009-12. It is a component of JSA and funds projects that will foster innovative solutions to overcome barriers to employment faced by disadvantaged people. By June 2011 it had funded 76 projects through three funding rounds. The projects are often defined by target group *e.g.* mental illness, homeless, or youth, or by type of activity, *e.g.* growing tomatoes, woodwork, café, radio station, or perhaps both *e.g.* a parent mentoring programme: and are usually run by non-profits, many of which are also JSA providers. This uses a “panel” structure similar to the Employer Broker fund. However, neither of these funds is being continued beyond 2012.<sup>50</sup>

The *Indigenous Employment Program* (IEP) similarly funds a wide range of activities to promote Indigenous employment including general support for employers who provide sustainable employment opportunities, wage subsidies, local development strategies, provision of work experience, and training for potential and current employees, etc. (DEEWR, 2009h). In 2010/11, the IEP had a budget of AUD 152 million (including the Indigenous Wage Subsidy scheme) and secured more than 31 000 job and training places; current members of the panel were offered a three-year extension of their contracts with funding over the four years 2011-15 to total AUD 650 million (Australian Government, 2010; and Arbib, 2011).

## Human resources and workload in employment services

Other OECD reviews of activation policies in this series have tried to compare the resource intensity of public employment services among member countries (see Duell *et al.*, 2010). The outsourcing of the public employment service in Australia makes the assessment of staff numbers relatively difficult. While numbers of staff involved in employment services in Centrelink and DEEWR can be assessed or estimated based on government publications, this is more difficult for the more than 100 private and community-sector service providers involved in placement and counselling under Job Services Australia. There is no registration of provider staff with government authorities, and only rarely is staffing adequacy an issue for contract management. The estimates of total human resources involved in the provision of employment services in Australia given below therefore need to be treated with caution.

First, according to DEEWR (2010a), the Department employed over 6 000 staff at 30 June 2010. Only a small share of staff within the national office, at most 200 people, oversee JSA, prepare and execute calls for tender, co-ordinate contract policy and liaise with Centrelink. Another 200 staff are working on Contract Management and performance monitoring in regional offices. It would be justified to add to these numbers about 100 staff of the Social Security Appeals Tribunal and the Commonwealth Ombudsman working on employment service matters.

Next, Centrelink employs about 27 000 staff working out of over 400 customer service offices and call centres, an increase by one-third compared with a decade ago. While Centrelink provides a large range of social services, the share of staff working on employment and unemployment services-related functions can be estimated as at least one-third, *i.e.* 9 000 persons or more (about 80% of them are full-time personnel). These functions include work on initial and follow-up jobseeker interviews, jobseeker scoring through JSCI; unemployment benefit payment; and liaison with JSA providers.

As indicated, estimation of JSA provider staff numbers is relatively difficult. In 2000, in the early years of the Job Network, the Australian Bureau of Statistics conducted a survey of businesses active in employment services and private placement agencies (ABS, 2000), and on this basis OECD (2001) estimated the number of staff working

for JN providers at end June 1999 at 7 500. Another ABS survey published in 2003 (ABS, 2003) concluded that “employment services organisations” had experienced a period of significant growth between 1998/99 and 2001/02, but breakdowns of that category were less detailed and it was not clear whether this growth also applied to JN provider staff.<sup>51</sup>

No further ABS surveys on the subject have been undertaken since, and neither DEEWR nor peak provider organisations offer a staff count. An estimate could, however, be attempted by using expenditure data. The annual budget for JSA is about AUD 1.6 billion, of which roughly 40% is earmarked for the EPF. Assuming that two-thirds of the remaining sum is spent on staff salaries, and the average total labour cost of a full-time worker is 80 000 AUD per annum,<sup>52</sup> total staff in full-time equivalent terms would be around 8 000. This estimate might be understated because spending from the EPF includes some PES functions implemented by in-house staff, although arguably staff implementing work experience should be counted separately for comparative purposes (the JN figure did not include staff implementing Work for the Dole).

An alternative rough estimate is possible based on staff surveys. In a 2008 survey, JN frontline staff who interview jobseekers reported an average caseload of 97 (Considine and Lewis, 2010). Specialist providers in a survey in 2010 reported an average caseload of about 91 per employment consultant in 2010 (Flentje *et al.*, 2010).<sup>53</sup> Assuming the higher figure is representative and that it includes suspended jobseekers, and comparing it with the 700 000 clients registered with JSA providers, the implication is that JSA has slightly more than 7 000 counsellors. This could imply a total staff figure of up to 10 000, since counsellors with a caseload allocation probably represent only 70% to 80% of all provider staff (assuming categories such as managers, IT specialists, reception staff, trainers, reverse marketers, and psychologists do not have a specific caseload allocation). Since there are currently about 2 300 JSA provider sites throughout Australia, these estimates imply an average of only four or five staff per site.

The above figures, rough and incomplete as they might be, can be used for international comparison. Assuming 9 000 provider staff, 8 000 Centrelink full-time equivalent employees, and 500 staff from DEEWR, the Social Security Appeals Tribunal and the Commonwealth Ombudsman, would result in an overall staff figure on the order of 17 500.

## Notes

1. After encountering opposition in Parliament, the Job Network was set up under existing legislation and administrative authority, and this continues to be the case for the current JSA arrangements.
2. Considine (2001) and other authors see these as examples of the “New Public Management” reforms of the 1980s and 1990s designed to promote increased public sector efficiency through, *inter alia*, increased competition among public bodies and widespread privatisation. McDonald and Marston (2008) argue that the market was not “fully competitive” because in the first contract the government set some payment parameters; and in later contracts, market features became less dominant due to increased regulation of providers’ activities.
3. At the time of the OECD (2001) review, the Department of Family and Community Services (FaCS) and the Department of Education, Training and Youth Affairs (DETYA) also managed

- Job Placement, Employment and Training (JPET), the Community Support Program, and a number of active labour market programmes (see Annex 5.A1 for some historical statistics).
4. The formerly-separate agency Centrelink became part of DHS in July 2011. Its service delivery capacity remains unchanged.
  5. In the “machinery of government” changes in late 2004, responsibility for working-age income support payments was transferred from the (then) Department of Family and Community Services (FaCS) to the (then) DEWR. Responsibility for Carer Payment was not transferred, and in 2007 responsibility for Disability Support Pension and the Community Development Employment Projects programme (which has an income support function) was transferred back to FaHCSIA.
  6. Stream 1 (easy-to-place) clients do not see their employment service provider for three months after initial registration, so in this period DHS/Centrelink has the primary responsibility (see Chapter 3).
  7. LCTW helps to engage disadvantaged clients and tackle the problem of sanctions for non-attendance following referral to providers (see Chapters 3 and 4).
  8. Following the integration of Centrelink and Medicare Australia into DHS, a review of the BMA and associated documents is expected to be completed by 30 June 2012 and lead to a consolidated BMA between DHS and both DEEWR and FaHCSIA,
  9. At initial registration, Centrelink provides information to allow the jobseeker to choose a suitable JSA provider ([www.deewr.gov.au/employment/JSA/employmentservices/pages/howtoregisterforassistance.aspx](http://www.deewr.gov.au/employment/JSA/employmentservices/pages/howtoregisterforassistance.aspx)).
  10. According to Mendes (2006), over time ACOSS shifted its emphasis from representing the specific interests of its member organisations to advocating for the broad interests of low-income and disadvantaged Australians. It is largely an organisation of middle-class welfare professionals, but has remained focused on representing the interests of welfare consumers, and has arguably been an effective lobby group by using co-operation and persuasion strategies rather than contest strategies to promote change over time.
  11. The National Labour Consultative Council Act referred to consultations on “industrial relations ... and manpower matters”.
  12. The government’s allocation to the Regional Development Australia Fund is nearly AUD 1 billion over five years, of which AUD 573 million is subject to the passage of the Minerals Rent Resource Tax, according to some sources, and AUD 1.4 billion over five years according to others ([www.regional.gov.au/regional/programs/rdaf.aspx](http://www.regional.gov.au/regional/programs/rdaf.aspx), accessed 2 February 2012; and Crean, 2011).
  13. In the JN tenders, bids included indicative market shares at specific locations, but after the allocation of a share at the ESA level, providers were still allowed to choose the location of individual sites. A possible drawback was an oversupply of sites close to the Centrelink local offices, since this location tended to attract more clients. In the JSA tender, providers were typically offered business at specific locations, which in some cases included only part of those in their original bid. The more tightly specified offers reportedly led to some situations where certain locations are under-catered for but others have too few jobseekers per provider for operations to be viable (OECD, 2001; Jobs Australia, 2011; NESAs, 2011; [www.deewr.gov.au/Employment/EmploymentServicesProcurement/esc2009\\_12/pages/QuestionsandAnswers.aspx](http://www.deewr.gov.au/Employment/EmploymentServicesProcurement/esc2009_12/pages/QuestionsandAnswers.aspx), Question 662, accessed 6 September 2012).
  14. Corresponding criticism at the time, in particular by unsuccessful tenderers, was not upheld by the Probity Advisor and the National Audit Office (OECD, 2001).
  15. In 2001, part-way through ESC2, the Community Support Program (CSP) was replaced by a new Personal Support Program (PSP), with substantially more places and higher funding.

16. The Employment Department's submission to a Productivity Commission inquiry stated that "... generally the assistance provided to jobseekers is most active, and contact with the jobseeker most frequent during the first few months. After this, many Intensive Assistance clients undertake relatively low levels of job search or related activity and receive relatively low levels of assistance from their provider." (Productivity Commission, 2002).
17. Rather than being admitted through competitive tender, JPOs were licensed when they met minimum conditions. They earned placement fees when an eligible jobseeker found work through them. In contrast to the previous Job Matching providers, JPOs were expected to be commercial recruitment firms. The placement fees were meant to encourage them to draw on the pool of Job Network registered jobseekers to fill vacancies when possible, but not become their only source of income (DEEWR, 2007a).
18. A review of developments in Job Network through the first three contract periods came to the following conclusion: "Generally speaking, the development of the Job Network between contracts has been characterised by a move away from free market conditions (flexibility, choice and competition) and towards increased government monitoring and regulation. With the imposition of further rules and regulations on providers to deal with problems encountered (chiefly 'parking' and 'creaming'), the focus has shifted from rewarding outcomes to specifying process" (Thomas, 2007).
19. In the APM, Centrelink continued to monitor compliance with the Mutual Obligation requirements, but providers were able to influence the type of activity undertaken and maintained contact with jobseekers during this period. If a jobseeker had not commenced a Mutual Obligation activity after seven months of unemployment, their Job Network provider was responsible for arranging a referral to Work for the Dole activities with a Community Work Co-ordinator, and this arrangement increased the rate of commencements in Work for the Dole.
20. For example, NESAs (2008a) commented upon the "increased specificity and prescription of service requirements", while Jobs Australia (2008) argued that "... programme guidelines have become more prescriptive and rigid as the degree of micro-management has grown and innovation has been stifled. Contract management has increasingly focused on the fine detail of service providers' processes in contrast to the original premise of relying on the skills and innovation of the private and community sectors." Another analysis from 2008 concluded that "DEEWR ... has taken the concerns about rent seeking behavior to dysfunctional heights, resulting in low employee morale, high staff turnover and significantly increased transaction costs ..." (McDonald and Marston, 2008).
21. NEIS and Project Contracting (now Harvest Labour Services) were also listed as part of the Job Network in the ESC1 and ESC2 period. Under JSA, 6% of the payments into a provider's Employment Pathway Fund (EPF) are quarantined for payments to NEIS providers, who evaluate the client's business project and refer him/her to suitable NEIS training. NEIS training itself is funded through the Productivity Places Program, and delivers certificate III or certificate IV level qualifications. The JSA provider receives a pathway outcome fee at the provider brokered rate when the client has completed NEIS training and been operating his/her business for 13 weeks (DEEWR, 2008b). Jobs Australia (2011) suggests that the Department should "remove the current round-about, administratively intensive method of providers paying through the EPF" and pay NEIS panel members directly (this appears to be the case from July 2012, see [www.deewr.gov.au/Skills/Programs/SkillTraining/ProductivityPlaces/](http://www.deewr.gov.au/Skills/Programs/SkillTraining/ProductivityPlaces/), accessed 7 September 2012).
22. In the JSCI before 2003, up to 15 points could be awarded when self-reported duration of unemployment was ten years or more. In 2003 (in the context of a broad revision of the JSCI, which reduced the maximum number of questions from 60 to 30) this factor was removed, although 7 points were still awarded when the self-reported main activity over the last two years was "not working but looking for work" (NESAs, 2008b; Lipp, 2005). See Chapter 3 for further information about the 2009 revision of the JSCI.

23. In the first 14 months of JSA operation, about 106 000 JSA clients changed provider, in 67% of cases due to the jobseeker changing address and a further 21% because the new site was more accessible (SSCEWR, 2011).
24. When a jobseeker moves directly from Stream 2 to Stream 3 (without an SSR) a maximum of six 13-week service fee payments are made (DEEWR, 2011c). With the abolition of the SSR from 1 July 2012, jobseekers move into the WEPH after 12 months in Streams 1 to 3 or after 18 months in Stream 4. Providers have the option of moving Stream 4 jobseekers into the WEPH after 12 months if they determine that this would be most beneficial for the jobseeker (DEEWR, 2011d).
25. However, the number of sites from which services are delivered increased from 1 500 to over 2 000 between ESC1 and ESC2, and is now at about 2 300. In ESC3, there were about 400 JPLOs operating in addition to JN providers. JSA formally includes, in addition to its 115 mainstream providers, 54 NEIS providers (DEEWR, 2009a).
26. Job Futures functions as an umbrella organisation or association that provides management services to its multiple smaller member organisations, while formally Job Futures holds the contract with DEEWR and its members are subcontractors to it. The allocation of business to Job Futures probably reflects a high score on JSA tender selection criterion 3 Local Strategies and Collaborative Arrangements, with varied and genuinely local strategies in its bid.
27. MAX Employment is the provider represented in the highest number of ESAs.
28. This change reduced the influence of the JSCI. In ESC3, 16% of clients were immediately referred to Customised Assistance (the service level that in other cases started after 12 months unemployed), whereas in ESC2 30% of clients had been immediately referred to Intensive Assistance.
29. The structure of the caseload across the streams shown in Table 2.2 has changed through time. As described in Chapter 3, transfers from JN were based on JSCI scores but until the end of 2010 redundant workers were automatically allocated to Stream 2; clients have flowed from lower streams into Stream 4, as JCAs were implemented; and after the first year of JSA operation, some clients moved to a higher stream, and many more moved into the WEPH. In 2010, among people who received assistance at any time during the year (the “in scope population” reported in Labour Market Assistance Outcomes, not including the Stream 1 “Limited population”), 37% were in Stream 1, 31% in Stream 2, 22% in Stream 3 and 10% in Stream 4. The Stream 1 share would be higher in terms of commencements, but lower in terms of the stock in assistance at a given point in time.
30. See Morrell and Branosky (2005), ANAO (2006), and Davidson and Whiteford (2012).
31. Placements into a regular job counted as provider brokered when the provider screened, matched, referred and placed the client into a vacancy or assignment on DEEWR's IT Systems. This might encourage collusion in the artificial registration and filling of vacancies that were probably filled already: in 2011 providers reported that the distinction between provider brokered and other outcomes had added to administrative complexity, and called for its removal. In late 2011 the Australian Government announced stringent evidentiary requirements and an audit to investigate allegations of malpractice in this area, and from July 2012 the distinction between provider brokered and other outcomes was dropped (Ellis, 2011 and 2012).
32. The maximum cited incorporates service fees and EPF credits paid during the Stream Service phase as well as the Work Experience Phase. It does not include the loadings on service fees and EPF credits in remote areas or the Training Bonus that can be paid in addition to the outcome fees, or the fees for a client who has been unemployed for more than 60 months.
33. “Gaming” in this context refers to artificial behaviour driven by the fee system, such as coaching a client to increase their JSCI score, postponing a placement until after a fee payment point or (directly, or by paying subsidies) creating jobs or additional hours of work that will not be sustainable.

34. Two surveys undertaken in 1998 and 2008 which asked frontline staff to rate their agreement with a series of statements about discretion, autonomy and use of standardised tools show the decline in flexibility and increasing standardisation of daily work among provider staff (Considine *et al.*, 2011).
35. The Charter (DEEWR, 2009d) outlines only DEEWR obligations, while provider obligations are laid down in their contract, the Code of Conduct and the Employment Services Deed.
36. This description of contract management is based partly on notes from the authors' discussion with DEEWR staff in August 2010.
37. Communication from DEEWR, December 2011.
38. A JSA contract would be feasible without the EPF. Disability Employment Services (DES), although they have many features in common with JSA, lack an equivalent of the EPF. However, some DES providers would prefer to have this type of fund, saying that this is more useful than high service and outcome fees for helping to meet jobseekers' most basic needs (DEEWR, 2011e).
39. BSO teams, observing on-the ground delivery of employment services at select provider sites, have identified areas of unnecessary administration.
40. The discussion paper (APESAA, 2011) mentions a range of rather broad reforms, which include: increasing the weight on sustainable outcomes, with rebalancing of the payments to providers away from service fees; reducing the number of JSA streams to three; introducing an accreditation scheme for employment service providers, with more frequent auditing and less ongoing monitoring; introducing new qualification requirements for provider staff; and assigning the "regulator" role to a separate agency.
41. Work and Pensions Committee (2011) extensively discusses standards, transparency and related objectives for the Work Programme.
42. ANAO (2005a) had recommended that jobseekers be provided with clear statements about expectations for their behaviour, the role played by JN members in the compliance function, the Code and Service Guarantee, and complaints mechanisms.
43. The Employment Services Deed also specifies that providers acting with the intention of dishonestly obtaining a benefit for any person face penalties including imprisonment.
44. Current JSA providers operating in remote locations were offered a 12-month extension, as the government is undertaking a major review of remote employment services.
45. KPI3 subheading 4.2 "Stakeholder engagement" focuses on whether the provider's commitments in its tender submission are being met. However providers can (with the department's approval) modify their commitments. In some cases providers will be able to meet their commitments based on an annual report of their stakeholder management at ESA level. Departmental staff may validate assessments by verifying with a sample of stakeholders (DEEWR, 2009b).
46. For measuring feedback from employers, which was mentioned as a KPI3 measure in the 2008 request for tender, a comparable instrument is not available.
47. The KPI3 factor "organisational health" is described in DEEWR (2009b) as "[c]ollaborative assessment by DEEWR and the JSA provider of key management factors... identifying performance improvement opportunities (will review such things as governance processes, financial assessment, operational processes and internal controls for claim validity)", with no mention of a rating.
48. Guidelines stated that the Infrastructure Employment Projects Stream would provide support in areas vulnerable to large-scale losses of employment as a result of the economic downturn, or suffering from other external shocks, but the three departments administering the Jobs Fund did not define high unemployment, a significant rise in unemployment, and vulnerability (ANAO, 2011). DEEWR (2009g) advised: "If you believe your project is in an area experiencing

- vulnerability, you need to ensure that you provide sufficient information detailing what the vulnerability is, why it is vulnerable and how your project will address this vulnerability...”.
49. Advice from DEEWR (an update of published numbers).
  50. TSAEP (2011) reported in relation to both funds that “the process for each funding application requires significant resources and in-kind contribution from organisations often duplicated several times over within a single organisation across its network and across the industry. This is followed by a lengthy assessment process conducted by the Department for each application round... The concern is that this process impacts significantly on planning and providers ability to respond to employer and job seeker needs with innovative concepts in a timely manner.”
  51. ABS (2003) noted that direct employment of employment service organisations – which in June 2002 included 2 704 organisations operating in private placement and labour hire (temporary work) – had grown from 28 912 to 32 077 between June 1999 and June 2002. This represented an employment growth of 11%, compared to a growth in total income by 31%.
  52. Average annual wages per full-time and full-year equivalent dependent employee in Australia in 2010 were AUD 69 300 (*OECD Online Employment Database*). However, Nous Consulting (2010) estimates that an employment consultant’s compensation is AUD 40 per hour (with operational and administration costs, etc. costing a further AUD 20 per hour).
  53. This is an estimate based on Flentje *et al.* (2011), Figure 5, which reports caseload ranges.

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## Chapter 3

### Job brokerage and activation strategies in Australia

*Jobseekers registered with a Job Services Australia (JSA) provider (i.e. a private or not-for-profit provider of employment services) are allocated to one of four streams or, after a year of unemployment, to the Work Experience Phase, which provide different levels and forms of assistance. JSA providers are funded through a combination of Service Fees, Placement Fees and Outcome Fees, and are reimbursed for certain types of expenditure through the Employment Pathway Fund. Most of the fees are much higher for disadvantaged jobseekers than for regular, short-term unemployed. Centrelink, the benefit administration body, assesses jobseeker disadvantage at initial registration using the Job Seeker Classification Instrument, which is based on a questionnaire and administrative records. Star Ratings, which are measures of placement performance adjusted for differences in jobseeker characteristics and local labour market conditions, are used to eliminate employment service providers that perform poorly. Most provider staff are counsellors, who conduct regular interviews with jobseekers, negotiate their Employment Pathway Plan, and may provide financial assistance with the cost of taking up work or refer clients to job-search training and related activities. The structure of the JSA caseload is complex, with less than half of all clients required to be available for full-time work and complete the maximum number of hours in the Work Experience Phase.*

## Introduction

Since the mid-1990s Australia's unemployment rate has fallen from high to low levels in international comparative terms, in the context of a progressive phasing out of several types of inactive benefits and rising employment rates. Employment services played a role in this labour market performance by keeping job-finding rates high for both the traditional unemployment caseload and the newly-activated groups.

During this process, the more easily employable clients were more often placed, so that among those remaining on the caseload the average levels of disadvantage increased. The greater intensity of placement efforts no doubt revealed previously-unnoticed barriers that prevented clients from being available for work immediately, and increasing numbers were transferred to the Personal Support Program (PSP) or the waiting list for it. In administrative data (in contrast with labour force survey data), the fall in total unemployment was accompanied by an increasing incidence of long-term and very-long-term unemployment. As described in Chapter 4, by 2008 there were strident claims that benefit sanctions – which most often are generated by repeated client non-attendance at interviews – were unjust and counterproductive because they did not take into account clients' personal barriers. Many of the policy changes launched by the incoming government in 2008, including key features of the Jobs Services Australia (JSA) model, were related to the disadvantage profile of the caseload. A number of temporary measures also responded to the recession, in particular the automatic allocation to JSA Stream 2 (which pays much larger fees per client to the provider than Stream 1) of workers made redundant between February 2009 and December 2010, which cost AUD 350 million (about a quarter of the JSA annual budget).

Against this background, the following section of this chapter describes the JSA framework for interventions in the unemployment spell and defining jobseekers' administrative status, as defined by Centrelink procedures and JSA contractual requirements. The third section describes provider funding in terms of service fees, payments into the Employment Pathway Fund (EPF) and outcome fees. The fourth section describes the Job Seeker Classification Instrument (JSCI), Job Capacity Assessment (JCA, from July 2011 the Employment Services Assessment, ESAt) and Star Rating system for providers. The fifth section summarises the incentives for JSA providers created by the fees, JSCI and Star Rating system and the sixth describes the strategies adopted by providers and aspects of their operating environment, such as client exemptions and suspensions. The seventh and eighth sections review aggregate placement performance data, caseload trends and Star Ratings, and discusses some client subgroups within the JSA caseload.

## Scheduled interventions in the unemployment spell in the JSA model

### *Centrelink processes*

#### *Initial contacts*

New benefit claimants can now make a claim online but they typically still visit their local Centrelink office in person. Centrelink establishes their entitlement to a payment in terms of income, assets, household status, etc. For those claiming an unemployment benefit (Newstart or Youth Allowance – other), Centrelink implements the Job Seeker Classification Instrument (JSCI) by working through a questionnaire, with points also scored based on administrative records (see further below). In most cases, based on their JSCI points, individuals are allocated to JSA Streams 1 to 3. However one of their responses may “trigger” referral to a separate JCA/ESAt, which itself may involve referral

to health or other professionals. Based on the outcome of the JCA/ESAt,<sup>1</sup> the jobseeker may be referred to Disability Employment Services (DES), JSA Stream 4 or a lower stream. During the transition into JSA, clients in the former PSP, which often did not impose participation requirements and offered relatively small economic outcome fees to providers,<sup>2</sup> could be transferred into Stream 4 or a lower stream, although they still might be transferred to Stream 4 after further assessment.

Repeat claimants are in principle reassigned to their original JSA provider, if this is still relevant.<sup>3</sup> First-time claimants have the option of choosing a local JSA provider, but otherwise they are randomly<sup>4</sup> assigned to a provider by Centrelink. They then attend an interview with the provider to start their benefit payment. This interview delivers information about services and jobseeker rights and obligations.

In the case of Stream 1 clients, Centrelink establishes the initial Employment Pathway Plan (EPP), while the provider assists the client in preparing a *résumé*. In the case of Stream 2 to 4 clients, the provider establishes the initial EPP, which must include the frequency of contact between provider and jobseeker, and the timing and details of mandatory vocational and non-vocational activities. EPPs should be tailored to individual needs (when DEEWR contract managers sample a provider's EPPs, they look for evidence of individualisation).

In 2010, Centrelink in five disadvantaged locations implemented *Local Connections to Work* (LCTW). Under this initiative, participating organisations called Community Partners co-locate within the Centrelink office to deliver their services on a rostered basis. The Community Partners include employment services providers (JSA and DES providers), as well as health, housing, training and community welfare organisations. They co-locate without additional funding, but their presence in the Centrelink office gives them better access to potential clients and an opportunity to strengthen their connections with other local agencies. Clients participating in LCTW had an average of two to three “wrap around” (joint) interviews. A joint DEEWR and Department of Human Services (DHS) taskforce reported that this was successful in terms of engaging disadvantaged clients, and recommended extending the LCTW initiative to other deeply disadvantaged sites, and extending joint interviews (interviews on the Centrelink site, but with the participation of a JSA provider) to a targeted selection of disadvantaged jobseekers outside the LCTW locations (DEEWR & DHS, 2011). The 2011 budget announced additional funding of AUD 19.5 million to create 15 new LCTW sites between 1 July 2012 and 30 June 2015, bringing the total to 24, and AUD 74.4 million for new “case co-ordination” trials in 44 locations (Plibersek, 2011).

### *Claim updating and Job Search Diaries*

In the past, most jobseekers needed to “lodge” a payment renewal application form (SU19), which included a question about job-search efforts, in person every fortnight. Jobseekers typically needed to go up to a desk for a brief interview, which could result in queues at local offices, although in some circumstances local offices could provide a box where paper forms could be dropped off. Centrelink had increasingly been providing online transaction facilities, and from July 2010 most jobseekers were allowed to and encouraged to submit fortnightly payment renewal applications online. They are still required to attend in person for a Personal Contact Interview (PCI) interview at intervals, often every 8 or 12 weeks, but every two weeks for jobseekers in the first three months of Stream 1 who are not expected to have any regular contacts with their JSA provider. The PCI discussion is work-focused, reviewing job-search efforts and checking whether

the jobseeker's EPP needs updating, as well as checking income earned and hours worked (DEEWR & DHS, 2011).<sup>5</sup> The 2011 budget announced the introduction of Job Seeker Workshops in place of the PCIs at four, eight and ten weeks, starting progressively and to become a standard component of employment services arrangements from 1 July 2012 ([www.humanservices.gov.au/corporate/publications-and-resources/budget/1112-budget](http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1112-budget)).

Short-term unemployed jobseekers are issued with a Job Seeker Diary (JSD) with a required number of job-search efforts per fortnight (up to 10, often fewer outside active urban labour markets). The JSD covers 12 weeks of job search. Failure to complete the diary or return it to Centrelink is treated as a connection failure and the jobseeker is asked to complete a second JSD; a second failure is treated as a reconnection failure which gives rise to a sanction (see Chapter 4).

## ***Job Services Australia***

### *Stream 1 services*

If the client is still unemployed after three months, he/she attends a second interview with his/her JSA provider. At this interview, the provider conducts a skills assessment, and revises the EPP to reflect this.<sup>6</sup> The revised EPP must include regular contacts with the provider at least monthly; it will normally include job-search activities which are reviewed during the monthly contacts; and it must include an Intensive Activity. By the end of the fourth month of unemployment, the provider must arrange an Intensive Activity for at least 60 hours over a fortnight. The Intensive Activity can be similar in terms of content to the Job Search Training implemented in the previous contract,<sup>7</sup> but it can also consist of vocational training or other activities. Although providers can develop the context flexibly and participants may be able to do an Unpaid Work Experience Placement (UWEP),<sup>8</sup> they cannot currently at this stage be required to engage in work-experience activities organised by the provider. Communicare Inc. (2011) described the current format as “ambiguous and administratively heavy” and suggested that Intensive Activity could be replaced by a period in which the requirements of the Work Experience Phase (WEPH) apply. The 2011 budget announced a reduction of participation in Intensive Activity from 60 hours to 40 hours for “job-ready” jobseekers (Australian Government, 2011; and Karvelas, 2011).

### *Services in Streams 2 and 3*

For Stream 2 and 3 clients the initial EPP must include contacts with the provider at least monthly and again, will normally include job-search activities. A *résumé* must be established within three months. However, most other interventions are decided flexibly. A skills assessment, like other services, may be included in the EPP but this is not obligatory.

### *Services in Stream 4*

Stream 4 clients will have complex and/or multiple non-vocational barriers. Again the initial EPP must include contacts with the provider at least monthly. The initial EPP may anticipate only non-vocational interventions at first, or a combination of vocational and non-vocational interventions. The provider has discretion over whether to include job-search activities in the EPP and the nature of any job-search requirements. A *résumé* must be established within 12 months.

### *Change of Circumstance and Stream Services Reviews*

At any time if there is evidence that one of the JSCI items is scored incorrectly, perhaps because during counselling the client reveals additional barriers, the provider can alter the score or refer the client to a JCA/ESAt, which can increase JSCI points (or in some cases, result in transfer to Stream 4). If the JSCI is then above a relevant threshold, the client can be “upstreamed” immediately.

After a year, providers must refer clients (to Centrelink or in the case of Stream 4 clients to a JCA/ESAt provider) for a Stream Services Review (SSR). The SSR reassesses the jobseeker’s JSCI. For Stream 1 to Stream 3 clients, if changed circumstances or the increased duration of unemployment takes the JSCI score over the relevant threshold (20 points or 29 points), the client enters another period in Stream Services at a higher level.<sup>9</sup> If the client is not moved to a higher stream, he/she enters the WEPH. In the case of Stream 4 clients, the SSR may determine that the client can remain in Stream 4 for a further six months, but after this entry to the WEPH still occurs automatically.

These rules imply some peculiar discontinuities in the pattern of client trajectories. For jobseekers who started the year with less than 24 months’ duration on income support, the JSCI score automatically increases by 6 points over the first year due to the duration factor, so clients with initial JSCI score of 14-19 in Stream 1 and clients with an initial JSCI score of 23-29 in Stream 2 are automatically “upstreamed”. However, increases in unemployment duration do not add JSCI points for people who have already been unemployed for 24 months, and would not affect Stream 3 clients since they can only be upstreamed on the basis of a JCA, although the Stream 4 caseload figures suggest that in the first months of JSA (in 2009) reclassifications were made on the basis of existing evidence without conducting a new JCA.

Overall, 34% of SSRs resulted in a change to a higher stream, and 66% in entry to the WEPH (SEEWRLC, 2011). The 2011 budget included an announcement that, from July 2012, SSRs would be abolished, so that entry to the WEPH is automatic for clients who have been in Stream Services for 12 months (or 18 months in Stream 4).

### *Work Experience Phase*

In the WEPH, jobseekers aged 18 to 49 are generally required to participate in a Work Experience Activity for 26 weeks every 12 months. For those with a full-time participation requirement, aged 21-39, the total requirement is for 100 hours of part-time study, 130 hours of part-time work, 240 hours of voluntary work or Defence Force Reserves or 390 hours of participation in Work for the Dole/Green Corps. The current list of Work Experience Activities also includes UWEP, and relocation to an area with higher employment prospects followed by intensive job search activities. With the partial exception of Work for the Dole (WfD), these Activities are far from full-time (390 hours over 26 weeks is an average of 15 hours per week) (DEEWR, 2008a, Table 2.2 and text discussion; [www.deewr.gov.au/Employment/JSA/EmploymentServices/WorkExperience/Pages/overview.aspx](http://www.deewr.gov.au/Employment/JSA/EmploymentServices/WorkExperience/Pages/overview.aspx)). For Principal Carer Parents, those with partial capacity to work, and those with a full-time participation requirement aged 40-49, the participation requirement for voluntary work, Defence Force Reserves, or WfD/Green Corps is considerably lower at 150 hours. People aged 50 or more are not required to participate in a Work Experience Activity. The reduced requirements and exemptions resemble those that applied, up to 2009, during the Mutual Obligation period.<sup>10</sup> They limit the cost to providers of delivering Work Experience Activities, since about 45% of JSA clients on Newstart Allowance are aged 40 or more ([www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip)).

The number of WfD places has fallen considerably under the JSA arrangements: the stock of participants averaged about 25 000 in the last three years of Job Network (JN) from 2006 to 2009, but fell to 12 695 in April 2010 (*OECD/Eurostat LMP Database*, unpublished data; Karvelas, 2011). In March 2011, 141 380 jobseekers were engaged in a Work Experience Activity, but only 9 360 were of them were in WfD (SEEWRLC, 2011). Among all Work Experience Activity placements for the period July 2009 to August 2010 (which may not entirely representative of later experience), about 40% were into education and training, 30% into voluntary or part-time work, 15% into group-based activities (WfD and similar) and 15% into other programmes (usually non-vocational programmes in Stream 4) (SSCEEWR, 2011a).

During the WEPH, providers must have minimum bi-monthly (once every two months) contacts with jobseekers, and must continue to support job-search activities.

### Provider fees and the Employment Pathway Fund

In the JSA model providers are paid three types of fees: *i*) service fees; *ii*) placement fees; and *iii*) outcome fees. In addition, they receive credits to their EPF. The first three types of fee become the provider's own funds, whereas the EPF can only be used to fund services, with expenses being reimbursed up to the level of available credits. Any unused credits at the end of the contract period cannot be carried forward unless the contract itself is "rolled-over".

#### *Service fees*

Service fees are paid every quarter in respect of the expected costs of providing services such as interview contacts. Except in remote service areas, the Stream 1 service fee is AUD 63 for the first 13 weeks, then AUD 528 for the second 13 weeks when the skills assessment and EPP update by the provider are carried out and clients participate in Intensive Activities, and then reverts to AUD 94 and AUD 96 respectively for the third and fourth 13 weeks. For other streams, the payments are more evenly distributed across four quarters. Service fees in the WEPH are AUD 456 for the first 13 weeks, AUD 66 for the second 13 weeks, then AUD 133 and AUD 67 for the third and fourth 13 weeks. The annual total is AUD 781 for Stream 1, AUD 885 for Stream 2, AUD 1 120 for Stream 3, AUD 1 919 for the first year in Stream 4, but it falls to AUD 722 in the WEPH (as shown in Table 2.2). However, only half as many interview contacts with the client are required over the year, and Work Experience Activities are in principle mainly funded through the EPF, not service fees.

#### *Placement fees*

The standard placement payment relates to cases where an eligible participant (generally a person on a benefit) completes a minimum of 50 hours of paid work within ten consecutive working days, *i.e.* two weeks in a job with fairly near to full-time hours. Work of between 15 and 49 hours within ten consecutive working days attracts a lower payment, which in Stream 1 is only paid for clients with partial work capacity.

In Stream 1, no placement fee is paid in the first three months and then after completion of the skills assessment it is AUD 440. The placement fee is AUD 550 in Streams 2 to 4 and the WEPH.

### ***Outcome fees***

A “full outcome” refers in standard cases to 13 weeks in employment, an apprenticeship or traineeship that generates sufficient income to reduce the payment of Newstart Allowance or Youth Allowance (other) to zero; or, in cases of individuals with only part-time work requirements (those with caring responsibilities or partial work capacity), work for 15 hours per week or at least their assessed work capacity. A second full outcome fee can be claimed after a further 13 weeks of employment, so that the total fee for 26 weeks of employment is twice the amount of the full outcome fees discussed below.

Under the 2009-12 JSA model,<sup>11</sup> a provider brokered full outcome fee for a client with unemployment duration of less than 12 months is AUD 1 008 for Stream 2 clients and AUD 1 750 for Stream 3 and Stream 4 clients, but the overall schedule is complex:

- In the case of Stream 1 clients, no outcome fee is paid before the WEPH, and then the provider brokered full outcome fee is AUD 854;
- For Streams 3 and 4, the full outcome fee increases with the duration of unemployment, from AUD 1 750 for clients unemployed for less than 12 months to AUD 2 500 for clients unemployed for 12 to 60 months and AUD 3 300 for clients unemployed for more than 60 months (there are also smaller increases for Stream 2 clients);
- “Provider brokered” outcomes are those where the provider first screened, matched, referred and placed the fully eligible participant in a job vacancy, or unpaid work experience which subsequently led to employment, or an education or training-related activity recorded in the Employment Pathway Plan. In other cases (*e.g.* when the client found a job themselves), the placement in employment, education or training is described as “provider assisted”, and the outcome fee is about AUD 350 lower;
- A 20% bonus is paid for outcomes where the job follows on the completion of training directly related to the job.

Lower “pathway outcome” fees are paid for employment which generates sufficient income to reduce the unemployment benefit payment by at least 60%, and for an apprenticeship or traineeship with reduced hours, and also when a worker transfers to a Youth Allowance (Student) or Austudy payment (which are at lower rates) and completes one semester of a qualifying course. A second pathway outcome cannot be claimed for student outcomes.

The provider must obtain confirmation (until recently, written) from the employer that he/she is employing the client at the 13-week point and again at the 26-week point to claim both outcome fees. In the case of a full outcome, DEEWR systems should usually show that the client is off income support, and one suggestion for simplification is to waive the requirement for a second employer confirmation at the 26-week point.

### ***Employment Pathway Fund***

The EPF is a resource that providers can use to purchase services that help to tackle client barriers, but not to fund basic operations and overheads. Any unspent funds cannot be retained as profit by providers, but they can be accumulated within EPF for later use, with the end of the provider’s JSA contract as the only limit. Although allocations to the EPF are made based on client characteristics and milestones, the money can be used flexibly to provide whichever services the employment agency thinks will enhance employability of any of their registered jobseekers. Providers can also transfer funds

between their sub-offices within the same Employment Services Area (ESA) or, with DEEWR approval, between offices in different ESAs. Agencies have to retain receipts for all purchases under the scheme.

Providers receive a credit to their EPF when a client enters a stream (after 13 weeks of unemployment, in the case of Stream 1) or the WEPH. The credit is AUD 11 for Stream 1, AUD 550 for Stream 2, and AUD 1 100 for Streams 3 and 4 with an additional AUD 550 for clients who are extended for a further six months in Stream 4, and AUD 500 upon entry to the WEPH.

Under the 2009-12 JSA model, payments of the service fee continue for the duration of participation in the WEPH, but a credit to the EPF is made only at first entry to the WEPH even though clients must undertake an approved activity for six months each year. In the Employment Services Contract 3 (ESC3) period many providers took longer than expected to spend their Job Seeker Account (JSKA, equivalent to the current EPF), leading to concerns about underspending. In the current contract, some providers cite the need to hold funds back for future use as a reason for spending only a limited proportion of the EPF. ACOSS (2011) considered that “the major weakness of the new system is that after 12 months of unemployment, most people will be offered a very low level of assistance because the Work Experience Phase of the new system is seriously under-resourced”, a view shared across the industry. DEEWR should in principle enforce the requirement on providers to deliver up to 390 hours of WfD activity for clients in their second year of the WEPH,<sup>12</sup> although in practice requirements are often met though training or other measures involving fewer hours.

The May 2011 budget announced the introduction from July 2012 of a requirement for clients to undertake Work Experience Activities for 11 months in the second year of the WEPH, with a credit of AUD 1 000 allocated to the provider’s EPF (DEEWR, 2008a; Australian Government, 2011). However there is still no funding for clients’ third and later years in the WEPH, which will often arise since many JSA contracts are being extended to cover the six years 2009 to 2015.

Some examples of the current EPF-allowable expenditure items and reporting requirements are:<sup>13</sup>

- For purchases of less AUD 300 (*e.g.* a batch of bus tickets to be given to clients), only an invoice/receipt is required; for larger amounts, substantiation as to how the purchase addresses barriers is required (DEEWR, 2011b);
- Allowable expenditures include job-search travel assistance, work clothing, uniforms and safety equipment, wage subsidies, drug and alcohol counselling, driving lessons, basic haircuts, mobile phone if the jobseeker has no other phone, employee-specific on-the-job training, work experience and training (SEEWRRRC, 2009);
- A wage subsidy should normally be less than 100% of the wage, although in exceptional circumstances 100% can be paid with the agreement of the provider’s DEEWR contract manager, and should typically be progressively reduced over its duration, which can be up to 26 weeks;
- Training funded through the EPF must be work-oriented;
- The EPF can be used for “reverse marketing” – which is a common provider activity (see below) – “where a vacancy does not exist”;

- The EPF can be used for post-placement support and mentoring to address issues which are likely to impact on the jobseeker’s ability to continue the job, but not to verify employment for the purposes of claiming an outcome fee;
- In the case of Stream 4 clients but not others, the EPF can be used to pay for rent (for up to four weeks; not for board with a family member), crisis accommodation, or other basic needs (Communicare Inc., 2011).

Through to end August 2010, about 36% of EPF expenditure was on Training and associated items, 19% on Self Employment and Wage Subsidy, 13% on Job Seeker Support Contact and Mentoring, 9% on Professional Services including Interpreters and 7% on each of Work Experience Group Activities and Equipment Tools and Clothing, and 9% on other categories.<sup>14</sup> DEEWR (2011a) lists different categories, reporting that the largest EPF categories in terms of the count of purchases through to January 2010 were Training (44%), Reverse Marketing (11%) and Wage Subsidy (8%), whereas for the ESC3 period as a whole 30% of the count of purchases were for Wage Subsidy. In the ESC3 period up to 2006, 29% of expenditure from the JSKA was on wage subsidies and 24% on training (ANAO, 2007).

The rationale for the introduction of the JSKA in 2003 was (DEEWR, 2007):

... as earlier research on Job Network has noted, there was a potential risk that providers would spend funds mainly on job seekers with better prospects of successful outcomes and would not adequately assist the more disadvantaged job seekers... The JSKA addressed this problem by providing Job Network members with funds which can only be used to purchase goods and services to assist job seekers into employment.

However, providers are not constrained as regards which jobseekers they should assist, and they continued to believe that the most disadvantaged clients were “too far from work” to benefit from JSKA expenditure (DEEWR, 2007). In practice, the key feature of the JSKA/EPF is that it is “quarantined”. This has several consequences:

- Expenditure from the JSKA/EPF has to be itemised on DEEWR’s IT system. This is a major cause of “red tape”.<sup>15</sup> DEEWR contract managers may rule that a particular expenditure item was not allowable. Providers can pay themselves from the EPF – for example, a JSA provider may purchase drug counseling for a client from its own professional services arm. However, providers must keep detailed documentation in the form of time sheets, log sheets, file notes, etc. of reverse marketing services (or other in-house professional services) to justify charging them to the EPF at hourly rates (ANAO, 2007; DEEWR, 2011b).
- The itemisation of EPF expenditure enhances DEEWR’s management information. Before 2003, jobseeker surveys were used as sources of information about providers’ expenditure patterns.
- The EPF reduces the “shadow price” of EPF-allowable items, with the result that providers are financed, albeit in a flexible way, partly in terms of certain input prices as well as outputs. For a provider who expects to have an unspent final balance in the EPF at the end of the contract period, the only cost of expenditure on EPF-allowable items is the cost of administration. Currently, providers’ shadow price for EPF-allowable items appears to be above zero but below the price of using their own funds.<sup>16</sup> Lowering the shadow price of “inputs” as perceived by the provider may be justified because outcome fees are below the full social value of an employment outcome,<sup>17</sup> and because inputs such as training result in long-term outcomes that may not be credited to the current provider.

- Excess profits are prevented. If the equivalent of the EPF were paid directly to providers, some providers might keep most of the funds as profit – even if this means they will have to close down at the end of the contract period, due to poor Star Ratings.

## The Job Seeker Classification Instrument, Job Capacity Assessment and Star Rating system

### *The Job Seeker Classification Instrument*

As documented at [www.deewr.gov.au/Employment/JSCI/Pages/JSCI.aspx](http://www.deewr.gov.au/Employment/JSCI/Pages/JSCI.aspx), the Job Seeker Classification Instrument (JSCI) is a points-based system for assessing jobseeker disadvantage used to allocate jobseekers to JSA streams (Stream 2 for 20 to 28 JSCI points, Stream 3 for 29 or more JSCI points). Individual factors within the JSCI score also act as triggers for referral to a JCA/ESAt or an additional service (the Language, Literacy and Numeracy Program, the Adult Migrant English Program, the early school leavers measure, or a Centrelink Social Worker).

Table 3.1 lists the 18 factors in the JSCI along with the source of information used for them. For a non-Indigenous jobseeker, the factors with the greatest weights are age and gender, with a score of 16 points for being a female aged 60 years and over; recency of work experience and jobseeker history, giving together 16 points for a person who has been unemployed on income support for at least 24 months, plus an additional point for a person with more than one spell and for a person who has recently received a crisis payment; disability/medical condition, up to 10 points; ESA location (state of the local economy) up to 7 points, and psychological/behavioural/personal circumstances, up to 7 points. The above variables are all scored mainly on the basis of routine Centrelink information or home address, administrative records, or a JCA/ESAt report (for high points on medical and other personal factors). Items scored directly from jobseeker answers to the JSCI questionnaire generate fewer points: up to 4 or 5 for homelessness, living circumstances (e.g. lone parent) and ex-offender status, and a maximum of 1 or 2 points for educational attainment and vocational qualifications, English proficiency, access to transport and phone contactability.

The JSCI was reviewed in 2009 (DEEWR, 2009c). Among the changes were:

- The addition of the Job Seeker History variable based on administrative records of registration and receipt of income support, and reintroduction of the Proximity to a Labour Market and Access to Transport factors (which had been present in early versions of the JSCI but were dropped for simplicity during the ESC3 period);
- Refined wording of questions and response categories, based on feedback from stakeholders and cognitive testing;
- Econometric analysis, which attributed weights to new factors and response categories and resulted in some changes in the weights on existing response categories.

The dependent variable used in the econometric analysis was the probability of remaining on income support for the following 12 months, for the complete sample of jobseekers registered in July 2007 (about 900 000).

A potential limitation when the JSCI is used to manage referrals to Stream Services is that the predicted probability of remaining unemployed may correlate only loosely with ability to benefit from a particular type of and/or intensity of assistance. The flexibility in the JSA model, allowing providers to assess needs and adapt interventions on an

Table 3.1. Jobseeker classification instrument factors and methods of scoring

Factor	Examples	Maximum points	Information source	Notes
Age and gender	Disadvantaged 15-19 years female; male 60 years and over	16	Routine information provided to Centrelink	Disadvantaged distinction introduced in 2009, applies only to teenagers
Recency of work experience	Main activity in last two years was parttime work	4	Jobseeker answers	
Jobseeker history	12-23 months on income support; 24 months and over on income support; more than one time on income support	14	Jobseeker's registration and benefit payment records.	Added in 2009, includes recent crisis payment
Educational attainment	Year 10/11	2	Jobseeker answers	
Vocational qualifications	No or not useful vocational qualifications	1	Jobseeker answers	
English proficiency	Good/mixed/poor English proficiency	2	Jobseeker answers	
Country of birth	Western Europe, Middle East, Central Africa	3	Routine information or jobseeker answers	
Indigenous status	Aboriginal and Torres Strait Islander, Declined to answer	5	Jobseeker answers	
Indigenous location	Points for particular ESA locations	12	Home address (ESA level)	Scoring of all ESAs by disadvantage level added 2009
Geographic	Points for ESA locations, based on the state of the local economy	7	Home address (ESA level)	
Proximity to a labour market	Metropolitan or inner regional	2	Home address (postcode level)	Reintroduced 2009
Access to transport	Own transport/public transport/no transport	2	Jobseeker answers	Reintroduced 2009
Phone contactability	Not contactable by telephone	2	Routine information	
Disability/Medical conditions	Hours per week work capacity; number of conditions; number of support needs	10	Jobseeker answers, supplemented where relevant by JCA report	
Stability of residence	Primary/secondary homeless	5	Jobseeker answers	
Living circumstances	Refers to lives alone/lone parent/with children	4	Jobseeker answers	
Ex-offender status	Sentenced for more than a fortnight	4	Jobseeker answers	
Personal characteristics	Other personal (own psychological/behavioural issues or domestic situation)	7	Jobseeker answers, supplemented where relevant by JCA report	

ESA: Employment service area.

JCA: Job Capacity Assessment (from 2010, Employment Service Assessment).

Source: DEEWR (2009), "Technical Description of the JSCI"; and DEEWR (2009), "Review of the Job Seeker Classification Instrument".

individualised basis, mitigates this potential problem, although it cannot entirely compensate for an allocation to the wrong point in the fee structure.<sup>18</sup>

In the JSA model, providers have a strong incentive to move jobseekers into a higher stream if possible, since this increases service fees, postpones the provider's obligation to deliver Work Experience Activities, and increases the outcome fee payable for any given outcome. Providers can readminister the full set of JSCI questions themselves and change a client's points for some items on IT system. They can also refer clients for a JCA.<sup>19</sup> Centrelink and DEEWR are able to monitor the frequency and outcomes of referrals for a JCA and the revisions of JSCI points implemented directly by providers, so that systematic "gaming" in terms of attributing high scores is likely to be detected.<sup>20</sup>

Providers frequently complain that Centrelink does not implement the JSCI adequately (the JSCI questionnaire should preferably be addressed in a face-to-face interview, but Centrelink sometimes does it by phone). DEEWR's Quality Assurance studies have consistently found that over 90% of the JSCIs completed are accurate in terms of recording jobseeker responses, irrespective of whether the JSCI is conducted by phone or as a face-to-face interview.<sup>21</sup> However, jobseekers' initial responses may be inaccurate. By some accounts, jobseekers with significant barriers – such as literacy/numeracy, homelessness, etc. – often do not "disclose" them in the initial JSCI interview, and subsequently provider interviews and their placement efforts "reveal" the barriers. Another issue is that 10% inaccuracy rates for newly-registering jobseekers may arise even when inaccuracy rates for the most-disadvantaged jobseekers are considerably higher.

Specialist providers surveyed by Flentje *et al.* (2010) most often reported that they had to get between 25% and 50% of their jobseekers reclassified. These high rates may arise because their intake processes take into account (more than the intake processes of non-specialist providers do) barriers that are not recorded on DEEWR systems. Further problems include:

- Although the JSCI includes 18 factors, the employability of individuals with a given JSCI score can still vary widely, for example because the same JSCI score is given for different levels of disability and factors such as motivation are not included.<sup>22</sup> Over time, clients with less-severe barriers leave unemployment so that a JSA provider's remaining stock of clients is on average more disadvantaged than indicated by JSCI scores.
- Providers query certain features of the JSCI. Mission Australia (2011) recommends that the JSCI categories should take into account the time since the person last worked, which can be different from the time unemployed. Almost one-third of its jobseekers initially assessed as Stream 1 by the JSCI had not worked for more than five years, or had never worked.<sup>23</sup>
- When a jobseeker is upgraded to Stream 4 following the outcome of a JCA, other actors (the JCA provider or Centrelink) may fail to adjust the relevant JSCI points, since they have no operational relevance. However, the jobseeker characteristics recorded on DEEWR systems are still used as inputs to the estimation of the provider's Star Rating.

DEEWR (2011a, Figure 11) shows the frequency distribution of JSCI scores for each of the JSA streams from July 2009 to January 2010. The distributions for Streams 1, 2 and 3 are distinct as expected (the Stream 1 frequency drops and Stream 2 cuts in at 20 points; the Stream 2 frequency drops and Stream 3 cuts in at 29 points), although a few percent of the JSCI scores in these streams are anomalous. The clients who were granted immediate

access to Stream 2 as a crisis measure<sup>24</sup> had a JSCI profile similar to Stream 1. About 20% of Stream 4 clients have a JSCI score below 20, corresponding to Stream 1. This reflects allocation to Stream 4 on the basis of a JCA independently of the JSCI score – and it helps to explain why some providers refer a large proportion of their Stream 1 clients for a JCA/ESAt.

### *The Job Capacity Assessment*

The JCA, introduced in July 2006, was used for a variety of purposes, primarily: to evaluate JSCI-identified barriers to work (33%), to evaluate the need for exemptions from Newstart and Youth Allowance (other) participation requirements (22%), and to evaluate Disability Support Pension (DSP) claims or reviews (26%). In 2006/07 about 450 000 referrals to a JCA were made and 375 000 JCAs were conducted. The JCAs resulted in referral of the client to JN in nearly 40% of cases, vocational rehabilitation or other disability employment services in nearly 40% of cases and the PSP in 20% of cases (Commonwealth Ombudsman, 2008). In 2008/09 over 50% of JCAs were carried out by Centrelink, nearly 30% by two other public-sector organisations CRS Australia and Health Services Australia (HSA Group), and the remainder by 15 non-government providers. The primary health professional was an accredited or registered exercise physiologist, rehabilitation counsellor, occupational therapist, physiotherapist, or psychologist in over 50% of cases, and was a social worker or “other” (which could include non-registered psychologists) in 33% of cases (Jackson, 2009).

Due to the high and rapidly-increasing number of JCAs conducted (from 375 000 in 2006/07 to 480 000 in 2008/09 and about 550 000<sup>25</sup> in 2009/10), as well as high and increasing unit cost (about AUD 250 in 2006/07 and AUD 330 in 2009/10),<sup>26</sup> the total cost of JCAs nearly doubled from AUD 94 million in 2006/07 to AUD 186 million in 2009/10. This exceeds the cost of a large active labour market programme<sup>27</sup> and is 8% to 9% of the total cost of the Public Employment Service and Administration function (including JSA, benefit administration, and labour market programme management) as recorded the *OECD/Eurostat Labour Market Programme Database* (see Annex 5.A1). Less than a third of the JCAs conducted in 2008/09 were used directly to assess new claims for Disability Support Pension or review entitlement for an existing claim.<sup>28</sup> In other OECD countries, often the public placement service employs medical staff to assess jobseeker capacity to work and which work is suitable, but this is probably a relatively much smaller expenditure item.

The DHS (2008) review of the JCA concluded that it was performing well in terms of Key Performance Indicators, quality and effectiveness: the government announced an increase in fees and strengthened quality assurance with a strong focus on ensuring comprehensive, fully-evidenced assessments. However by November 2009 another Strategic Review had been conducted (Jackson, 2009) and subsequently it was announced that from July 2010 Centrelink staff would decide on exemptions from participation requirements, and from July 2011 a revised assessment called the Employment Services Assessment (ESAt) would be implemented by health professionals within Centrelink for jobseekers, with JCAs used only to assess Disability Support Pension applications (Thomas, 2010). This Strategic Review, undertaken by the Finance department, was expected to generate savings of AUD 383 million over four years (Saunders, 2011). The implementation of this measure was subsequently brought forward with expected savings of AUD 623 million over five years, due primarily to an expected increase in the number of DSP claimants who receive the less-costly Newstart Allowance (Daniels *et al.*, 2011).

One motivation for the reform of the JCA was that employment-related referrals to a JCA raised jobseeker awareness of the DSP payment and this “is considered to partly explain the fact that, notwithstanding the tightening of eligibility for DSP since 2006, the numbers on DSP have continued to rise” (Jackson, 2009). Nearly 24% of jobseeker clients who had a JCA underwent two or more JCAs, and 36% of multiple JCAs were for clients who had applied for DSP after they had already had one or more JCAs. This implies that in 2008/09 about a quarter of all JCAs for a first claim of DSP had been preceded by a JCA for employment-service (JSCI or exemption-related) reasons.<sup>29</sup> The ESAt may reduce this tendency because it is conducted by Centrelink staff on Centrelink premises. There are two types of ESAt, the Medical Condition ESAt, which must rely on the available medical evidence to inform decisions regarding income support payments and to determine the level of participation required for activity-tested jobseekers, and Non-Medical Condition ESAt which focuses on determining the most appropriate service where no medical condition is identified – for example, a young person at serious risk of homelessness ([www.deewr.gov.au/Employment/Programs/Pages/ESAt.aspx](http://www.deewr.gov.au/Employment/Programs/Pages/ESAt.aspx), accessed 2 March 2012).

The abolition of Stream Services Reviews (see above) is likely to reduce the volume of referrals to JCAs/ESAts. Since assessments may result in an increase in the client’s JSCI score or transfer to a higher stream at no direct cost, providers still have an incentive to refer a high proportion of their clients. NESAs (2012) claimed that providers’ ability to trigger an ESAt had recently been removed; according to ALRC (2011), for jobseekers in Streams 1 to 3 providers can submit a “request for ESAt” form for DEEWR approval.

### ***Star Ratings***

The Star Ratings system is based on regressions similar in character to those used to estimate weights for the JSCI. However, for Star Ratings many separate regressions are conducted using different provider outcomes as the dependent variable. Most of the provider outcomes used correspond to the payment of a fee (e.g. “13 week pathway outcomes”) but some do not (e.g. “Time to Paid Placement”) (see Table 3.2). The main steps involved are:

- Using individual-level data, the outcome variable (e.g. “paid or not paid a 13 week pathway outcome”) is regressed on jobseeker characteristics<sup>30</sup> and local labour market conditions;<sup>31</sup>
- The performance measure is then the ratio of actual outcomes to outcomes predicted by the estimated equation. Performance at site level and at contract (ESA) level is a weighted average across all streams, using the weights in Table 3.2; and
- Star Ratings are based on the weighted average ratio of actual to predicted outcomes: five stars if performance is 40% or more above the average, three stars if performance is in the range of plus or minus 20%, and one star if performance is 50% or more below the average.

The Star Ratings system was reviewed by an expert reference group in 2008/09. As a result of this review, the composition of the explanatory variables in the regression analysis was modified, the system basing the ratings on fixed thresholds (40% above average, 50% below average, etc.) was introduced,<sup>32</sup> and “half star” rankings were removed so that there are now five possible rankings instead of nine.

Table 3.2. **Weightings used for JSA Star Ratings**

Percentages

	Stream 1 (overall weighting of 10%)	Stream 2 (overall weighting of 20%)	Stream 3 (overall weighting of 30%)	Stream 4 (overall weighting of 40%)
<b>KPI 1 efficiency</b>				
Time to paid placement <sup>a</sup>	12	–	–	–
Time to jobseeker being off benefit	6	–	–	–
Time to 13-week full outcome <sup>b</sup>	–	7	5	2
<b>KPI 2 effectiveness</b>				
Paid placements <sup>a</sup>	28	10	10	10
Jobseeker off benefit – non-payable placements	14	–	–	–
13-week full outcomes <sup>b</sup>	10	23	25	19
13-week pathway outcomes <sup>c</sup>	5	10	10	9
26-week full outcomes <sup>b</sup>	10	30	30	21
26-week pathway outcomes <sup>c</sup>	5	10	10	9
13-week bonus outcomes <sup>d</sup>	10	10	10	10
Social outcomes <sup>e</sup>	–	–	–	20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

– Zero.

- a. Placements refer to employment that is sustained for at least 50 hours.
- b. Full outcomes refer to employment outcomes sufficient to remove entitlements to income support, or participation in an educational programme.
- c. Pathway outcomes refer to part-time employment or participation in a less substantial educational programme.
- d. Bonus outcomes refer to placement in apprenticeships in occupational areas of skill shortage, employment outcomes attained within 12 months of completion of a qualifying training programme, and Indigenous outcomes.
- e. Social outcomes refer to participation in six months additional assistance in Stream 4 (15%) and the completion of a Work Experience Activity in Stream 4 (5%).

*Source:* Adapted from DEEWR (2008), “Request for Tender for Employment Services 2009-12”, available at [www.deewr.gov.au/Employment/EmploymentServicesProcurement/esc2009\\_12/Pages/home.aspx](http://www.deewr.gov.au/Employment/EmploymentServicesProcurement/esc2009_12/Pages/home.aspx).

Nearly 2 300 JSA sites across Australia have an overall Star Rating. Star Ratings at regional (ESA) level are also made available to providers, but not published (DEEWR, 2009a). The ratings probably identify good and bad performance, at the level of the 100 or more individual sites run by a large provider, more accurately at lower cost and with greater authority than provider management could do itself. The high level of detail gives DEEWR and the provider insight into performance that would be missed if performance were only assessed at provider level.

At the level of an individual stream, in June 2011 after two years of JSA operation still about 30% of ratings were not published because the numbers involved were too small to be significant. Performance results, starting with those for the period to June 2010, are published on the DEEWR website every three months.<sup>33</sup> However, results are based on outcomes over the entire contract period since 1 July 2009 when JSA began operations, and provide little information about performance over the last three or six months: a three-star performance level of +19% in June 2011 is unlikely to fall below -19% over the following six months, even if the site achieves no more outcomes.

Changes in the Star Rating framework as compared to the JN framework described in ANAO (2005, Table 7.2) include:

- Greater complexity, with 36 weights in Table 3.2 – taking into account the stream-level overall weightings and the two components of the Stream 4 social outcome weight – determining the overall Star Rating (previously only seven weights);
- Higher weighting on outcomes attained by the most disadvantaged jobseekers: 40% for those in Stream 4, compared with 10% for those in Stream 1 (previously, outcomes achieved after one year of unemployment or three years had the same weight);
- Higher weighting on 26-week outcomes as compared with 13-week outcomes (previously, 40% on 13-week outcomes, and 20% on 26-week outcomes);
- 10% weight on “bonus outcomes” which include training/apprenticeship outcomes (previously, there was a 10% weight on the disadvantaged jobseeker share in the 13-week outcomes);
- A weight on “social outcomes” for jobseekers who complete Stream 4 assistance (previously, “social outcomes” were paid for completion of two years in the PSP: Perkins, 2007).<sup>34</sup>

As mentioned in Chapter 2, the government announced some time ahead that most JSA providers in non-remote areas would have their current contracts renewed from July 2012, but the business of providers performing below average, *i.e.* with Star Ratings 1 and 2, would be offered to high-performing providers or put up for a new tender (see also DEEWR, 2011d).

### ***DEEWR contract management and the quality performance indicator***

DEEWR contract managers, working within a regional and national management structure, are each responsible for a number of sites. Their activities when visiting sites could include sampling EPPs; sampling documentation for, and discussing the nature of, expenditure from the EPF; checking how the site manager responds to a complaint transmitted through DEEWR’s customer contact number; and evaluating performance for different factors in the Key Performance Indicator 3 (KPI3) for “quality”. While the contacts are partly about supervision and evaluation, the KPI3 Factor 1, Organisational Health, is also described as a discussion and continuous improvement process that provides advice about good governance (see Chapter 2).

## **Incentive implications of the JSA funding model**

### ***Main model***

The JSA model changed provider incentives in several ways:

- The reward for achieving a short-term or 13-week placement during the first year of unemployment is (in the case of jobseekers referred to Stream 1) zero in the first three months of unemployment, and much lower than it was under JN for the next nine months. Even the relatively low (10%) weight on Stream 1 outcomes in the Star Rating system relates partly to outcomes that can only arise for the long-term unemployed in the WEPH. The recent experiences of Denmark and New Zealand, two other countries that greatly reduced their unemployment benefit caseload in

the 2000s, but also shifted the policy focus away from mainstream employment services for the regular unemployed and towards the hard-to-place, suggest this strategy can be risky because unemployment benefit claims more than doubled in 2009 and 2010.<sup>35</sup> Payments for Stream 1 performance could be linked to providers' impacts on short-term outcomes (which are already being measured by the Star Ratings, see Table 3.2) rather than gross placements. This might pay for itself, in terms of reductions in benefit expenditure.<sup>36</sup>

- The fee for achieving a 26-week employment outcome for the client group that previously was referred to PSP<sup>37</sup> (assuming that this client group is in JSA Stream 3 or 4 with an unemployment duration of more than 12 months) is several times higher than previously. For the client group of very-long-term unemployed, the fee was already high (*cf.* Davidson and Whiteford, 2012, Table 9), but the weight in Star Rating was not.
- The funding of WfD activities through the EPF does not support the previous volume and unit cost of this programme. Before 2009, referrals to WfD were made by Centrelink as part of its processes for implementing Mutual Obligation: neither Centrelink nor the JN provider had a clear incentive to take the cost of referrals into account, and the WfD provider was not involved in maximizing subsequent employment outcomes.
- JSA partly replaces fee differentiation by duration of participation in employment services with fee differentiation by stream, which is determined at the point of entry to unemployment. The previous incentive to delay placements until a client attracts a higher outcome fee has been reduced.<sup>38</sup> Another consideration may be that restrictions on access to inactive benefits have increased inflows of people who are short-term unemployed according to administrative records but need relatively intensive assistance. However, fee differentiation by stream creates an incentive for providers to coach clients into disclosing barriers or refer them for further external assessments that may increase the client's JSCI score and take them into a higher stream.
- Providers have a strong incentive to achieve a placement early in the WEPH, since then they can retain a large service fee and payment into the EPF without the cost of delivering Work Experience Activities in future years.

### ***Training***

Several features of JSA promote training and study outcomes:

- Early school leavers (ESLs, jobseekers who have not completed year 12) cannot be given job-search requirements and are required to participate in full-time study or training, or part-time study or training in combination with other approved activities (or other approved activities only if waiting for a study or training place). A full outcome is paid when an ESL or an Indigenous Australian participates in part-time employment which reduces but does not cancel their unemployment benefit payment, but is combined with part-time education (DEEWR, 2008a; 2009d).
- For providers, directing jobseekers to part-time study or reasonably cheap training avoids the need to provide more costly forms of Work Experience Activity. Training may be relatively cheap primarily because *i)* as discussed elsewhere, WfD projects require full-time supervision and the traditional type of off-site project is now regarded as relatively expensive; *ii)* fewer total hours of Work Experience

Activity are required in the case of accredited training,<sup>39</sup> and *iii*) jobseekers can participate in externally-funded training.<sup>40</sup>

- A 20% bonus is added to an outcome fee paid after the completion of relevant vocational training, and the Star Rating system gives some weight to this type of training outcome and to placements into apprenticeships.
- Placements into an apprenticeships and traineeships count as a full outcome. Placements into eligible education attract a lower pathway outcome fee.<sup>41</sup>

JSA providers recorded many jobseeker completions of training through the Productivity Places Program (PPP) following on commencements in 2008 when PPP was federally-managed, but fewer completions since then (see Chapter 5 for further discussion of PPP statistics).

## Providers' operational strategies and operating environment<sup>42</sup>

### *Office and staff structure*

Provider offices (which are individual sites, in the Star Rating system) can be small – with for example a reception desk, waiting area and one or two client interview desks, and a separate waiting room and back office, two staff and a part-time manager. But in urban areas some can be relatively large, with a row of desks, a training room, multiple computer terminals and several other meeting rooms and ten or more staff on the premises. Offices may be co-located with a training centre, New Enterprise Incentive Scheme (NEIS) provider and various other employment-related services that are part of the same – or a different – organisation.

Larger offices may employ a receptionist, or have junior counselling staff playing this role. Counsellors can represent up to 80% of staff at an office. Larger offices tend to have one “reverse marketer” for every five or six counsellors, whose role is to find undeclared job vacancies in the local economy or, more often, persuade an employer to create a vacancy suitable for a particular jobseeker client.<sup>43</sup> This structure may be favoured because it allows *de facto* funding of a regular staff position through the EPF rather than the provider's own funds.

### *Operational strategies*

Counsellors implement the minimum schedule of monthly or two-monthly interviews with clients as specified in the JSA contract, revising the individual's Employment Pathway Plan (EPP) and “casenoting” the interview on the IT system. Most providers will do something beyond the minimum, for example:

- administer an in-house questionnaire that is more detailed than the JSCI to determine detailed client needs and aspirations;
- refer the client to provider-designed group induction and job-search training sessions;
- get clients to agree (include in their EPP) to relatively frequent job search, or attendance twice a week for search using the provider's resource room;
- schedule interviews fortnightly (*i.e.* more frequently than the contractual minimum) since maximising contact with clients contributes to outcomes, and allows the contractual minimum of contact to be attained despite client failure to attend.

Disney *et al.* (2010, Table A3) report that JN in 2008/09 and JSA in 2009/10 scheduled 6.7 million and 8.95 million appointments respectively. This was around 10.5 times the average stock of JN/JSA clients in 2008/9 and 12.3 times in 2009/10.<sup>44</sup> However, the number of appointments actually attended in 2009/10 averaged about 7.1 per person in the registered JSA caseload. Because approaching 40% of the JSA caseload is voluntary, exempt or suspended (see below), these statistics would be roughly consistent with an average of about one appointment attended per month by active jobseekers with a participation requirement, and one appointment attended every four months by people in the voluntary, exempt and suspended JSA caseload, with little evidence that providers achieve much above the required minimum level of contacts.

Some providers decided from the outset of the JSA contract to devote minimal resources to the Stream 1 client group (in the first year of unemployment), due to the low placement fees and low (10%) weight given to Stream 1 performance in the Star Ratings.

Counsellors use the EPF for Stream 2 to Stream 4 clients to overcome minor barriers to employment – for example, to buy work boots or finance a two-day safety training certificate for a construction worker. They may compete in terms of wage subsidy offers to place their client with an employer who has a suitable job vacancy,<sup>45</sup> but they usually have to get the employer to sign a commitment to continuing employment. In some cases a counsellor might wait until a client has finished training or his/her personal circumstances have stabilised, and then refer him/her to the reverse marketer to identify a possible vacancy. During the first 26 weeks after placement, the counsellor may call the client or the employer occasionally to check whether the placement is continuing satisfactorily.

Provider strategies for creating Work Experience Activities are varied. Providers regard EPF funding as too low to support the implementation of WfD projects with a full-time supervisor off the provider's site according to the former model (*e.g.* restoring park facilities, or documenting local history). However, some providers still implement building projects or similar work experience. Providers may also set up collective activities on their own premises, or co-operate with a training provider to create low-cost training. They consider that hardly any publicly-financed training is suitable for their WEPH clients.

Counsellors and office managers have clear views on the employability of their caseloads – for example, they may regard only a quarter of their Stream 2 and 3 caseload as immediately employable, or consider that a quarter of their Stream 4 caseload will never be employable – but are ambiguous about the impact of employment services. Some staff say many people are not employable and services will make no difference to this, but managers may well claim that they are achieving significantly higher outcomes for disadvantaged clients than in the past.

### ***Provider caseloads, exemptions and suspensions***

Jobs Australia (2011) states that the JSA contract has undeniably resulted, in number of cases, in too many providers servicing some ESAs, and lists ten ESAs which have four to seven providers and an average of less than 1 000 jobseekers per provider. Tenderers did not know in advance how many providers DEEWR would offer business to in a given area, and much of the increase in unemployment that was expected in early 2009, when the offers were made, did not occur. Specialist JSA providers have found the first half of the contract period particularly difficult, since not only did they have lower-than-anticipated caseloads but also referrals to them were varying combinations of jobseekers targeted by their service and general jobseekers (if not enough clients with special needs volunteer,

Centrelink refers general jobseekers to specialist providers to maintain market share), resulting in strain on their service delivery model and inefficient use of specialist expertise.

Jobseeker exemption and suspension rates are key determinants of the number of jobseekers that are active with a provider, in terms of qualifying for the payment of service fees, or the provider being able to deliver services<sup>46</sup> in order to achieve a payable outcome. Statements and statistics on this topic are confusing owing to inconsistent use of terms such as “jobseeker” (which may or may not include “exempt” and “suspended” benefit recipients) and “suspended” (which may or may not include “exempt”), and variable subcategories,<sup>47</sup> different algorithms used for extracting administrative data, and the complex structure of the JSA caseload. However, in a relatively precise use of these terms, a distinction can be made between the “exemption” or “meeting participation requirement” status of activity-tested benefit recipients as determined by Centrelink, and the “suspension” status of all people who are registered with a JSA provider.

“Exemptions” are waivers of participation requirements for a specified period of time. Reasons for exemption include (but are not limited to) temporary illness, injury or disability, caring responsibilities and a range of special circumstances including expectant mother, major personal crisis and domestic violence. There are also Centrelink clients who are not required to search for work, often for relatively long periods, because they are meeting participation requirements under Social Security Law, for example by participating in training, study, part-time work or other approved activities. The distinction between people who are “meeting participation requirements” and those who are exempted from requirements is not clear-cut: a single mother raising four children or a handicapped person working eight hours per week are exempted from the standard requirement to be available for full-time work, but are meeting requirements adapted to their personal circumstances.

“Suspension” refers to a situation where a client is registered with a JSA provider, but a service fee is not being paid and the client is not actively engaged with the provider. In the JSA contract, providers can apply suspensions from their active caseload without fully exiting the client, which was not the case in the JN contract period. Neither Centrelink nor DEEWR determine JSA suspensions in individual cases, but DEEWR may supervise providers’ general compliance with guidelines in this area through statistical monitoring and its network of contract managers. Generally clients are suspended when they:

- have been granted an exemption or are meeting participation requirements as determined by Centrelink: in these cases, an unemployment benefit may often still be payable;
- have a “provisional exit” applied (see the discussion of this status below): in this case, unemployment benefit payments would typically cease;
- are participating in JSA as volunteer, but choose not to participate for a specified period of time (JSA volunteers may be on DSP without a participation requirement, or not on any benefit).

However, periods of exemption, work, reduced work capacity, or other situations without job search as determined by Centrelink do not automatically result in suspension:

- because service fees are paid for 13-week periods, one or two fortnights without a job-search requirement as determined by Centrelink will typically not prevent the next payment of a service fee to the JSA provider;

- although a regular pattern of fortnights without a job-search requirement will usually result in suspension, some jobseekers continue active engagement with their provider on a volunteer basis even when this is not a requirement.

The service fee and the possibility of achieving a paid outcome give providers an incentive to encourage continued participation on a voluntary basis even when the job-search requirement is not applied by Centrelink. However, the Star Rating system and the limits on a provider's market share may also give providers an incentive to exit volunteers who are unlikely to achieve a paid outcome due to their frequent non-attendance.

“Provisional exits” are particular case of suspension from JSA. Providers should apply a provisional exit when a client is in employment, and they expect this employment to result in a full outcome.<sup>48</sup> On 31 May 2011, 26 167 JSA clients had a status “provisional exit: jobseeker has commenced employment or education but is yet to achieve a 13 week outcome” (SSCEEWR, 2012a).<sup>49</sup> However, some clients could be employed but not provisionally exited because the provider does not expect a full outcome to result, and some clients may volunteer to stay engaged during the provisional exit period.<sup>50</sup>

Around 20% of the JSA caseload are suspended from JSA. Disney *et al.* (2010, Table A1) report that in the fourth quarter of 2009/10 (*i.e.* the second quarter of 2010), temporarily suspended and exempt jobseekers represented 25% of total jobseekers. In March 2011 only 21.5% of all jobseekers (166 000 in a total of 774 803) were suspended, and of these 82 208 or 49% were suspended for work or study-related reasons. Of the suspended JSA caseload, about 15% have a Centrelink-applied exemption due to temporary illness or injury.<sup>51</sup> Another 15% is suspended due to a determination by a JCA/ESAt that they have a work capacity of less than 15 hours per week, either temporarily for a given period or currently and into the future (SSCEEWR, 2012a).<sup>52</sup>

As JSA providers see it, “suspended job seekers” are mainly those with individual circumstances which prevent participation in JSA such as temporary illness or injury, recently subject to domestic violence, or caring responsibilities, and generally “the reason a job seeker is suspended is the same reason that they are finding it difficult to gain employment” (Flentje *et al.*, 2010). According to Jobs Australia (2011), suspensions are particularly high among Stream 4 jobseekers, and providers are penalised by suspensions because “circumstances beyond their control prevent them from working with job seekers they are contracted to support, and from accessing others in their stead with whom they could work”. In the latter statement, provider concern appears to refer to people for whom a service fee is still being received but with poor prospects of achieving a paid outcome.

Mission Australia (2011) recommends “Remove suspended job seekers from the responsibility of JSA providers, allowing staff to concentrate on commenced and pending job seekers”. However Job Futures (2011) suggests that jobseekers participating in a complementary programme (such as the Australian Apprenticeships Access Program or National Green Jobs Corps, see Chapter 5) should be “dual serviced”, continuing contact with their JSA provider rather than being suspended, because difficulties in re-engaging clients after training discourage referrals to the training. NESA (2011) suggests that jobseekers who are temporarily exempt from job search due to medical conditions should in some cases still be required to participate in preparation for work. TSAEP (2011) also argues for a general reduction in avenues for suspension of older workers (see below).

Systematic provider contact with groups that are currently suspended from JSA would tend to need specific funding, which could perhaps be automatic for certain target groups, or flexible in the sense that contacts with suspended jobseekers are allowable activities for the EPF. NESA (2011) notes that all suspensions require monitoring to ensure that the

status of clients has not changed, and calls for the introduction of a general administration fee to cover the cost of the managing jobseekers during suspension periods (except for provisional exits, *i.e.* clients in the first months of a new job) during which service fees are not claimable.

The proportion of unemployment benefit recipients who are not jobseekers, according to Centrelink administrative data, is reported as about 50% in Labour Market and Related Payments (LMRP) Monthly Profile data (see Table 4.4 in Chapter 4, and Davidson and Whiteford, 2012) and 55% in FaHCSIA (2011, Table 35).<sup>53</sup> Likely reasons for the apparent discrepancy between the 20% rate of suspension (including suspensions due to exemptions) from the JSA-registered caseload and much higher share of non-jobseekers in the data relating to unemployment benefit recipients are:

- About 11% of unemployment benefit recipients are not registered with JSA.<sup>54</sup> Centrelink does not normally refer a person with exempt status (*e.g.* ongoing personal crisis) or who is meeting their participation requirements (*e.g.* a principal parent carer working enough hours to meet participation requirements but still receiving some benefit payment) to a JSA provider.
- In November 2010 about 67 000 NSA clients, over 10% of the total, were registered with a DES provider (DEEWR, 2011i), and they are not statistically classified as “jobseekers”. In legal terms the NSA requirements still apply to them and their EPP (agreed with the DES provider) may include independent job search, so the exclusion of this group from the “jobseeker” category is a restrictive statistical treatment.
- A large proportion of Youth Allowance (other) clients are in training or education (see Table 4.4 in Chapter 4), but many of them may be registered with JSA and not suspended: they may still have compulsory job-search requirements in their EPP.
- Jobseekers who are on an activity-tested payment, and are registered with JSA and not suspended, may still have a Centrelink “exempt” or “meeting participation requirements” status, for reasons mentioned above.
- The JSA-registered caseload includes people who are not on an unemployment benefit, including volunteers who do not have participation requirements (about 13% of the total, see Table 3.6 below).

The percentage of unemployment benefit recipients classified as jobseekers has declined through each employment service contract period. In 1997 and 1998, 90% of unemployment benefit recipients were classified as jobseekers. From 1999 to 2002, following the introduction of the Job Network in 1998, the jobseeker share was much lower at around 75%. In 2003, the first year of ESC3, the active share briefly increased to slightly 78%, but it then declined to 48% in 2005 and 45% in 2008 (Davidson and Whiteford, 2012, Table 5).<sup>55</sup> In July 2009, the first month of the JSA contract period, the jobseeker share jumped back up to 70%. This is likely to be because “the transitional arrangements ‘restarted the clock’ for many jobseekers” (Davidson and Whiteford, 2012).<sup>56</sup> However, the share declined again to 51% by July 2011 (see Table 4.4 in Chapter 4).<sup>57</sup> Although the total unemployment benefit caseload fell over this period, based on the percentages cited, the number of non-active-jobseekers on unemployment benefit rose from about 90 000 in 1997 and 1998 to 150 000 in 1999-2003, 250 000 in 2004-09 and 330 000 in 2011 (Table 4.4; Davidson and Whiteford, 2012). Note that this includes people in education, training and other programmes, and voluntary/part-time work, who are active in the sense that they are already studying or working, but not in the sense that they are required to search for work (or for more work).

## Placement performance and Star Rating outcomes

### *Placement performance*

Administrative data for JSA paid placements and paid outcomes are only available from scattered official statements. JSA achieved more than 449 000 placements through to end August 2010 and more than 850 000 by about end June 2011.<sup>58</sup> These figures probably relate to effective periods of about 11 months and 21 months respectively, since in first three months of JSA official data related to outcomes achieved under the Job Network (DEEWR, 2010b). The rate of placements is considerably lower than the total 638 000 paid placements in 2005/06 and 645 000 in 2006/07 reported in JN “Performance Profile” publications at the time. However, in JN placements were paid in the first three months of unemployment (which is now not the case for Stream 1 unemployed) and some paid placements were made by Job Placement Licensed Organisations, which have now been abolished.

Through to end March 2011, JSA recorded 252 259 13-week outcomes (Table 3.3). The number of outcomes from Stream 4 was less than 20% of the number from Stream 2. In early 2010 the stock of jobseekers in Stream 4 of the JSA caseload was slightly below half the number in Stream 2, but it subsequently increased to well above half of the stock in Stream 2 (note that the paid outcomes reported include outcomes achieved both before and after early 2010). Clearly, the rate of paid outcomes per person in the JSA caseload has been much lower for Stream 4.<sup>59</sup> This is in line with previous experience that exit rates for jobseekers in an identified high-disadvantage category are several times lower than for jobseekers with only moderate disadvantage identified.<sup>60</sup> DEEWR (2011d) states that “... employment outcomes for the most disadvantaged job seekers (Stream 4) are up to 50% higher than the former Personal Support Program”.<sup>61</sup>

Table 3.3. **Caseloads and paid employment outcomes by JSA stream**  
Levels and percentages

	Stream 1	Stream 2	Stream 3	Stream 4	All streams <sup>a</sup>
<b>JSA caseload</b>					
July 2009	157 713	66 246	92 078	34 094	350 131
January 2010	222 279	190 670	164 484	84 805	662 238
Active, 31 March 2010 <sup>b</sup>	201 695	173 505	133 856	81 652	590 708
Fully eligible, 31 August 2010 <sup>c</sup>	161 862	244 864	205 406	144 746	756 878
31 March 2011 <sup>d</sup>	152 700	149 410	127 580	112 166	541 856
<b>Paid outcomes from 1 July 2009 to 31 March 2011</b>					
13 weeks	1 286	163 095	59 698	29 180	253 259
26 weeks	643	99 944	31 810	13 400	145 797

- Not including Stream 1 (Limited).
- Active caseload does not include jobseekers who are “suspended” *e.g.* due to illness or part-time work.
- Fully eligible caseload, streams including the Work Experience Phase.
- The source for this line probably refers again to “active” jobseekers [*cf.* Disney *et al.* (2010), “Independent Review of the Job Seeker Compliance Framework: A Report to the Parliament of Australia”, Table A1].

*Source:* DEEWR (2011), “The Impact of the Global Economic Downturn on Job Services Australia”, July 2009-January 2010; SSCEWR (2011), “Questions on Notice EW0165\_11. JSA”; SSCEWR (2011), “Questions on Notice EW0532\_11. Job Seeker Assistance Data”; and SEEWRLC (2011), “Estimates: Tuesday, 31 May 2011”, Official Committee Hansard.

In the 1980s, the number of unemployment benefit recipients was about 80% of labour force survey unemployment, but since 1994 the ratio has usually exceeded 100%, except in the recession years of 2001 and 2009 when LFS unemployment rose more rapidly than the benefit recipient numbers (Davidson and Whiteford, 2012, Figure 6). The ratio then recovered to 109% in 2010/11 (Table 3.4). This is probably because a significant proportion of the short-term unemployed are not benefit recipients.<sup>62</sup> At the same time, as discussed above, around half those on unemployment benefit are not statistically classified as jobseekers.

Table 3.4. **Unemployment payments and labour force survey unemployment**  
Levels and ratios

Fiscal year	ABS unemployment <sup>a</sup>	Unemployment benefit recipients <sup>b, c</sup>	Ratio of benefit recipients to ABS unemployment
	Thousands		Ratio
2002/03	613.5	648.6	1.06
2003/04	570.1	614.6	1.08
2004/05	537.3	587.0	1.09
2005/06	527.4	559.2	1.06
2006/07	490.6	541.4	1.10
2007/08	473.1	500.1	1.06
2008/09	567.5	548.7	0.97
2009/10	636.2	669.7	1.05
2010/11	602.5	656.5	1.09

a. Unemployed aged 15 to 64, ABS series ID A2426041K.

b. Recipients of Newstart Allowance and Youth Allowance (other).

c. In addition to people on an unemployment payment, there are about 130 000 recipients of Parenting Payments with child ages that normally imply a job-search requirement (although this figure includes many who are exempt for another reason, or are working part-time) (see Table 3.6).

Source: ABS (2012), "Catalogue 6202.0 – Labour Force, Australia"; DEEWR Labour Market and Related Payments; and [www.deewr.gov.au/lmip/](http://www.deewr.gov.au/lmip/) – Job Services Australia data.

Although at first sight the number of people on an unemployment benefit has grown in line with LFS unemployment, in 2011 there were also about 130 000 Parenting Payment recipients with child ages that normally imply a job-search requirement (although this figure includes many who are exempt for another reason, or are working part-time). If they are counted as unemployment benefit recipients, the ratio of unemployment benefit recipients to LFS unemployed is about 1.27. This is relatively high in international comparison. Similar ratios that arise in Ireland and Finland are probably related to low levels of job-search monitoring and job search among the unemployed (Duell *et al.*, 2009). In Australia, the high ratio is expected given that some unemployment benefit recipients do not have job-search requirements and some who do have job-search requirements are in part-time work (see Chapter 4). In principle, only active jobseekers with zero hours of work are LFS unemployed.

Table 3.5. Features of the June 2011 Star Ratings

<b>Sites by JSA stream<sup>a</sup></b>	Sites with a rating	One-star and five-star ratings (percentage of all ratings)
Stream 1 rating	1 350	38.9
Stream 2 rating	1 622	9.4
Stream 3 rating	1 766	19.9
Stream 4 rating	1 582	17.6
JSA overall rating	2 247	6.3
<b>Number of sites by JSA overall star rating</b>	Sites	Percentage of all sites
1-Star rating	37	1.6
2-Star rating	443	19.7
3-Star rating	1 335	59.4
4-Star rating	327	14.6
5-Star rating	105	4.7
Total	2 247	100.0
<b>Ten largest providers in terms of number of sites</b>	Sites	Average JSA overall star rating
Job Futures Ltd	183	2.79
Jobfind Centre	128	2.85
MAX Employment	119	3.39
Salvation Army Employment Plus	117	2.93
Mission Australia Employment Services	96	3.31
Campbell Page	85	2.99
Sureway Employment and Training	81	3.42
ITEC Employment	76	2.50
Joblink plus	58	2.91
Tracy the Placement People	58	3.03
<b>Specialist sites by specialisation</b>		
Culturally and linguistically diverse migrants and refugees	26	3.04
People with a disability	112	3.06
Youth	24	2.71
Youth at risk	93	2.57
Mental health	14	2.57
Indigenous Australians	162	2.80
Homeless or at risk of homelessness	26	2.50

JSA: Job Services Australia

a. The average ratings for each stream, as well as for the JSA overall rating, are three by construction.

Source: DEEWR (2011), “30 June 2011 Job Services Australia Star Ratings”, available at [www.deewr.gov.au/Employment/JSA/PerformanceFramework/Pages/JSAstarratings.aspx](http://www.deewr.gov.au/Employment/JSA/PerformanceFramework/Pages/JSAstarratings.aspx).

### ***Star Rating outcomes***

Features of the June 2011 Star Ratings (Table 3.5), which relate to cumulative performance in the first two years of JSA operation, are:

- Only 1 350 (60%) of the total 2 247 sites were rated for Stream 1 performance, probably because sites with high scores on the Geographic, Proximity to the Labour Market and Indigenous Location factors of the JSCI have few Stream 1 clients (see Table 3.1). Nearly 30% of sites had no Stream 4 rating but did have an overall rating.
- In nearly 39% of sites that have a Stream 1 rating, the rating is 1 or 5. This probably reflects the decisions by some providers but not others to devote minimal resources to Stream 1. Since a rating of one implies performance 50% or more below average and five implies 40% or more above average, the differences in performance are large.<sup>63</sup>
- About 20% of sites had an overall Star Rating of one or two (average Stars about 1.9, and average outcomes around 65% of the predicted level) and 20% had an overall Star Rating of four or five (average stars about 4.2, and average outcomes around 133% of their predicted levels). This means that the top 20% of sites achieved (regression-adjusted) outcomes twice as high as the bottom 20%.<sup>64</sup> Considering the ten largest providers by number of sites as shown in Table 3.5 – each provider having about 100 sites – and their average across all their sites, performance variability is much lower: the top two of these large providers have an average rating of 3.4 and the bottom two have an average rating of 2.65, implying that the top two out of these ten achieved (regression-adjusted) outcomes about 25% higher than the bottom two. This should probably be seen as a fairly low range of variation, suggesting that the variability of performance has declined as compared to the early years of the Job Network.<sup>65</sup>
- Job Futures which includes many specialist sites, Jobfind which has many remote sites, and ITEC Employment which operates sites that are scored in the Indigenous Location factor of the JSCI (sites with a high Community Development and Employment Project (CDEP) component and Disadvantaged Labour Market component, half of them in the Northern Territory) all had below-average ratings.

Providers specialised in culturally and linguistically diverse migrants and refugees and People with a disability have slightly above-average Star Ratings. However, those specialised in youth at risk, mental health and homeless or at risk of homelessness have particularly low ratings. The general reason for the lower ratings is the low level of outcomes achieved, but research should investigate whether the low ratings could also be partly caused by mismeasurement of client characteristics. Flentje *et al.* (2010) report that specialist providers are getting from 25% to 50% of their clients reclassified, which suggests that their initial intake is probably selected on unobservables, which could in turn bias the Star Ratings (see the discussion of selection effects and unobservables in Chapter 5). This is unlikely to concern all specialist sites and indeed, 7% of specialist contracts achieved four or five stars in the December 2011 Star Ratings, but it could be an issue for the sites that serve the hardest-to-help. Data for the incidence of JSCI revisions (changes of circumstances) or rates of exemption by Centrelink at site level might provide a basis for estimating and correcting such a bias.

Specialist providers might also be suffering from issues of operational effectiveness (*e.g.* referrals of general jobseekers which disrupt their operations, as mentioned above) or

perhaps negative labelling of clients. Job Futures (2008) highlights some other issues that could bias Star Ratings, such as:

- Poor labour market conditions that are too localised to appear in the available unemployment data; and
- High transfer rates that can result in jobseekers being counted in the denominator for calculating the outcome rate when they are no longer available.

However, the Australian Government argues that:

- If poor labour market conditions were too localised to appear in the available unemployment data, this would equally affect all providers in the same detailed location. In practice, providers in the same location have varied Star Ratings: for example, Ararat County in Victoria has a five-star, a four-star, a three-star and a two-star site.
- Providers are not disadvantaged in the Star Ratings by high transfer rates. The Star Rating model's statistical regression methodology accounts for the time that a jobseeker was in assistance at a site (in addition to many other jobseeker and labour market characteristics), so if a jobseekers spend a short period of time at a site before being transferred, the expected number of outcomes at the site is correspondingly lower.

### JSA client groups

In June 2011, approximately 76% of JSA clients were on an unemployment benefit (Newstart and Youth Allowance – other), 11% were Parenting Payment (PPs and PPs) recipients with child ages that usually imply participation requirements, and 13% were voluntary registrants receiving a Parenting Payments with a younger child or Disability Support Pension (DSP) (2%) or another allowance or no allowance (11%) (Table 3.6).

The lower parts of Table 3.6 present estimated breakdowns of the JSA caseload by type of participation requirement, and by remote/non-remote status. These estimates are approximate because they use published information that does not relate exactly to June 2011, and an uncertain estimate for how many of the Parenting Payment recipients in the JSA caseload have a child aged less than six and thus do not have a participation requirement but are registered with a JSA provider on a voluntary basis. Note that in Table 3.6:

- The breakdown by type of participation requirement takes into account only primary determinants of modifications to participation requirements, as listed in the table, *i.e.* early school leaver status; older worker, partial incapacity, and sole parent status, among people on Newstart Allowance; and the age of youngest child for Parenting Payment recipients. More detailed factors, such as the exemption for PPs recipients with four or more children irrespective of child age, are not taken into account.
- Exemptions and suspensions by Centrelink for reasons such as temporary illness or participation in training are also not taken into account. If they were, the reported proportion of the JSA caseload that has a “standard” participation requirement (notably, a requirement to be available for full-time work, and to participate in Work Experience Activities if the unemployment spell continues into the WEPH) would be below the 42% shown.

- The category “without participation requirements (voluntarily registered)” includes only people who do not have a participation requirement in terms of the primary determinants listed in the table (see the examples above), and are registered with JSA. It does not include, for example, people who are on an unemployment benefit with regular participation requirements but are temporarily exempted or suspended by Centrelink (see the examples above), but continue to be registered on a voluntary basis.

### *Voluntary registrants in JSA Stream 1 (Limited)*

Table 3.6 estimates that about 10% of JSA clients do not have a participation requirement and the majority of them are non-allowees. People who are not full-time students, are not an overseas visitor or student, and are not working for 15 or more hours per week (with an exception if they are still receiving an income support payment), can be registered by JSA providers as Stream 1 (Limited) participants. In the case of walk-in clients, JSA providers should also first determine whether the person is already receiving an activity-tested Centrelink payment (or is likely to qualify for one). If so, the provider should refer them to Centrelink and if not, the provider can register them into Stream 1 (Limited) directly. Providers are paid a fixed fee of AUD 63 for registration of Stream 1 (Limited) participants, a maximum of one time per person over the 2009-12 contract, and Stream 1 (Limited) participants are removed from DEEWR’s IT systems 90 days after commencement. These administrative arrangements may imply that people who are not entitled to an “active” benefit and who have been unemployed for more than three months are not generally listed on the caseload of a JSA provider. About 20 000 people, nearly all with an unemployment duration of less than 12 months according to administrative records, were in Stream 1 (Limited) on 31 August 2011 (SSCEEWR, 2012b).<sup>66</sup>

Table 3.6. **Particular categories of JSA clients, June 2011**

Levels and percentages

Type of benefit or other category	Centrelink Allowance caseload	Job Services Australia caseload	
	Total	Total	Percentage of total
Youth Allowance (other)	85 972	83 991	11.2
Newstart Allowance	559 797	488 452	65.2
Parenting Payment Single (PPs)	326 211	78 154	10.4
<i>Of which: with youngest child aged 6 or 7 or more<sup>a</sup></i>	110 000		
Parenting Payment Partnered (PPp)	117 751	11 673	1.6
<i>Of which: with youngest child aged 7 or more<sup>b</sup></i>	24 000		
Disability Support Pension	798 269	6 151	0.8
Other allowance and non-allowee	–	80 786	10.8
<b>Total</b>	<b>2 022 000</b>	<b>749 207</b>	<b>100.0</b>
<b><i>Of which, by type of participation requirement</i></b>			
Youth Allowance (other) early school leavers (ESL), subject to education but not employment participation requirements		48 000 <sup>c</sup>	6.4
Newstart mature age (50 or more), exempt from Work Experience requirements <sup>d</sup> and able to satisfy requirements through part-time or voluntary work from age 55		119 000 <sup>e</sup>	15.9
Newstart and Youth Allowance (other) with reduced hours requirement due to partial disability		95 000 <sup>f</sup>	12.7
Newstart Allowance with part-time participation requirement due to sole parent status		22 000	2.9
PPs with part-time participation requirement		70 154 <sup>g</sup>	9.4

Table 3.6. Particular categories of JSA clients, June 2011 (continued)

Type of benefit or other category	Centrelink Allowance caseload	Job Services Australia caseload	
	Total	Total	Percentage of total
PPs without participation requirement		8 000 <sup>h</sup>	1.1
PPp with part-time participation requirement		9 173	1.2
PPp without participation requirement		2 500 <sup>i</sup>	0.3
<b>Subtotals by type of participation requirement</b>			
With standard participation requirements		288 443	38.5
With modified participation requirements (including ESL and mature age: before exemptions or suspensions)		363 327	48.5
Without participation requirements (voluntary), Total		97 437	13.0
<b>Subtotals by remote location</b>			
Remote location		32 000 <sup>j</sup>	4.3
Non-remote location		717 207	95.7

ESL: Early school leaver; JSA: Job Services Australia; PPp: Parenting Payment Partnered; PPs: Parenting Payment Single.

- a. Estimated number of participants with child ages that qualify them for participation requirements. Among the 23 000 PPs recipients with youngest child aged 6, an estimated 11 000 (those whose claim started before 2007) are exempt until their child turns 7.
- b. Estimated from data for PPp by age of youngest child in SLCEEWR (2008), “Questions on Notice EW137\_08”.
- c. In September 2010, 62% of Youth Allowance (other) recipients were ESLs [SSCEEWR (2011), “Question on Notice EW0536\_11”]. The percentage among JSA registrants may be somewhat lower: Boystown (2010) reported that 44% of its youth caseload were ESLs.
- d. Although they are exempt from work experience requirements, many individuals in this age cohort participate voluntarily.
- e. Estimate regrouping statistics for the 45-54 year age group. Note that Newstart Allowance recipients aged 55 or more also have only a part-time or voluntary work participation requirement.
- f. Data refer to 2009. The estimate is about three times the inflow to Newstart with partial capacity to work (15 to 29 hours) in 2006/07 [see DEEWR (2008), Welfare to Work Evaluation Report]. Some people in this category may also appear in the other categories.
- g. Data refer to 2009.
- h. Assumes that about 4% of the 200 000 PPs recipients without a participation requirement are registered with JSA on a voluntary basis. A significant proportion of the JSA PPs recipients aged under 20 (766 in December 2011: data from [www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip) accessed 26 January 2012) and aged 20 to 24 (3 412 in December 2011) are likely to have a youngest child aged less than six and thus, be registered on a voluntary basis.
- i. Assumes that about 50 000 PPp recipients have a youngest child aged less than 7 and 4% of them are registered with JSA on a voluntary basis. In 2007, PPp recipients had a slightly older child-age profile than PPs recipients (Fok and McVicar, 2011) and this difference is expected to increase through time.
- j. DEEWR (2011), “The Future of Remote Participation and Employment Servicing Arrangements: Discussion Paper”, states that as of 31 March 2011, there were over 32 000 jobseekers registered with JSA in remote Australia. The JSA registration rate for the Indigenous population is four times higher than the rate for the non-Indigenous population, but less than 30% of the remote-area population is Indigenous [AIFS (2011), “Families in Regional, Rural and Remote Australia”].

*Source:* For the non-estimated data, [www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip) accessed September 2011, with advice from DEEWR updating the JSA caseload data including “Other allowance”; for the estimated data, Boystown (2010), “BoysTown’s Submission in Response to the Discussion Paper on Future Purchasing of Employment Services Mid-term Business Reallocation”; DEEWR (2008), “Welfare to Work Evaluation Report”, Research Branch and Evaluation and Program Performance Branch; DEEWR (2011), “Labour Market Assistance Outcomes”; DEEWR (2011), “The Future of Remote Participation and Employment Servicing Arrangements: Discussion Paper”; SLCEEWR (2008), “Questions on Notice EW137\_08”, Data on Parenting Payment, Disability Support Pension, Newstart and Youth Allowance; SSCEEWR (2009), “Questions on Notice EW0021\_10”, Newstart Allowance and Youth Allowance (other) recipients with a partial work capacity; SSCEEWR (2011), “Questions on Notice EW0532\_11”, Job Seeker Assistance Data; and Fok, Y. and D. McVicar (2011), “Activation and Welfare Dependency”, Final Report of Project 3/10, Melbourne Institute of Applied Economic and Social Research.

Providers are expected to offer Stream 1 (Limited) clients assistance with preparing a *résumé* or CV, advice about the local labour market, and information about the Productivity Places Program (WRC Queensland, 2011). Providers point out that they have no incentive to offer further services or achieve placements for Stream 1 (Limited) clients after initial registration. Their arguments for providing additional resources for this group include: “Many job seekers who initially connect to Job Services Australia as Stream 1 (Limited) at a later time become fully eligible. However in the intervening period their circumstance and outlook has deteriorated and they have many more barriers to address” (NESA, 2011), and: “If Stream 1 outcome fees were payable (even if only for brokered outcomes) providers would have more incentive to promote job ready clients to employers to build relationships and service confidence with employers to enable introduction of Stream 2 to 4 clients over time.” (Boystown, 2011).

### ***JSA clients groups with modified participation requirements***

#### *Early school leavers*

About 35 000 ESLs, identified as young people who have not completed year 12 of school, are required to participate in full-time study or training or part-time study or training in combination with other approved activities (or other approved activities only, if waiting for a study or training place). Statistics in Table 4.4 indicate that since July 2010 about 30% of Youth Allowance (other) recipients have been in education or training, which is consistent with a higher rate among ESLs. Job search cannot be included in the EPP for this group, although Boystown (2011) argues that disadvantaged ESL clients often have issues that prevent them from successfully completing school and can benefit more from work.

#### *Older workers*

Many OECD countries applied reduced job-search requirements to older unemployed workers in the 1980s and 1990s, and restored them to a considerable extent in the 2000s. In Australia, “mature age” assistance measures and exemptions apply variously from ages 45, 50, 55 or (in the case of the former Mature Age Allowance) 60. Currently, nearly 120 000 workers aged 50 or more are not required to participate in a Work Experience Activity, which is a key activation measure for younger workers, although they have the option of participating if they wish to do so. Mutual Obligation requirements were extended to jobseekers aged 35–49 in the Australians Working Together package of 2001: in opinion surveys, a large majority of respondents supported the application of this principle to young people and middle-aged groups, with less support for application to older workers (OECD, 2001). Some of the current exemptions may no longer be appropriate, in the light of changing social expectations and recent evidence about the impact of assistance and incentives.

TSAEP (2011) reports that 45% of its mature age caseload is currently suspended (as compared with 21% overall), which makes it very difficult to engage with them. Primarily due to reduced job-search requirements, jobseekers disengage from active measures when they reach 50 years. People aged 55 or over can fully satisfy participation requirements through voluntary work of 30 hours per fortnight, but this may be difficult to verify: the participation requirements of those aged 55 or over undertaking voluntary work could be increased and a “Participation Allowance” could be paid to encourage their active participation in employment services (TSAEP, 2011) or the participation requirement for 50–54 year-old jobseekers could be fully applied to the 55–64 cohort (ITEC Employment, 2011).

Nearly 80% of 55-59 year-old men in Australia are now employed. Older workers engaged in voluntary work are still expected to be available for suitable paid work, including full-time work ([www.fahcsia.gov.au/guides\\_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.9/ssguide-3.2.9.130.html](http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.9/ssguide-3.2.9.130.html)), so it “seems inconsistent that 15 hours of voluntary work can meet all requirements” (NESA, 2011). Jobs Australia (2011) also notes that “improved communication from Centrelink is required so that job seekers who are 55+ years of age and meet activity test requirements remain commenced [*i.e.* in the JSA caseload] since they are still required to accept a suitable job offer”.

### *Part-time and reduced hours requirements*

Table 3.6 indicates that about 200 000 JSA clients – nearly a third of those with any participation requirement – are not required to accept full-time jobs due to work capacity of 15 to 29 hours (95 000), status as a sole parent on Newstart Allowance (22 000) or as a recipient of PPs or PpP (80 000). In addition, as noted above, JSA clients on Newstart Allowance and aged 55 or more can fully satisfy participation requirements through either part-time or voluntary work. There is evidence that when JSA clients in these groups take up a job it is often part-time.<sup>67</sup>

In general, JSA service, placement and outcome fees and EPF allocations for clients with part-time work requirements are the same as for those with full-time requirements, but for them a full outcome fee is payable after 13 and 26 weeks in employment of at least 30 hours per fortnight, *i.e.* 15 hours per week. Their maximum requirement for participation in Work Experience Activities during each year of the WEPH is 150 hours or less, whereas it can be up to 390 hours for people who are expected to accept full-time work.

### *Remote-area JSA clients*

Table 3.6 estimates that about 4% of all JSA clients are “remote” clients. This status is determined by the jobseeker’s postcode, although if a remote jobseeker moves to a non-remote location on a temporary basis for activities that are part of their EPP, or while being supported by the provider, he/she retains “remote” status. In remote locations, the less than 30% of the total population is Indigenous but probably more than half the JSA caseload is indigenous.

In remote areas, service fees and the EPF credits are increased by 70% in recognition of the increased servicing costs in these locations. The need for such premia is, of course, related to the fact that Australia is the least-densely populated country in the OECD area, and providers may need to travel hundreds of kilometres to deliver services. Outcome payments are not increased, but they are payable for a broader range of educational and skills outcomes (DEEWR, 2008a).

Despite the existing 70% loading, Jobs Australia (2011) states that there is a clear need for a new service delivery model in remote Australia and also a need for a different funding model to reflect higher costs in regional (*i.e.* non-remote but non-metropolitan) areas. Observations and suggestions along these lines have been made over the years by providers (*e.g.* Job Futures, 2008 and 2011). In May 2011, the government announced a review of remote employment services, and announced that providers servicing remote ESAs would be offered a blanket extension for 12 months rather than participating in the mid-term business reallocation process to take place in July 2012 (DEEWR, 2011d; Arbib *et al.*, 2011).

An important policy change in relation to Indigenous clients in non-remote locations was the removal of the Community Development Employment Projects (CDEP) programme on 1 July 2009 and introduction of Job Services Australia (JSA) as the main provider of employment services (see Chapter 5 for further discussion of Indigenous programmes).

## Key points

In the JSA model, the allocation of clients to service streams is primarily driven by their individual's Job Seeker Classification Instrument (JSCI) score, together with a Job Capacity/Employment Services Assessment in relevant cases. A relatively large payment to the provider's Employment Pathway Fund (EPF) is made when the client enters the Work Experience Phase (WEPH), which is typically after a year in Stream Services, but after that the provider has to deliver Work Experience Activities each year without additional funding according to the initial terms of the contract (although funding for the second year of client participation in the WEPH has now been announced). In the "time-based" Job Network (JN) contract which operated from 2003 to 2009, provider fees increased more strongly with the duration of the unemployment.

The increased reliance on JSCI scores has some cost in terms of encouraging providers to devote resources to assessments and reclassifications because this increases fees, rather than because this contributes directly to achieving placements. JSA providers often seem to be as focused on issues of jobseeker assessment, classification and engagement – JSCI scores, referrals of clients to a JCA/ESAt, suspended caseloads, participation reports and contact requests when clients fail to attend interview – as much as CVs, training, job vacancies, etc. Assessments to determine eligibility for a particular benefit, remaining work capacity, the appropriate employment service referral, temporary exemptions from job-search requirements, and whether excuses for failure to attend were reasonable – are a large element of overall system costs, with expenditure on JCAs alone reaching AUD 186 million in 2009/10. In 2011, the JCA was replaced by a shorter and less-costly Employment Service Assessment (ESAt), and in 2012 the Stream Services Reviews separately administered by Centrelink was abolished, which reduces the direct cost of the focus on formal identification of client barriers. There are still some issues about appropriate provider incentives – identifying a client as homeless may directly increase the fees payable, whereas solving the homelessness problem does not – and a risk that assessment processes focus client attention on their barriers, and the formal identification of client barriers demotivates job search or encourages clients to apply for a disability payment if possible.

Stream 1 clients do not normally see their JSA provider for three months after initial registration. JSA providers now cannot earn a placement fee for the first three months, or outcome fees in the first 12 months, of unemployment and many providers decided to devote few resources to this group. At Centrelink offices, the frequency of in-person attendance was reduced for most clients in 2010. However, for jobseekers in the first three months of Stream 1 services, the fortnightly frequency was maintained, and from 2012 Centrelink will schedule participation in several job-search workshops during these three months, restoring public provision of employment services for the shortest-term unemployed.

For the most-disadvantaged jobseekers in Stream 4, high fees are paid to providers from the start of the unemployment spell. About 80 000 jobseekers who previously were in, or waiting to join, the formerly-separate Personal Support Program (PSP) are now JSA clients, with stronger provider incentives to achieve economic outcomes. Economic outcomes for Stream 4 clients are thought to be better than they were under the former PSP,

but is it not clear that they are high enough to stabilise growth in the Stream 4 caseload, or the number of jobseekers with reduced work capacity.

In the WEPH, the JSA provider must organise and finance Work for the Dole (WfD) and other Work Experience Activities. As compared to previous arrangements where WfD was a separate programme without performance measurement, providers have an incentive to save costs on the more expensive forms of supervised off-site work experience, and to maximise the resulting employment outcomes. Providers now promote compliance with requirements through participation in voluntary or part-time work or short-term training which is less costly, and the number of participants in WfD has fallen sharply.

Unemployed clients have a more disadvantaged profile now than was the case in the early years of the Job Network. Nearly 50% of JSA clients have modified participation requirements, counting those with part-time work requirements due to partial disability or parenting responsibilities, ESLs who are required to accept referrals to education or training rather than jobs, and older workers who are exempt from participation in Work Experience Activities. Many other clients are temporarily exempt or suspended from requirements to search for work for other reasons, or are voluntarily registered with JSA, so that only a limited proportion of all JSA clients at any point in time are required to be available for full-time work and to participate in a Work Experience Activity if they are in the WEPH. At the same time, more than 10% of people who are receiving an unemployment benefit, and higher proportions of those on a Parenting Payment with a child age that qualifies them for a participation requirement, are not registered with a JSA provider. It would be helpful to statistically profile people who are on an income support payment in a more detailed and systematic way, in terms of their benefit type, JSA caseload status, participation requirements by reason, and exemptions and statuses that comply with participation requirements without a requirement for continuing job search by reason. JSA now implements many different interventions and labour market measures and serves many different client groups, and although certain types of detailed statistics are available others are not, with a risk that some aspects of the operations “fall under the radar” for years at a time.

Providers’ paid outcomes, and the characteristics of their clients as known from administrative records and the JSCI and other assessment procedures, are key inputs to the system of Star Ratings, which are regression-based estimates of comparative performance at the level of over 2 200 individual JSA sites. Star Rating at this level of detail motivates and facilitates a focus on placement performance at the site level more effectively than rating at provider level only would do, and it supports DEEWR contracting for employment service provision separately at the level of 116 different Employment Service Areas. This seems to be an underlying driver of good overall performance. It is all the more important to identify and minimise any statistical or other bias against providers handling hard-to-place client groups.

The distinct roles of Centrelink and JSA providers, different participation requirements and exemptions from them, the four JSA streams, the assessment and performance rating instruments, different types of provider fees (service fees, placement fees, outcome fees and the EPF), the multiple rates of outcome fees, etc., make the structure of labour market policy – and the working environment of even a small JSA provider – complex. As compared to a “black box” approach to outsourcing, the more structured approach has costs in terms of reporting and surveillance, and possibly incentives for “gaming”, but it also generates much information about services, client characteristics and outcomes, and provider performance that allows effective management, and facilitates adjustments to policies in specific areas.

## Notes

1. In principle the JCA for unemployment benefit applicants determined the need for services, and individuals were not granted Disability Support Pension (DSP) based on this assessment. A person who has reason to believe they may qualify for DSP needs to apply for it as a separate process.
2. In the PSP, interim and final economic outcome payments totalling AUD 1 540 were payable when the client had been employed for 26 weeks, well below the maximum payments in the Job Network (JN) or JSA models.
3. After a switch of provider, the original provider's investment in seeing the client frequently, setting up a tailored employment plan and spending from the EPF (*e.g.* on specialised assessments, training and work clothes, etc.), benefits a different provider: for effective functioning of the job-services market, switching needs to be minimised. Clients are allowed to switch against the wishes of their original provider on the basis of good cause, subject to DEEWR approval.
4. The parameters of the random assignment process are variable, *e.g.* referrals are not made to providers whose caseload is already at nominal capacity plus a "tolerance" of 30%.
5. LCTW "draws heavily on the New Zealand Community Link model" (DEEWR & DHS, 2011). In the Netherlands, handover problems in client transfers have long been identified as a source of transaction costs, and policy makers promote the principle of "warm handover" of service users between the respective parts of the delivery chain (Tergeist and Grubb, 2006; and Finn, 2008).
6. In many countries, a detailed registration interview will record the client's education and training background, and it is not clear how far the skills assessment goes beyond this in practice. It was a new measure (mentioned 40 times in DEEWR, 2008a) introduced in 2009 which should identify training or other interventions the jobseeker needs. Jobs Australia (2011) recommends abolition of the skills assessment as a separate process with incorporation of its elements into the EPP.
7. Under Job Network Employment Services ESC1 and ESC2, Job Search Training was a separately-contracted service. In ESC3 it was incorporated into the main contract as Intensive Support Job Search Training, and the training was for "up to" 100 hours over three weeks with an abridged 30-hour version for jobseekers who had completed a course within the last 12 months (DEEWR, 2008b).
8. Participation in UWEP is voluntary. However, providers are reluctant to proceed with UWEP, due to extensive and often undocumented variation in what states consider permissible in terms of their industrial relations regulations, and a lack of consistent and reliable advice as to what is permitted (NESA, 2011).
9. For jobseekers who move directly from Stream 2 to Stream 3 in this way, service fees are limited to six 13-week periods in total, *i.e.* combined participation in both streams is limited 18 months (DEEWR, 2011a).
10. From 1998 to 2009 jobseekers entered the Mutual Obligation period after six months of unemployment. Initially Centrelink rather than the JN provider was responsible for referring them to a WfD place if they had no other qualifying activity, but under the APM the JN provider was "able to influence the type of activity the job seeker undertakes to meet their mutual obligation", and if no activity had commenced after seven months, was responsible for arranging a referral with a Community Work Co-ordinator (which organised WfD projects) (DEEWR, 2007).
11. As noted in Chapter 2, from July 2012 there is no longer a separate category of "provider brokered" outcomes.
12. The enforcement mechanism would be the assessment by DEEWR contract managers of provider performance against Key Performance Indicator 3 (KPI3), Factor 2, which evaluates

- a provider's service delivery including compliance with the requirements of the Employment Services Deed.
13. Early changes to the list of JSKA-allowable items, illustrating some of the tensions that arise, are described by ANAO (2007).
  14. Advice from DEEWR. In data that omit items not recorded against individual jobseekers (such as Work Experience Group Activities and batch purchases under AUD 300), the Training share was relatively high in Stream 1 and the Professional Services including Interpreters share was relatively high in Stream 4, and expenditure across the four streams (in the first 14 months of JSA) totalled about AUD 350 million (SSCEEWR, 2011b).
  15. Jobs Australia (2011) proposes to pay the EPF directly to the provider and radically reduce administration by abolishing itemisation: "Existing requirements should be replaced by a clear set of principles about how funds can be spent... Providers would be accountable for their decisions through the results they achieve."
  16. ANAO (2007) found that "the fact that Job Network Members generally have healthy notional account balances reduces their incentive to economise in their use of the JSKA...DEWR needs to ensure that Commonwealth money is not being wasted". Unspent balances towards the end of ESC3 seem to have been nearly on target although there was some spike in expenditure in July 2009 which "reflects providers' use of the remaining funds in JSKA in the final month of the contract" (DEEWR, 2011a). Providers currently claim that the EPF is unable to fund high-quality Work for the Dole activities and that their unspent balances are needed to cover future WEPH obligations. Mission Australia (2011) reports that its best-performing ESAs have spent as much as 80% of the EPF on training, "limiting its use for other support".
  17. In a simplistic model, this problem could be solved by raising the outcome fee, but complications such as wide variation in the social value of outcomes and the risk of "gaming" when fees are high may constrain this solution.
  18. For example, a provider may determine that a Stream 1 jobseeker will not find work without an assistance measure that costs AUD 750, which is not viable in terms of the outcome fee payable during the first year of unemployment.
  19. One indicator of the role played by JCAs is that the Stream 4 caseload (including "suspended" jobseekers, as discussed below) increased from 34 000 in July 2009 to 145 000 in August 2010 (see Table 3.3 below), and jobseekers can only be transferred to Stream 4 based on the outcome of a JCA/ESAt.
  20. In 2006, the Salvation Army paid back AUD 9 million after DEWR detected that its staff had been over-scoring jobseekers on JSCI disability factors, thus channelling them into Customised Assistance with higher provider payments (ABC Local Radio, 2006; Lilley and Hartwich, 2008).
  21. Advice from DEEWR.
  22. Lipp (2005) reports tests in which jobseekers were asked to rate their level of agreement with 21 statements designed to differentiate their motivation and openness in relation to job search. The tests suggested that jobseeker attitudes could be measured and that they are associated with employment outcomes, but this approach was not pursued further.
  23. Note however that a mother returning to the labour market may be relatively employable, so that the variable "has not worked for more than five years" is not necessarily a powerful predictor for future long-term unemployment.
  24. Workers made redundant between 24 February 2009 and 31 December 2010 were eligible for immediate access to JSA Stream 2 (SSCEEWR, 2011c). This measure registered 280 464 jobseekers as redundant, which probably covered most new entrants with a recent employment record.
  25. Estimate based on the total cost of AUD 186 million and cost per assessment of AUD 330 (DEEWR, 2011c).

26. The JCA can include examination of large medical files. DEEWR (2008c) announced a 10% increase in the fee paid to JCA providers from July 2009.
27. In 2008/09, expenditure on the Personal Support Program was AUD 107 million and expenditure on Work for the Dole was AUD 134 million.
28. In 2008/09 nearly a third of JCAs were “related to DSP related claims” although it is also stated that JCAs were conducted in relation to 79 000 new claims for DSP and 25 000 DSP medical reviews, which add up to less than a quarter of the 480 000 JCAs conducted (Jackson, 2009).
29. Of the 480 000 JCAs in 2008/9, around half were first JCAs (rather than second or later JCAs) for employment-service reasons. Of these, about 20 000 ( $= 240\,000 \times 0.24 \times 0.36$ ) were followed by another JCA for a DSP claim.
30. Lipp (2005) stated that all the jobseeker characteristics taken into account were factors in the JSCI. The current model, however, includes a number of characteristics sourced from administrative records, including “age of youngest child”, “allowance type” and “days available” (the number of days which the provider has had to place the jobseeker) and “Earn or Learn” status, along with characteristics scored by the JSCI (DEEWR, 2010a).
31. The Star Rating estimates take into account local labour market conditions at the time that the jobseeker was in assistance, whereas the geographic factor in the JSCI reflects the likelihood of remaining a job seeker for at least another 12 months based solely on the job seeker’s ESA (*i.e.* locality) of residence (DEEWR, 2009b). Labour market conditions, which are attributed to individuals using their postcodes, include the employment growth rate, the employment shares of particular industries at the level of about 70 ABS Statistical Regions, and the registered job vacancy/jobseeker ratio and the survey-based unemployment rate at the level of around two thousand ABS Statistical Local Areas (DEEWR, 2010a).
32. Previously the distribution of stars was fixed, *e.g.* five stars were given to the 5% of sites at which the ratio of actual to predicted performance was highest.
33. Publication was previously every six months: end-March and end-September Star Ratings were first published in 2011.
34. Previously, participants who completed two years in the PSP were deemed to have achieved a social outcome, which generated a payment. DEEWR (2008a) referred to a “new social outcomes measure... based on the progress a job seeker has made towards work readiness”, but this has not appeared. Specialist providers call for greater recognition for social outcomes, suggesting that they might be measured in terms of completion of language training, undertaking counselling, drug or alcohol rehabilitation, finding accommodation or ensuring a health condition is stabilised (Flentje *et al.*, 2010). However, robust and non-distortionary certification of such outcomes, as distinct from participation in programmes, seems scarcely feasible.
35. In these countries, labour market flexibility would also be involved, but labour force survey unemployment rose 80% in a year in Denmark which is exceptional even for flexible labour markets. In the mid-2000s Denmark dropped the requirement for the long-term unemployed to participate in a full-time labour market programme 75% of the time; and in 2007, existing PES structures in Denmark were wound up and the PES and local authority employability service departments were co-located in ninety-one municipality-level one-stop-shop “job centres” (Lindsay and Mailand, 2007). Lindsay and McQuaid (2009) describe concerns about the dispersal of PES expertise, loss of institutionalised knowledge and the capacity of the new localised governance structure. In August 2009, the national PES was abolished and the 98 municipalities (which previously had managed only social assistance benefits) were made responsible for activation and employment projects for people receiving unemployment insurance benefits. Parties in the labour market, experts and the political opposition warned that this would, in the face of rising unemployment, make matters worse (Nordic Labour Journal, 2009). From 2009, New Zealand converted its employment offices into Community Link Centres, which provide integrated social services (17 new offices opened in 2009/10, see MSD, 2010).

36. DEEWR & DHS (2011) considered a number of options to “allay the concerns of some job seekers that JSA providers are not interested in servicing them” but concluded that the reintroduction of job-placement fees in the first 13 weeks “would not be warranted under the current tight Budgetary environment” due to the likelihood of deadweight.
37. The stock of participants in the Personal Support Program had increased from 20 000 in 2002/03 to 53 000 by the last year of the Job Network with, in addition, a waiting list of 30 000 (see Annex 5.A1 and SEEWRLC, 2010).
38. The “time-based” ESC3 model involved large jumps in outcome fees at the point where clients pass thresholds of 12 months, 24 months or 36 months of unemployment. DEEWR (2007) shows there was some decline in the rate of exits from assistance in the 10<sup>th</sup> and 11<sup>th</sup> month of unemployment and recovery in the 12<sup>th</sup> month (as well as the following few months), but considers that the figures “tend to cast doubt on concerns that large numbers of providers were keeping job seekers in assistance for at least 12 months to take advantage of the higher outcome payments”. In the JSA model, outcome fees are still linked to unemployment duration, but not so strongly.
39. See [www.fahcsia.gov.au/guides\\_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.10/ssguide-3.2.10.30.html](http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.10/ssguide-3.2.10.30.html). Accredited training can be a group-based activity such as computer training, not leading to a qualification. Unfortunately, published statistics for Work Experience Activities (SSCEEWR, 2012c) fail to distinguish between accredited and non-accredited training.
40. Jobs Australia (2008) anticipated that under the JSA model, providers would be unable to continue WfD in its then-current form, but “Work Experience placements with private employers or into training will be able to draw on the resources external to the provider and can be relatively cheap for providers to establish”. Davidson and Whiteford (2012) note “The recent shift towards voluntary work and short training courses and away from unpaid work experience activities may be brought about by greater opportunities for jobseekers to choose activities, by the lower cost of these activities for providers, or both”.
41. The detailed conditions for a full outcome to be payable when a client enters an apprenticeship or eligible education are complex. Placements when the earnings take the client off income support have always qualified for a full outcome payment. Since ESC3, a full outcome payment can also be paid (although this required a special claims process) for placements into full-time apprenticeship or traineeship that did not cancel income support. In ESC2, placements into eligible education (with a change of status, typically a transfer to an education allowance) attracted only the lower secondary outcome fee, and in ESC3 they attracted a full outcome fee (with an interim payment after the completion of one semester and a final payment after completion of the second semester, rather than 13 and 26 weeks), but in JSA they again qualify only for the lower pathway outcome fee (OECD, 2001; ANAO, 2009; DEEWR, 2008a).
42. Part of the description in this section is based on notes from the authors’ visits to discussion with providers and visits to several providers’ premises in August 2010.
43. DEEWR (2011a) noted extensive use of the EPF for reverse marketing.
44. The stock of JN/JSA clients is estimated as 87% of the Newstart Allowance caseload, 93% of the Youth Allowance (other) caseload, 24% of the Parenting Payment – Single (PPs) caseload, plus 10% for Parenting Payment – Partnered (PPp), DSP and other voluntary clients (factors based on June 2011 data from [www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip)).
45. Particularly in the last few months of the Job Network, when providers had to spend down their Job Seeker Accounts or lose them.
46. Exempt or suspended clients can visit their JSA provider voluntarily in principle, but this is infrequent.
47. SSCEEWR (2011d) never mentions “exempt” status, instead reporting that 28% of the total JSA caseload had “pending and suspended” status.

48. The 2008 request for tender had advised that “the job seeker will be considered to have been provisionally exited where, as a result of their placement, the job seeker no longer received benefits” (DEEWR, 2008a), but revised wording appeared in the Employment Services Deed 2009-2012 (DEEWR, 2011e) and current advice is that “provisional exits must be recorded by a Job Services Australia Provider when a job seeker is placed in employment that is expected to result in a full outcome. A provisional exit can be recorded at any time the provider makes this determination” (<http://foi.deewr.gov.au/node/1400>, accessed 7 March 2012).
49. If clients for whom a full outcome is achieved spend an average of 13 weeks in the JSA caseload with a “provisional exit” status, the number on provisional exit at a particular point in time will correspond to three months’ flow of 13-week full outcomes. In late 2010 and early 2011 JSA was generating around 10 000 13-week full outcomes per month, although this is only a rough estimate (based on the sources cited in Table 3.3).
50. See “Volunteering during a Provisional Exit Job Aid” (<http://foi.deewr.gov.au/node/1442>, accessed 14 March 2012).
51. Since March 1996, temporarily incapacitated (*i.e.* sick) beneficiaries have no longer been required to transfer to Sickness Allowance, and they continue to receive unemployment benefit (OECD, 2001, note 143).
52. These jobseekers meet their participation requirements under Social Security Law through attending a quarterly interview with Centrelink.
53. In the LMRP publication, allowees who are meeting their participation requirements through approved activities (other than education or training), but still have compulsory job-search requirements in their EPP, may be reported in the “jobseeker” category (this is a case of the “different extract rules” referred to by FaHCSIA, 2011).
54. This estimate is based on comparison of the Centrelink allowance caseload and JSA caseload in June 2011 (see Table 3.6 below).
55. DEEWR (2007) reports that the proportions of jobseekers with disabilities or who were parents had grown from 2003 to 2006, and notes that this was “consistent with Job Network members’ claims that the proportion of the job seekers on their caseload facing ‘hard’ barriers to employment, such as poor health... increased during the first three years of the APM”.
56. Clearly records were reviewed in July 2009 because the stock of jobseekers registered for employment services for over 72 months fell by about 25% (DEEWR, 2011a, Figure 10). In the first six months of JSA, only 3.5% of new entrants went into Stream 4, in contrast to the 15% which had been expected (DEEWR, 2011a, Table 4), and transfers to Stream 4 after that would have taken some time, since they depended on a referral to a JCA and its outcome.
57. The figures in Table 4.4 are not strictly comparable with those cited earlier in the paragraph (see a footnote to the “unemployed customers” tables in FaHCSIA, 2011).
58. See speeches by Minister Kate Ellis to the Jobs Australia National Conference (29 October 2010) and NESA National Conference (9 August 2011): the second speech does not state the exact timing of the data (<http://kateellis.com.au/speeches/>).
59. According to survey statistics, in the year ending March 2011, exits from the labour force were about six times less frequent than employment outcomes for Stream 1 jobseekers, but they were considerably more frequent than employment outcomes for Stream 4 jobseekers (DEEWR, 2011f).
60. Figure 4 in Lipp (2005) presents benefit exit rates by JSCI score: the 12-month exit rate is about 50% for a JSCI score of 12 and 17% for a JSCI score of 48. In the current JSCI system, which has been revised since 2005, Stream 2 jobseekers have JSCI scores of 20 to 28 and Stream 3 jobseekers have JSCI score of 29 or more.
61. The definitional basis of this statement is not certain: it may refer to the proportion of former participants who were in work three months after exiting, respectively, PSP and JSA Stream 4,

as reported in *Labour Market Assistance Outcomes*. However, as compared to the recent JSA Stream 4 population, the PSP population was much smaller (and thus may have been more disadvantaged). Also, exits from Stream 4 normally occur when there is some change in labour market status, whereas PSP was time-limited so that in this case the sample includes exits without a change in labour market status.

62. The short-term unemployed may be subject to the Liquid Assets Waiting Period for benefits, or not bother to claim immediately, or be disqualified from benefit on income and asset grounds.
63. DEEWR & DHS (2011) suggest that because 25% of jobseekers exit JSA in the first 13 weeks which is unchanged from the pattern in 2003-06, there is no evidence that the lack of incentives is affecting outcomes.
64. The relative outcomes cited are estimated using the relationship between actual-to-predicted outcome ratios and Star Ratings (*i.e.* below 0.5 for one-star performance, 0.5 to 0.8 for two-star performance, etc.).
65. The performance of JN Intensive Assistance providers that survived in the second (2000) tender round was nearly 25% above the average for the first Job Network period (OECD, 2001).
66. The contrast between about 20 000 people in Stream 1 (Limited) and the 50 000 non-allowees in the JSA caseload as shown in Table 3.6 arises because some non-allowees qualify for JSA Streams 1 to 4: mainly young people aged 15–20 who are not employed for more than 15 hours a week or in full-time education, and Indigenous participants in Community Development Employment Projects (DEEWR, 2008a).
67. Among JSA clients who are employed three months after exit from JSA Streams 1 to 4, around four-fifths of sole parents, three-quarters of those with a disability, and two-thirds of those aged 50 or more are employed part-time (DEEWR, 2011f).

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## Chapter 4

### Unemployment and related benefits in Australia

*Income-replacement benefits in Australia are means-tested. Payment rates vary as a function of social risk (such as education, unemployment, care responsibilities and incapacity), age and household composition. Unemployment benefit rates are indexed to prices, and have fallen well below disability benefit rates. Effective tax rates on earnings are sometimes high, but in standard cases jobseekers can retain a significant proportion of any earnings from part-time work. In some cases, part-time work satisfies participation requirements and unemployment benefit is paid as an in-work benefit. It can also play the role of a training allowance or a short-term sickness allowance. When job-search requirements apply, failure to attend appointments with JSA providers can lead to benefit sanctions. Controversy over harshness or laxity of the regime has led to sharp swings of policy. The phasing-out of inactive benefits (i.e. that have no job-search or work availability requirements), and the extension of labour market participation requirements to Parenting Payments and workers with partial incapacity has progressively reduced the share of benefit recipients in the working-age population. Evaluations show that new participation requirements for a particular demographic group increase the rate of exit from benefit, but a greater impact arises from a fall in new claims. Policy-driven declines in benefit-recipient rates have been matched by increases in employment rates, partly in the case of single parents and fully in the case of older workers.*

## Introduction

Employment services, implementing activation principles for unemployment benefits, play a key role in terms of promoting the return to work and ensuring that any transfer of client groups from inactive benefits<sup>1</sup> to unemployment benefits has an impact on employment outcomes. At the same time, benefit system parameters and reforms and benefit administration also affect employment outcomes and largely determine the framework within which employment services operate. In terms of benefit policies, Australia's current relatively low rates of unemployment and working-age benefit dependency can be traced back to the adoption of activation principles for unemployment benefits in the late 1980s, and a broad-ranging reform of the structure of benefits in 1994 and 1995 and further reforms that restricted access to inactive benefits at different dates through to 2007, a trend that to some extent continues.

The following section of this chapter describes the current benefit system, which is far from the possible ideal of a “single working-age benefit”, since payment rates, the free areas and taper rates applying when the recipient has some earnings, and other features, vary significantly as a function of age, student or unemployment status, caring responsibilities and disability. The third section examines exemptions from and suspensions of the job-search requirements for unemployment benefits, which imply that only about half of all unemployment benefit recipients have standard job-search requirements, and allow unemployment benefits to function to some extent as in-work benefits, subsistence allowances during participation in an education or labour market programme, carer payments and short-term incapacity benefits. A fourth section describes participation requirements and the compliance and sanction regime for jobseekers, an area that has been subject to constant controversy and repeated policy change, and a fifth describes the history of activation of unemployment and inactive benefits. A sixth section summarises evidence about how individual benefit-system reforms in the 2000s affected outcomes for specific client groups. Most of the available data relate to income-support recipiency rates, but the last section briefly examines some parallel changes in employment rates.

## The main working-age benefits

### *Benefit levels and replacement rates<sup>2</sup>*

Although a report in 2000 suggested that Australia should introduce an integrated payment for all adult people of working age, supplemented by various additional needs payments (see OECD, 2001), there are currently several rates of payment for adults depending on benefit type, as well lower rates for youths up to age 20, or age 24 in the case of students. Data on benefit levels in dollar terms can illustrate this structure. In comparisons through time or across countries, benefit rates are most often compared in terms of the “replacement rate”, which refers to the ratio of benefits out of work to earnings in work: replacement rates depend on the detailed definition of the earnings denominator, and they may be calculated in terms of the after-tax levels of benefit and earnings.

Australia's standard unemployment benefit consists of Newstart Allowance (NSA) and Youth Allowance (YA) for jobseekers:<sup>3</sup>

- YA is payable to people aged 16 to 24 years inclusive who are full-time students or apprentices and to people aged 16 to 20 years who are looking for work, or combining part-time study with job search, or undertaking any other approved activity. Recipients without a year 12 (school-leaving) certificate or equivalent qualification (certificate II level or above) are generally expected to undertake study or training.

In July 2011, the dependent (at home) benefit rate was AUD 212.70 for those aged under 18 and AUD 255.80 for those aged 18 and over, and the away-from-home benefit rate was AUD 388.70 per fortnight.<sup>4</sup>

- NSA is payable to jobseekers aged 21 and over.<sup>5</sup> In July 2011, rates were AUD 474.90 per fortnight for a single person, AUD 513.80 for a single person with dependent child(ren) or who is aged 60 and over after nine continuous months on payment,<sup>6</sup> and AUD 428.70 each for partner.
- People who qualify for NSA may be entitled to a range of extra payments, notably the maximum rate of Family Tax Benefit (in the more common “Part A” case, AUD 157 per fortnight per child under 13 years and AUD 204 per fortnight per child aged 13-15 years), Rent Assistance (up to a maximum of AUD 111.80 per fortnight for a single person), a Health Care Card, which provides a broad range of concessions described below (people who have been 12 months on an income-support payment can retain this card for up to six months after cancellation of their payment), and supplementary payments during participation in approved training or Work for the Dole.
- A single person with more than AUD 3 000 in liquid assets, or a couple with more than AUD 6 000, is required to wait between one and 13 weeks before receiving payments. Single people with assets above AUD 321 750 (or AUD 186 750 not including the value of their principal home, for homeowners) are disqualified from benefit (assets below these thresholds still affect benefit, because deemed income from them is considered under the income test).

Table 4.1 situates unemployment benefits within the broader structure of working-age benefits. Students and apprentices can claim YA if they are aged below 25, and Austudy at ages 25 and over. For both benefits, the maximum payment for an independent single person aged 21 or more is 82% of the NSA rate, with lower rates for young people living at home. A separate benefit, ABSTUDY, with broader coverage and often higher rates, is available for Indigenous students. The remaining payments in most cases do not require either study or labour market activity:

- The Partner Allowance (PA, which was closed to new claims in 2003) and Widow Allowance, both payable only to people born before 1955, and Parenting Payment – Partnered (PPp) for partners who are caring for a child aged under six;
- Parenting Payment – Single (PPs) is payable to sole parents with a child aged less than eight, but is subject to participation requirements when the oldest child is aged six or seven.<sup>7</sup> The PPs rate of payment (including the Pension Supplement) is 122% of the NSA rate for a sole parent, and 132% of the NSA rate for a single person;
- The Disability Support Pension (DSP) payment rate (including the Pension Supplement) for a single person was 154% of the NSA rate. For a partnered person, the DSP rate including the supplement was 128% of the NSA rate. The Carer Payment, including the Carer Allowance which is paid for constant care of another person, was higher again.

The different rates of payment partly reflect a distinction between “allowances”, which include Newstart, Widow Allowance, Partner Allowance and PPp, and “pensions” which include PPs and DSP. Entitlement to allowances generally arises after two years’ residence in Australia, whereas entitlement to DSP may not arise until after ten years.<sup>8</sup> Sole parents are treated as a particular case, as the payment for a sole parent on NSA is higher than for a single person, and the payment for a sole parent on PPs is lower than for a single person on DSP. The higher rate of DSP as compared with PPs dates partly from the 2009

budget, which increased DSP by AUD 66 per fortnight for a single person. ACOSS (2009) describes how differentials in rates of payment developed in the late 1970s, were reduced by the late 1980s, but then increased again. Similar differentials between the basic rate of unemployment benefit and the main benefit covering permanent disability or invalidity exist in Ireland, New Zealand and the United Kingdom, but they are smaller (Table 4.2), suggesting that Australia should start to close the gap and index payments so that the gap does not increase further.

Table 4.1. **Caseload and July 2011 payment rates for the main working-age benefits<sup>a</sup>**

Levels, AUD (Australian dollars) and percentages

Benefit <sup>a</sup> Personal situation <sup>b</sup>	Caseload, June 2010	Standard payment rates, July 2011	
		AUD per fortnight	Percentage of the Newstart Single rate
Austudy [students/apprentices age 25 or more]	37 342		
Single or partnered		388.7	81.8
ABSTUDY [Aboriginal students/apprentices]	36 308		
Age 18-20 standard rate		255.8	53.9
Away from home (independent), age 21 or more, Single		474.9	100.0
Youth Allowance [students/apprentices age < 25]	297 023		
Youth Allowance [jobseekers age < 21]	88 459		
Age < 18 at home rate		212.7	44.8
Age 18-20 at home rate		255.8	53.9
Away from home (independent), Single		388.7	81.8
Widow Allowance [born before 1955, no recent workforce experience]	33 886		
Newstart Allowance [jobseekers age 21 or more]	553 893		
Single		474.9	100.0
Single with child(ren)		513.8	108.2
Partnered		428.7	90.3
Parenting Payment – Partnered	124 910	428.7	90.3
Parenting Payment – Single (includes Pension Supplement)	333 512	625.9	131.8
Partner Allowance [born before 1955, no recent workforce experience] <sup>c</sup>	24 054	428.7	90.3
Disability Support Pension (includes Pension Supplement)	792 581		
Single		729.3	153.6
Member of a couple		549.7	115.8
Carer Payment (including Pension Supplement and Carer Allowance) <sup>d</sup>	168 913		
Single		839.3	176.7
Member of a couple		659.7	138.9

a. Benefits not shown in the table include Widow B Pension and Wife Pension, which are paid at Age Pension rate and each have about 25 000 recipients, but (like Partner Allowance) are closed to new entrants; and Sickness Allowance and Special Benefit, which are paid at Newstart Allowance or Youth Allowance rates, each with less than 7 000 recipients.

b. Selected cases only, where multiple payment rates exist. Rates include the standard adult components of benefit but not child-related payments which would usually be payable with some of the benefits shown. Rates do not incorporate the value of supplements (such as the Health Card or Utilities Allowance) that are payable with some benefits but not others.

c. Although Partner Allowance continues to be paid, it has been closed to new claims since 2003.

d. Most recipients of Carer Payment qualify for Carer Allowance, and in certain circumstances qualification is automatic.

Source: Centrelink (2011), "A Guide to Australian Government Payments", 1 July-19 September 2011.

Table 4.2. Unemployment and disability assistance payment rates in four countries

Country	Rates from	Payment frequency	Currency	Basic rates (including general disability supplements)			Notes	
				Unemployment Assistance (UA)	Disability/Invalidity Assistance (DA)	DA rate as a percentage of UA rate	Unemployment Assistance	Disability/Invalidity Assistance
Australia	July 2011	Fortnightly	AUD	474.90	729.30	153.6	Single person aged 21 or more	Single, aged 21 or more, includes Pension Supplement
Ireland	January 2011	Weekly	EUR	188.00	206.46	109.8	Single person aged 25 or more	Single, aged 16 or more, includes Household Benefit Package <sup>a</sup>
New Zealand	April 2011	Weekly	NZD	201.40	251.73	125.0	Single person, aged 25 or more, after tax	Single, aged 18 or more, after tax
United Kingdom	April 2011	Weekly	GBP	67.50	94.25	139.6	Single person aged 25 or more	Work-related Activity Group rate (paid from the 4th month) <sup>b</sup>
				(As above)	99.85	147.9	(As above)	Support Group rate (paid from the 4th month) <sup>b</sup>

UA: Unemployment Assistance; DA: Disability Assistance.

- a. The Household Benefit Package consists of secondary benefits paid to a person living alone, valued at EUR 960 per annum in 2010. Disability Allowance recipients also qualify for free travel, not included in the calculation here [Department of Social Protection (2010), “Report on the desirability and feasibility of introducing a single social assistance payment for people of working age”].
- b. Claimants in the Support Group have limited capability for work-related activity. Those in the Work-Related Activity Group are expected to attend six work-focused interviews.

Source: For disability/invalidity benefits, Australia: Centrelink (2011), “A Guide to Australian Government Payments”, 1 July-19 September 2011; Ireland: [www.citizensinformation.ie/en/social\\_welfare/social\\_welfare\\_payments/disability\\_and\\_illness/disability\\_allowance.html](http://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/disability_and_illness/disability_allowance.html); New Zealand: [www.workandincome.govt.nz/individuals/forms-and-brochures/invalids-benefit-guide.html](http://www.workandincome.govt.nz/individuals/forms-and-brochures/invalids-benefit-guide.html); United Kingdom: [www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Illoinjured/DG\\_171896](http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Illoinjured/DG_171896). For unemployment benefit rates, other pages from the same source.

A key concern expressed in submissions to the Australia’s Future Tax System review (Australian Government, 2008) is that the large differences in payment rates create disincentives. For example, for a person on NSA, the higher level of DSP creates an incentive to apply for this rather than enter work. On the other hand, it can be argued that access to DSP is controlled primarily by its eligibility criteria and gatekeeping arrangements, and that the difference between NSA and work incomes is far more relevant as a work incentive. Parenting Payment reforms led some clients to transfer to DSP, but the impact of the reforms on other flows was much larger (see below).

According to OECD calculations, net benefit replacement rates, including certain supplementary payments, averaged over a theoretical five-year unemployment spell in Australia fell from 60% in 2001 to 54% in 2009. This model replacement rate is now lower than in Ireland,<sup>9</sup> New Zealand and the United Kingdom, countries that have a similarly structured benefit system. However, other OECD countries tended to reduce model replacement rates over this period and Australia’s rank position hardly changed (Table 4.3). It should be kept in mind that in other OECD countries the model replacement rates include social insurance benefits which are conditional on contribution history, and that social assistance is often paid by regional and local governments which tend to define strict eligibility conditions. In Australia the benefits modelled are not dependent on contribution history and the asset test limits for them are high,

making them *de facto* more broadly accessible than *assistance* benefits in most other countries – although they are still not payable in many situations where other countries pay *insurance* benefits.<sup>10</sup>

Table 4.3. **Net replacement rates over 60 months of unemployment in OECD countries**

For four family types and two earnings levels, in percentage<sup>a</sup>

Country	Net replacements rates <sup>b</sup>			Rank of replacement rate among 28 OECD countries <sup>c</sup>		
	2001	2005	2009	2001	2005	2009
<b>Australia</b>	<b>60</b>	<b>59</b>	<b>54</b>	<b>18</b>	<b>19</b>	<b>19</b>
Ireland <sup>b</sup>	63	66	75	16	10	2
New Zealand	67	65	59	12	11	17
United Kingdom	60	61	61	19	15	14
OECD <sup>c</sup>	61	58	58			

– Not applicable.

- Earnings levels 67% and 100% of the average wage; family situations single person, one-earner married couple, lone parent with two children and one-earner married couple with two children. Calculations including Social Assistance where relevant.
- The replacement rate calculations assume that the recipient qualifies for housing benefits for rented accommodation. This may tend to overstate net replacement rates particularly in Ireland.
- Unweighted average and ranks for 28 countries with data since 2001.

Source: *Benefits and Wages: OECD Indicators*, available at [www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives).

Replacement rates influence unemployment significantly, according to many estimates and summary surveys.<sup>11</sup> In Australia, the fall in replacement rates since the early or mid-1990s<sup>12</sup> could well be a factor that has facilitated the decline of the unemployment rate. Another perspective is that Australia is now keeping its unemployment rate quite low with an activation strategy built around relatively inexpensive employment counselling and placement assistance, whereas countries with higher replacement rates tend to need more expensive labour market training, wage subsidy and job-creation programmes to offset the greater disincentive effects (Grubb, 2007).

### ***Taper rates and earnings while on benefit***

For Newstart Allowance (NSA), the first AUD 62 per fortnight received in other income such as earnings is disregarded.<sup>13</sup> Benefit is then reduced by 50 cents in the dollar for incomes up to AUD 250 and by 60 cents in the dollar above this. Once one partner's income passes the cut-out point (the income at which no benefit is payable, AUD 808 for a partnered claimant), further income reduces the other partner's benefit by 60 cents in the dollar. This fairly high taper rate is still probably more generous than those that apply in most other OECD countries. For example, Ireland's Unemployment Benefit is not paid at all on any day when the recipient is employed, and the UK's Jobseeker's Allowance is withdrawn penny for penny for earnings above a disregard level of GBP 5 per week for a single person.<sup>14</sup>

For Parenting Payment – Single (PPs), the first AUD 174.60 per fortnight (plus AUD 24.60 for each child beyond the first) is disregarded and income over this amount reduces benefit by 40 cents in the dollar. As a result, the earnings cut-out point for PPs is about AUD 1 740, which is nearly twice the NSA cut-out point. This is about 65% of the average wage per full-time

equivalent employee in the economy,<sup>15</sup> so that most sole parents on PPs can still receive some payment if they work part-time, or full-time but with earnings close to the minimum wage.

Benefit taper rates below 100% promote relatively high rates of part-time employment among benefit recipients. DEEWR (2008a) reports that proportions of benefit recipients employed while on income support in 2003-06 were about 40% for PPs recipients and 20% for PpP recipients with a youngest child aged 6 or more.<sup>16</sup> The proportions were also about 20% for several categories of NSA recipients,<sup>17</sup> although they were about 15% for NSA recipients with work capacity of 15 to 29 hours per week and about 25% for a group called “very long-term unemployed”.

Some evaluation studies have reported that individuals on benefit with earnings from part-time work are more likely to subsequently leave benefit completely. OECD (2001) discussed evidence from an Australian study, and Gerfin *et al.* (2005) and Lalive *et al.* (2008) report similar findings for Switzerland’s “subsidised temporary employment” provision (also called “intermittent pay”). However, this pattern might reflect selection bias (the unobserved characteristics that make a person likely to enter part-time work may make them likely to take up full-time work) rather than a causal relationship. Gray and de Raaf (2002) report that although unemployment insurance claimants in Canada who work part-time under an “allowable earnings provision” tend to have shorter initial claim spells, working part-time while on claim is also associated with repeat claims and greater benefit dependency over the long term.

Greenberg *et al.* (2009) classify benefit taper rates below 100% as an “earnings supplement” programme which, in contrast to other types of labour market programme, tends to increase welfare payments, as well as earnings.<sup>18</sup> Although this type of programme increases earnings by people who would otherwise not work at all, it has a disincentive aspect because some people who are in full-time work when benefit taper rates are 100% will choose part-time work when the benefit taper rate is reduced.<sup>19</sup> To minimise this disincentive, the more generous provisions allowing part-rate benefits to be paid in conjunction with part-time earnings are often time-limited. For example, Switzerland’s subsidised temporary employment provision is limited to a year (with some exceptions), and short-time work schemes are usually time-limited.

Client groups with reduced hours requirements are relatively unlikely to work full-time.<sup>20</sup> In this case, low benefit taper rates can raise net incomes in part-time work, and raise the incentive to enter part-time work, while at the same time the disincentive to work full-time has only a limited impact. This can justify Australia’s longstanding policy of keeping the taper rate for PPs at 40%, lower than for unemployment benefits. Many sole parents are now unemployment benefit recipients, and the 2011 budget introduces, from 2013, a 40% taper rate specifically for sole parents on unemployment benefit.

The possibility of retaining some benefit while working part-time may be regarded as a type of in-work benefit, but one that is (since it concerns about a sixth of the unemployment benefit caseload, and a third of the PPs caseload) only paid to about 2% of employed workers. OECD (2010) discusses in-work benefits and suggests the introduction of employment-related benefits combined with a lower minimum wage. The current approach ensures that most benefit payments are either subject to participation requirements, or are exempted from them in a set of relatively tightly-defined and well-monitored circumstances (as defined by the payment rates seen in Table 4.1, differentiated taper rates, and rules for exempt status and reduced requirements, etc.). It does not broadly address in-work poverty (the level of in-work poverty in Australia is relatively low, as mentioned in Chapter 1) but it is effective in terms of identifying the target group for employment services and activation measures.

### *Secondary benefits and effective marginal tax rates*

Higher effective marginal tax rates tend to arise where individuals receive two or more means-tested benefits or concessions from separate institutions. In Australia, public housing tenants are said to face effective tax rates of more than 80% over wide earnings bands, since rents as well as benefits are means-tested. Individuals and families on public-housing waiting lists experience “welfare locks”: earnings from employment while waiting for public housing to become available can threaten an applicant’s position in the queue, and this creates a disincentive to look for, or accept, work during the waiting period, which in some instances can be years (Harding *et al.*, 2005; Dockery *et al.*, 2008). As described in OECD (2001), in addition to pharmaceuticals at reduced cost, the Health Care Card provides a varying range of health, household, educational, recreational and transport concessions granted by state, territory, and local governments and private organisations: people who have been 12 months on an income-support payment can retain this card for six months after cancellation of their payment, but the long-term loss of the card is still a disincentive for a permanent return to work.

Bodsworth (2010) reports from interviews with NSA recipients that they had difficulty in paying for accommodation and food, and a strong desire to find work among those not caring for children, but had almost all made some sort of financial assessment about the income from a potential job and the impact it might have on their welfare payments, and were aware that increasing their income from paid work would affect their rent rebates or jeopardise their position on the housing waiting list. Bodsworth argues for greater security and flexibility in the income-support system: for example, people who start casual work then lose it should not so often have to go through an onerous benefit re-application process, and sole parents should be allowed to meet the participation requirement of 30 hours work per fortnight on average over a longer period, rather than needing to meet it each fortnight.

Thus in Australia the means-testing of benefits involves: *i*) high effective marginal tax rates in some cases (although in other cases these rates are effectively mitigated by the structure of taper rates applying to earned income); *ii*) thresholds where one extra dollar of earnings results in loss of a housing place, medical card or other concession; and *iii*) low income at one date resulting in benefit payment at a later date.<sup>21</sup> Austria and the United Kingdom are currently engaged in major initiatives to centralise and improve information about each individual’s or each family’s benefits of different kinds,<sup>22</sup> which illustrates how seriously this set of problems is being taken in some other OECD countries. Australia may not need to be an early adopter of such measures, since the main cash benefits are managed at federal government level and this allows some strategic co-ordination between them. However, Australia should continue to look for ways to streamline income reporting and the adjustment of benefit payments and rationally manage the withdrawal rates that result when two or more benefits or concessions are paid, so as to avoid unemployment traps.

## **Exemptions and suspensions from active jobseeker status**

### *Jobseeker status on unemployment payment*

Chapter 3 discussed various factors that lead to suspension from the JSA caseload. Table 4.4 provides more information about the unemployment benefit caseload, including individuals who are not in the JSA caseload. In June 2011, 49% of people who received an unemployment benefit payment (37% of short-term NSA recipients, higher for other groups) were not statistically classified as jobseekers. About 200 000 unemployment

benefit recipients (32% of all unemployment benefit recipients who received a payment) met their participation requirements through approved activities or voluntary/part-time work) and about 100 000 (16%) were incapacitated or otherwise temporarily exempt, giving a total of about 300 000 who were not jobseekers. By contrast, SSCEEWR (2012a) identifies about 90 000 JSA-registered jobseekers suspended for work, study or programme-participation reasons, 30 000 suspended for reasons of partial incapacity and 45 000 suspended due to exempt status, for a total of 165 000, which includes some people on a Parenting Payment.<sup>23</sup> Thus the JSA suspension data (for which a detailed breakdown by reason for the suspension is published) include only about half the unemployment benefit recipients who are not statistically classified as jobseekers. The difference arises because some people on unemployment benefit participate in other programmes such as DES or Youth Connections, so they are not in the JSA caseload; some (such as principal carer parents) are regularly meeting their requirements and are not referred by Centrelink to an employment services provider; some with initial exemptions are not immediately referred to a provider; and some people in the JSA caseload who are not currently suspended are nevertheless temporarily exempted by Centrelink.<sup>24</sup>

It would be helpful to generate a more complete picture of the exempt and suspended caseload:

- Match Centrelink records with the records on the Employment Services System used for JSA, and *vice versa*, to establish something like Table 4.4 broken down by JSA registration status.
- Document the correspondence between Centrelink and Department of Education, Employment and Workplace Relations (DEEWR) classifications of jobseekers by reason for suspension and exemption, and the different terms and classifications used by DEEWR, aiming to minimise the use of different terms for similar concepts or similar terms for different concepts.
- Document terms such as “temporary reduced work capacity” and “incapacitated due to illness, injury or disability of a temporary nature” (the first is classed as a suspension and the second is classed as an exemption) in terms of the definitional guidelines, or describing the operational procedures that allocate people to the category.
- Document how Centrelink, or in relevant cases the JSA provider, checks active participation in activities such as volunteer work, training, full-time study, etc., that justifies paying an unemployment benefit without additional participation requirements.

The number of non-active jobseekers has increased during the course of each employment service contract period, although there was a small temporary reduction at the start of the third Job Network Employment Services Contract (ESC3) in 2003 and a larger reduction at the start of the JSA in 2009 (see Chapter 3). Despite sharp falls in total unemployment, the number of people on an unemployment benefit who are not jobseekers has increased from about 90 000 in 1997 and 1998 to 330 000 in 2011. This may be a positive outcome given the intensification of placement efforts, which leads to the identification of client barriers or perhaps entry to part-time work, and the reforms of inactive benefits which have brought people with partial capacity for work (who can meet participation requirements while staying on payment) into the caseload (see below). However, the non-jobseeker population on unemployment benefit is so large that it needs more analysis and attention. This issue is not closely related to the issue of long-duration claims.<sup>25</sup>

Table 4.4. **The jobseeker and non-jobseeker populations on an unemployment benefit<sup>a</sup>**  
Levels

	Newstart			Youth Allowance (other)			Newstart and Youth Allowance (other)		
	July 2009	July 2010	June 2011	July 2009	July 2010	June 2011	July 2009	July 2010	June 2011
<b>All allowees</b>	<b>559 576</b>	<b>587 103</b>	<b>561 839</b>	<b>84 064</b>	<b>88 473</b>	<b>85 711</b>	<b>643 640</b>	<b>675 576</b>	<b>647 550</b>
<i>of which: In training or education</i>	53 418	94 288	108 671	8 835	25 652	25 804	62 253	119 940	134 475
<b>Received a payment</b>	<b>529 832</b>	<b>556 911</b>	<b>531 224</b>	<b>80 941</b>	<b>85 796</b>	<b>83 247</b>	<b>610 773</b>	<b>642 707</b>	<b>614 471</b>
Voluntary/part-time work <sup>b</sup>	25 736	25 676	29 390	0	0	0	25 736	25 676	29 390
Other activities without job search <sup>c</sup>	69 401	137 980	123 934	9 318	46 136	43 367	78 719	184 116	167 301
Incapacitated <sup>d</sup>	31 435	46 421	52 070	2 347	3 278	3 598	33 782	49 699	55 668
Other/temporary exemptions <sup>e</sup>	41 756	41 258	43 119	3 232	3 159	3 426	44 988	44 417	46 545
Jobseekers	361 493	305 576	282 711	66 044	33 223	32 856	427 537	338 799	315 567
Percentage of those who received a payment									
Voluntary/part-time work <sup>b</sup>	4.9	4.6	5.5	0.0	0.0	0.0	4.2	4.0	4.8
Other activities without job search <sup>c</sup>	13.1	24.8	23.3	11.5	53.8	52.1	12.9	28.6	27.2
Incapacitated <sup>d</sup>	5.9	8.3	9.8	2.9	3.8	4.3	5.5	7.7	9.1
Other/temporary exemptions <sup>e</sup>	7.9	7.4	8.1	4.0	3.7	4.1	7.4	6.9	7.6
Jobseekers	68.2	54.9	53.2	81.6	38.7	39.5	70.0	52.7	51.4

a. Youth Allowance (other) has traditionally described as an unemployment benefit, but early school leavers recipients must now be available for full-time study or training, not work.

b. Full-time voluntary work or a combination of voluntary and part-time work.

c. Includes training, education and self-employment development.

d. Including temporarily ill.

e. Includes participants in the Disability Management Service; probably includes exemptions on grounds of personal circumstances.

Source: Labour Market and Related Payments Monthly Profile ([www.deewr.gov.au/Employment/LMI/Pages/LMRP.aspx](http://www.deewr.gov.au/Employment/LMI/Pages/LMRP.aspx)).

### ***Jobseeker status of Parenting Payment recipients***

Table 3.6 suggests that among Parenting Payment recipients who are subject to participation requirements on the basis of the age of their youngest child, about 40 000 PPs recipients (35% of the total) and 14 000 Pp recipients (about 60% of the total) are not registered with JSA.<sup>26</sup> Parents can be exempted from participation requirements that would otherwise apply when they are foster carers, home educators, distance educators, care for four children aged under 16, or have experienced family and domestic violence. Recently-divorced or separated parents may be granted temporary exemptions.<sup>27</sup> Those who meet their participation requirements through part-time work may never be referred by Centrelink to a JSA provider.

### ***Reviewing exemptions and suspensions categories***

Policy makers should keep the different subgroups under review, considering whether suspension from job-search requirements (either generally, or related to part-time or voluntary work) and suspension from servicing by a JSA provider or other consequences are appropriate. As noted in Chapter 3, providers argue that they should maintain contact with some of the suspended jobseekers who are not expected to be immediately available for work.

Only about about 13 000 JSA jobseekers are suspended from the active JSA caseload due to study or participation in labour market programmes (SSCEEWR, 2012a). About 130 000 people are in training or education while receiving an unemployment benefit (Table 4.4) but probably many of them do not have a job-search requirement and are not registered with a JSA provider.

A Participation Review Taskforce (2008) made recommendations about the participation rules for parents. Most of the recommendations were incorporated in the *Social Security Amendment (Flexible Participation Requirements for Principal Carers) Bill 2010*, which allowed home schoolers, distance educators and parents of large families to be exempted from participation requirements until their child finishes high school, extended exemptions for victims of domestic violence, allowed study and voluntary work to count towards meeting participation requirements, and eased participation requirements over the long school holidays (DEEWR, 2010a). The Taskforce also reconsidered the provision that allows mature age jobseekers aged 55 and over to fully meet their participation requirements through 30 hours per fortnight of voluntary work, noting that “while voluntary work can lead to paid employment for some jobseekers, it may also be a way of avoiding paid work for others” (see also the discussion of older workers in Chapter 3).

## Participation requirements and the compliance regime

### *Background*

Jobseeker compliance issues, in particular sanctions for non-attendance at appointments with a provider, have received much attention since the Job Network was introduced in 1998. Towards the end of the third Employment Service Contract (ESC3) period – during which the compliance regime was tightened and several target groups with severe barriers to employment were transferred to jobseeker status – compliance issues were debated with particular intensity, and in 2008 the incoming Labor government launched consultations, amended legislation and implemented new procedures to reduce the incidence of longer-duration benefit sanctions. However, as employment service providers complained about failure to enforce attendance by jobseekers, in 2011 the regime was tightened again.

OECD (2001) highlighted that failure to attend an appointment with a provider involved a complex procedure where the provider notified Centrelink of the failure to attend, Centrelink called the jobseeker for an interview, and if the jobseeker did not present a reasonable excuse, a benefit sanction was imposed retrospectively. OECD (2001) recommended that non-attendance at an appointment should lead to a benefit stop until attendance, since in relation to attendance at a Centrelink office this was standard procedure and not regarded as punitive or difficult for jobseekers to comply with. The authorities in 2002 and 2003 announced measures to suspend benefit payments following failure to attend (O’Niell, 2003; SCARC, 2002; and Taylor, 2002). Since then, suspension procedures seem to have been used but only in selected cases, and in parallel with other sanction procedures.

Arguably benefit suspension following non-attendance is standard practice in most OECD countries, not only in those where the placement and benefit administration functions are integrated but also in some where benefit administration is separate such as Finland, Portugal, Sweden and Switzerland.<sup>28</sup> Australia may be more reluctant to link benefit payment directly to attendance because unemployment benefits play the role of last-resort social assistance, and there is not a general intention to deny unemployment benefit when a jobseeker fails to attend an interview due to illness or personal crisis. As Thomas (2011) puts it: “The challenge is to develop a compliance regime that enables sanctions to

be applied without penalising those jobseekers who are vulnerable or who simply have difficulty in understanding the requirements that are placed upon them”.

### *History to 2007*<sup>29</sup>

In 1997, a new penalty regime administered by Centrelink was introduced which specified a temporary reduction in payment for the first and second “breach” and non-payment for eight weeks after a third breach within a two-year period. The 1997 change involved a “clean slate” for previous breaches, so that relatively few eight-week non-payment periods were applied at first. From 1995 to mid-2001, breach rates rose sharply, reaching 18% in 2000-01.<sup>30</sup> Employment Service providers have from the start been contractually obliged to advise Centrelink if they are aware of conduct by a person that could constitute a breach of their activity test obligations: over a six-month period in 2000-01, Job Network providers submitted 106 627 “participation reports”, of which 46% resulted in a breach being applied by Centrelink. In 2003, efforts were made to reduce the number of breaches by suspending payment for non-attendance at interviews, improving the identification of “vulnerable” jobseekers, and allowing those subject to the eight-week non-payment period to “work it off” with Work for the Dole activities, and the breach rate fell to 8%.

In 2006, a new compliance system removed the reductions in payments for the first and second breaches, but retained the eight-week non-payment period for the third and subsequent breaches within a 12-month period.<sup>31</sup> There was an administrative focus on ensuring that employment service providers reported all compliance failures to Centrelink (NESA, 2008). Due to another “clean slate” provision, the number of third breaches with an eight-week non-payment period started low in July 2006 but then again rose sharply, doubling from 16 000 in 2006-07 to 32 000 in 2007-08 (DEEWR, 2010b).

### *Safeguards against harshness introduced in 2008*

Following the 2007 election, legislative amendments were proposed, and a Senate inquiry into the Bill containing the amendments received submissions from many labour market actors. CSSA (2008) and NESA (2008) variously described the compliance system as counter-productive, inflexible and lacking in safeguards, bureaucratic and failing to take clients’ capacity to comply into account. Jobs Australia (2010) described the system as deeply flawed, punitive, damaging, and causing significant detriment and harm. DEEWR (2008b) identified as defects the lack of deterrence or intervention in the early stages of a jobseeker’s non-compliance and the harshness of penalties in the latter stages, when jobseekers can suddenly find themselves in an irreversible eight-week non-payment period. It reported that, despite safeguards, according to a survey early in 2008 about 13% of those who incurred such penalties had a reported mental illness.

The amendment introduced the concepts of “connection failure” (a first failure to attend without a reasonable excuse) which would still not be (financially) penalised, and “reconnection failure” (a failure to attend a further appointment, set up after the connection failure) which would be penalised by loss of a day’s benefit for each day of non-compliance.<sup>32</sup> Along with this mild tightening, several measures to protect vulnerable jobseekers were introduced (DEEWR, 2010b):

- Non-attendance at an activity (such as job-search training or work experience) would lead to a “no show no pay” penalty, with loss of payment for each reported day of non-participation without a reasonable excuse, rather than being treated as a participation failure;<sup>33</sup>

- Providers were given greater discretion not to submit participation reports (PRs) to Centrelink.<sup>34</sup> They could instead make a contact request, asking Centrelink to contact the jobseeker and arrange another appointment with the provider.<sup>35</sup> Centrelink was given greater discretion not to apply penalties;
- The eight-week penalty would be considered after three connection failures or no-show no-pay penalties over a six-month period (rather than a 12-month period);
- Clients could be referred when appropriate to a Comprehensive Compliance Assessment which would review their circumstances including any barriers to participation to determine whether a client had been “persistently non compliant”. If persistent non-compliance was determined, a “serious failure”, an eight week non-payment penalty, would be imposed;
- An eight-week penalty would stop once the jobseeker agreed to participate in a Compliance Activity.<sup>36</sup>

Overall, in 2009/10 Q4 there were about 1.046 million appointments not attended. The provider submitted a PR in respect of approximately 300 000 of these: this number refers to appointments marked as “invalid – PR submitted” in the employment services providers’ online diary.<sup>37</sup> In Q4 Centrelink finalised the processing of 109 216 PRs for connection, reconnection, no show no pay and serious failures, imposing a “participation failure” in 37% of these cases and “rejecting” the PR in the other 63% of cases. The reasons for the number of PRs processed by Centrelink being much lower than the number of “PR submitted” cases recorded by providers are not well understood. However, it seems likely that providers do not submit a PR to Centrelink in each instance where they marked “invalid – PR submitted” in the online diary. Providers report that they lodge a PR when, for example, the jobseeker has used “multiple occurrences of illness as the reason for non-participation” or there is a “documented history of poor participation” (see further below), so one PR lodged with Centrelink may typically refer to two or three appointments missed without a valid reason (as assessed by the provider). Situations where a PR is lodged with Centrelink but a failure is not imposed also include those where the client is no longer receiving a payment, and where there was a procedural error (see further below). Among the participation failures, 15% were “no show no pay” failures (often related to non-attendance at an activity), 79% were “connection failures” (which do not involve a financial penalty) for non-attendance at an appointment, and 5% were “reconnection failures” (involving a loss of benefit for each further day of non-attendance). Since there were 2 236 reconnection failures, on average only about one missed appointment in 400 resulted in a financial penalty (Disney *et al.*, 2010, Tables A3, A6, A10a).<sup>38</sup> The average jobseeker who attends several appointments but misses several others within each six-month period would be at little risk of an immediate financial sanction, especially if after a second missed appointment he/she calls the provider to reschedule the appointment. However, all applied failures do count and may trigger a Comprehensive Compliance Assessment and an eight week non payment penalty for a serious failure.

Throughout 2009/10 the number of serious failures (eight-week penalties, prior to July 2009) increased each quarter, reflecting the time taken for jobseekers to accumulate three participation failures after another “clean slate” provision at the beginning of the financial year, but it remained low. By 2009/10 Q4, the number of serious failures was still only about 20% of the quarterly average applied in 2007/08 for refusal of a suitable job, and 10% for persistent non-compliance. Potential serious failures were referred for a Comprehensive Compliance Assessment, which resulted in referral to further assessment or assistance in 36% of cases, a change in the Employment Pathway Plan (EPP) (this might

mean, for example, that an activity requirement formerly in the EPP was dropped) in 15% of cases, and “other action or no action”<sup>39</sup> in 37% of cases. Only 13% of all cases of persistent non-compliance considered resulted in an eight-week penalty (Disney *et al.*, 2010, Table A10b, A11).

In the United Kingdom, where people have to “sign on” for benefit fortnightly with a job-search monitoring and assistance interview held at the same time, the non-attendance rate appears to be lower. Jobcentre Plus officers have discretion to change or refuse to change appointment dates on request, and since April 2010 can stop payment for a week when an appointment has been missed without good reason<sup>40</sup> (previously the stop related to the days missed). If the jobseeker fails to contact the Jobcentre within five working days, benefit payment is stopped and, although the jobseeker can reapply, this is time-consuming. In Australia, jobseekers are required to report participation activity including job-search efforts. If adequate job search is not reported, rather than a sanction being imposed, payments are not released (in relation to the Job Search Diary, this is discussed in OECD, 2001). This occurs alongside action for non-attendance at compulsory appointments and non-compliance with activity requirements.

### ***Provider inability to engage***

Although some JSA clients access JSA on a voluntary basis, most of the contacts between JSA providers and their clients depend on participation requirements. Within this framework, although individual appointments are often missed, most clients eventually attend. However, non-attendance is likely to become more systematic if it only rarely results in financial penalties. In July 2010, providers in their submissions to a review process (see Disney *et al.*, 2010) reported that infrequent and inconsistent enforcement was affecting their “ability to engage” clients (Campbell Page, 2010):

The current compliance regime has little impact on employment participation and long term employment figures without participation reports being upheld and little consequence for non attendance. This has impacted on the ability to engage the client and to initiate a work plan to overcome barriers to employment. It has made it difficult for JSAs to build a working relationship with the client and to assist the client to achieve work goals... Local employers in smaller regions know the long term unemployed and can be reluctant to employ or provide opportunities for this group of job seekers... Long term unemployed are in more need of the motivation required to return to paid work, either through work experience, paid or unpaid work trials. If the job seeker is capable of doing what is required (being mindful of all reports and recommendations of specialist), and agrees to participate, and the program is deemed appropriate, then these job seekers should also have non compliance action taken against them. Without this they are less likely return to the work force and move forward.

The perception that PRs were not being upheld may have been mistaken in the sense that often PRs submitted were invalid and an upheld PR need not result in a financial penalty: but it is true that relatively few financial penalties (for non-attendance at interviews) were applied in 2009/10.

Mission Australia (2010) reported that in the first six months of JSA approximately 45% of its PRs were rejected and another 36% of Comprehensive Compliance Assessments were finalised without penalty and “job seekers are using multiple occurrences of illness as a reason for non-participation, but are not always producing medical certificates to support these assertions. In a significant number of the cases where we identify such a

pattern and lodge a participation report these are being overturned by Centrelink”. Jobs Australia (2010) reports that “employment consultants repeatedly state that a Centrelink decision to overturn a participation failure appears to have ignored the documented history of poor participation by the job seeker... the consultant is frequently unclear about how the participation failure has been handled and the reasons for any rejection”. NESAs (2011) notes that a decision on a PR may take up to 28 days, and if it is not upheld the provider then has to schedule another first appointment,<sup>41</sup> and “in some instances this cycle disrupts job seeker participation for months”.

Although providers complain about Centrelink’s failure to apply PRs, part of the problem may be that the provider’s frontline staff are making only limited efforts to facilitate jobseeker attendance:

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 (Fowkes, 2011).

About 30% of Centrelink rejections of PRs in 2009/10, and particularly in the first six months of JSA operation, arose due to procedural errors in the PRs. As examples of procedural errors, Disney *et al.* (2010, Table A7a) cites cases where: the jobseeker did not receive notification of the appointment or was not notified correctly, or not in time; the PR related to a period during which the jobseeker had an exemption, or was not receiving any payments; or the PR was submitted for a requirement not contained in the Employment Pathway Plan.

Government representatives pointed out, in their submission to the review, that the total number of penalties decided had increased since 2008-09, since the number of new reconnection failure penalties and no-show no-pay penalties more than offset the decline in serious failure penalties (DEEWR, 2010b). Disney *et al.* (2010) recommended that “If further and significant improvements are not achieved within the next 12 months or so in jobseekers’ attendance rates at appointments with providers”, Centrelink should be able, in specified circumstances, to suspend payment from the first (connection) failure.

### ***Renewed tightening and new benefit suspension arrangements introduced in 2010 and 2011***

There was a “substantial tightening in March 2010 of the grounds on which PST members [Centrelink staff] could reject PRs” (Disney *et al.*, 2010). The proportion of PRs that were applied by Centrelink rose to 51% in 2010/11 (SSCEEWR, 2012b). This was due to increased participation reporting from providers (as the new employment services model bedded down) and an increased applied rate of failures (due to a decline in procedural errors by providers and policy clarification from DEEWR around reasonable excuse which was disseminated in March 2010). Also, in the last half of 2010 the number of eight-week penalties imposed rose very sharply. This was due to the previous factors, and their delayed impact, as a CCA is only triggered when there have been three applied failures over a six-month period.

Tougher rules were announced in August 2010 and implemented in July 2011 through the *Social Security Legislation Amendment (Job Seeker Compliance) Bill*. This introduced “suspension of payment for job seekers following an initial failure to attend an appointment or, in some circumstances, an activity such as training or Work for the Dole. As soon as

the job seeker agrees to attend this appointment, their payment will be restored with full back payment... If the job seeker does not attend the rescheduled appointment, payment will again be suspended but this time, if they do not have a reasonable excuse...they will incur a reconnection failure and lose payment for each day from the second missed appointment until they do attend a rescheduled appointment. That is, there will be no back payment for this period. The reconnection penalty will be deducted from the payment for the period in which the job seeker was notified of the failure... even if a job seeker has a reasonable excuse on the day for not attending an appointment or activity, it will not be accepted if they could have given advance notice that they couldn't attend but didn't do so." (DEEWR, 2011a).<sup>42</sup>

Although Centrelink started to use suspensions in 2002 and 2003 (see above), the procedure may be more automated in future, in line with a procedure described by Disney *et al.* (2010):

In some circumstances, a PR is generated automatically by the DEEWR computer system as soon as a provider records a job seeker's failure to attend for what the provider considers to be an invalid reason. This applies especially to "reconnection appointments" and means that the provider does not have an opportunity to add in any details.

It can be noted that this refers to appointments that were originally negotiated with the jobseeker by Centrelink, with a requirement to contact Centrelink rather than the provider if they are unable to attend. This system reduces unnecessary provider effort, since it is unlikely that the provider would have any additional information pertaining to this non-attendance.<sup>43</sup>

Given that the requirement to attend Centrelink offices in person (to lodge reporting and income statements) was reduced as from July 2010,<sup>44</sup> benefit recipients who are active jobseekers now visit their employment service provider's office more frequently than their Centrelink office. The process of triggering payment through jobseeker reporting to Centrelink remains separate from employment servicing and any compliance action that may be initiated by a provider. However, in general PRs must be assessed and determined before Centrelink will accept the person's regular jobseeker reporting statement which triggers payment. Where a provider submits a PR to Centrelink for investigation of non-attendance at an appointment or disengagement from an activity, payments are suspended pending contact with the jobseeker and their agreement to attend a re-engagement appointment. This arrangement is expected to increase attendance rates by people who have active jobseeker status, insofar as the link between attendance and payment becomes clear and consistent, at least for clients without a Vulnerability Indicator on the IT system.<sup>45</sup> Providers favour a clear link between attendance and payment.<sup>46</sup>

Greater stability in compliance arrangements would be desirable, since policy controversy and innovations and clean slate provisions have generated vast swings in penalty rates, such that a long-term unemployed person could hardly have any idea of what the requirements effectively applying are. However, ACOSS (2011) opposed the 2011 bill, referring to the complexity of its arrangements, a lack of evidence for their effectiveness, the risk of payment suspensions without warning and hardship, and higher attendance rates at appointments under alternative (Local Connections to Work) arrangements.

Insofar as the link between attendance and payment becomes more automatic, the use of the Vulnerability Indicator, and the Comprehensive Compliance Assessment procedure, will play a key role in preventing hardship. In a pilot programme, Centrelink will contact the jobseeker's employment service provider to discuss individual cases, a procedure

which has not been broadly implemented until now. Even so, when a person never attends appointments with their provider, there may still be only the options of tolerating this or suspending benefit payment.

## **The history of activation of unemployment and inactive benefits**

### ***The activation of unemployment benefits from the late 1980s<sup>47</sup>***

In the late 1970s and early 1980s, Australia separated the placement and benefit administration functions of the Public Employment Service. However, a Social Security Review set up in 1985 reported that benefits were being paid in situations where registration with the Commonwealth Employment Service (CES) had lapsed, and in the decade to 1985 “resources were not made available for work testing”.

In 1986, the CES was required to report lapses of registration and the unemployed were required to list two job-search contacts per fortnight. In 1989, a “Newstart” programme of assistance for the long-term unemployed, which included counselling, referrals to labour market programmes and transition-to-work incentives, was introduced. In July 1991, the former unemployment benefit was replaced by Job Search Allowance for people unemployed for less than 12 months and Newstart Allowance, with a requirement to enter into a Newstart Activity Agreement at administrative discretion, for people unemployed for 12 months or more. In 1996, Job Search Allowance beneficiaries were transferred to Newstart Allowance.

Until the mid-1990s, policy followed a principle of “Reciprocal Obligation” which included an obligation on government to offer assistance as well as an obligation on jobseekers to accept it. The Working Nation programme of 1994-97 assured the availability of labour market programme places, but this had an undesired effect that case managers tended to make referrals to these, rather than the open labour market. The concept of Mutual Obligation introduced in 1998 referred to a more general obligation on jobseekers to “participate in an activity” in return for the payment of unemployment benefits. Although this term has not been used officially after 2007, the principle still applies in the JSA Work Experience Phase. Recently, three ministers signed up to the principle that “At the core of the new arrangements [for remote employment servicing] will be the expectation that people who can work should work” (DEEWR, 2011b). In summary, activation principles in relation to unemployment benefit became established policy thinking mainly between the mid-1980s and the late 1990s.

### ***Benefit individualisation in 1995***

In 1994, Australia introduced a new inactive benefit, the Mature Age Allowance, payable to men aged 60 or more and unemployed for 12 months or more. However, other benefit reforms in 1994 and 1995 started a long process of activating inactive benefits. Prior to 1995, many benefits were a payment to the head of household, depending on family size as well as family income. In 1995, benefits were individualised so that both partners in a couple were required to apply for a benefit to qualify for approximately the same total payment. The existing Wife Pension was closed to new entrants, but it was replaced by new benefits created in 1994 and 1995:

- A Widow Allowance, restricted to widows aged 50 or more;
- A Parenting Allowance (renamed Parenting Payment – Partnered in 1998) payable to partners with child-care responsibilities; and

- A Partner Allowance, which was introduced in September 1994 but as from July 1995 was restricted to partners born before July 1955 (at that that time, aged 40 or more) with little recent labour market experience.

Also, the age of entry to Age Pension for women was progressively increased from 60 in 1995 to reach 65 in 2013.

### ***The activation of inactive benefits after 1995***

After 1995, the minimum age for entry to Partner Allowance increased each year due to the birth-date restriction (see above). Since then, a series of further reforms restricted access to inactive benefits, or were otherwise activating in nature:<sup>48</sup>

- In 2003, both Mature Age Allowance and Partner Allowance were closed to new entrants;
- From 2005, new grants of Widow Allowance were restricted to women born before July 1955, so that the minimum age for entry is now increasing each year;
- The Welfare to Work reforms of 2006 and 2007 closed PpP and PPs to new entrants in some cases and applied participation requirements to them in others (see details below); and
- The Welfare to Work reforms also in 2006 restricted new claims of Disability Support Pension (DSP) to applicants having an assessed work capacity (at or above the relevant minimum wage) of less than 15 hours per week after two years of assistance. DSP was previously restricted to applicants with a work capacity of less than 30 hours per week. Claims that started before May 2005 continued under the old rules.

### ***The decline in inactive benefit caseloads***

Table 4.5 lists six inactive benefits with the dates that entitlement to them was restricted, the date at which the caseload reached a peak, and the fall in their caseload since the peak. Using the fall in the caseload as a percentage of the population of working age since the peak as an indicator of impact,<sup>49</sup> the entitlement restrictions by 2010 or 2011 had reduced the caseload of these benefits by about 2.75% of the working-age population, equivalent to more than 400 000 people.

In addition to the changes shown in Table 4.5, the number of women aged under 65 receiving the Age Pension fell from about 212 000 in June 1995 to about 81 000 in June 2009 (Davidson and Whiteford, 2012). This will have been the main factor in declining income-support reciprocity among 60-64 year-old women, but not in the overall picture.

Many of the entitlement restrictions were equivalent to the introduction of participation requirements for the benefit. People who could no longer claim Partner Allowance, Mature Age Allowance, Widow Allowance or PpP could claim NSA with the same rate of payment. “Grandfathered” recipients of PpP and PPs (those already on the benefit in 2006) continued to receive the same benefit but subject, depending on their children’s ages, to participation requirements. However, for new claimants with a youngest child aged 8 or more who previously could qualify for PPs, and for new claimants able to work 15-29 hours per week who previously could qualify for DSP, the 2006 reform involved a lower rate of payment as well as participation requirements.

Table 4.5. Falls in the caseloads of the inactive benefits phased out, partly phased out or subject to participation requirements<sup>a</sup>

	Partner Allowance	Mature Age Allowance	Widow Allowance	Parenting Payment – Single	Parenting Payment – Partnered	Disability Support Pension	Total of benefits shown
<b>Type of restriction</b>							
Entry restricted to people born before 1955	1995		2005				
Closed to new entrants	2003	2003					
Partly closed to new entrants				2006	2006	2006	
Partly subject to participation requirements				2006, 2007	2006, 2007		
<b>Date of peak caseload (except PPP, DSP)<sup>b</sup></b>	September 2003	September 2003	March 2004	June 2005 <sup>c</sup>	June 2005 <sup>c</sup>	June 2006 <sup>c</sup>	
<b>Caseload data</b>							
At peak (see above for date)	106 144	42 625	45 925	450 811	167 272	714 156	
Percentage of working-age population <sup>d</sup>	0.80	0.32	0.34	3.29	1.36	5.13	11.23
June 2010	24 054	0	33 886	333 512	124 910	792 581	
Percentage of working-age population	0.16	0.00	0.22	2.21	0.83	5.25	8.67
June 2011	17 379	0	29 823	326 211	117 751	818 850	
Percentage of working-age population	0.11	0.00	0.19	2.12	0.76	5.32	8.47
<b>Change in caseload</b>							
Percentage of working-age population	-0.68	-0.32	-0.15	-1.17	-0.59	0.19	-2.73
Equivalent number of people	-105 268	-49 252	-22 539	-180 324	-91 396	29 154	-419 625

a. Some more minor payments and the age pension (the qualifying age for age pension for women was increased to 60 years and six months in 1995 and to 64 years and six months in 2011) are not included.

b. Not a peak for the PPP caseload. In 2007 the DSP caseload fell slightly as a percentage of the working-age population, but then growth resumed.

c. Peak in June data (monthly data not available).

d. Population aged 15 to 64.

Source: As for OECD (2003), *OECD Employment Outlook*, Chapter 4; DEEWR, Labour Market and Related Payments, various dates; FaHCSIA (2011), "Income Support Customers: a Statistical Overview 2010", FaHCSIA Statistical Paper No. 9; FaHCSIA (2011), "Characteristics of Disability Support Pension Recipients", and [www.deewr.gov.au/lmpip](http://www.deewr.gov.au/lmpip).

### ***Benefit reciprocity among the population of working age***

In 1978, 13.9% of the Australian working-age population was in receipt of a non-student income-replacement benefit. The rate increased to 17.4% in 1983 and after falling back in the late 1980s increased again to 21.3% in 1996. But since 1996, the rate has declined steadily, falling back to 15.2% in 2007 (Daniels, 2008).<sup>50</sup> For international comparison purposes, a slightly lower figure could be appropriate because:

- About 2 percentage points within the 15.2% total are people receiving an inactive benefit as partners (FaHCSIA, 2011a) who, in other countries, may still be treated as dependents of other benefit recipients, and not separately counted;
- About 2 percentage points<sup>51</sup> within the total are people on a part-rate payment. These two percentage points could represent not much more than 1 percentage point on a full-time equivalent basis.

A benefit-recipient rate of 15% or less is clearly low in international comparison, because among the 16 countries shown in OECD (2003), in 1999 which was a year of low unemployment in most countries, only Japan, Spain and the United States had rates below 16%. From 2007 to 2010, the overall rate in Australia has changed little, as a rise in the numbers on DSP, Carer Payment and unemployment payments was offset by a continuing decline in the numbers on PA, PPs and PpP (FaHCSIA, 2011a). In 2010 and 2011, the proportion of the working-age population on an income-replacement benefit in Australia was probably still higher than in Japan<sup>52</sup> but lower than in all or nearly all other OECD countries that provide a broad entitlement to disability, unemployment, and social assistance benefits. The low proportion partly reflects the lack of insurance benefits, so that benefits are in general only paid to people who would otherwise be at risk of poverty. It also reflects the policies promoting return to work from unemployment benefits and the restrictions on access to inactive benefits since 1995. At the same time, for people at risk of poverty, assistance benefits in Australia are available as easily or more easily than in many European countries, and more easily than in Japan or the United States.<sup>53</sup> As long as unemployment does not rise sharply, this appears to be a relatively good outcome, both socially and in terms of the broader economy and fiscal sustainability.

### Evaluation findings from the reforms of inactive benefits

When access to a particular working-age benefit is closed, or the benefit level is reduced or eligibility for the benefit is made conditional on availability for work, in general the benefit caseload falls. Evaluations can assess, among other issues, to what extent the reform reduced inflows to the benefit and increased outflow rates from the benefit; to what extent the caseload reduction was offset by increased claims for another type of benefit; and to what extent the reform increased levels of employment among the benefit's original target group.

#### *The closure of Partner Allowance in 2003*

Gregory (2010) reports inflows to different types of income support among married (partnered) women from 1999 to 2009:

- In the two years prior to September 2003, inflows by married women aged 45-64 were running at nearly 5 500 per month, of which about 2 000 were onto Partner Allowance (PA). From September 2003, when PA was closed to new entrants, inflows from this demographic group onto NSA increased by about 800 per month, with little change in inflows to other benefits; and
- Inflows to income support by partnered men aged 45-59 have at all times from 1999 to 2009 been very similar to inflows by partnered women aged 45-59 (Gregory, 2010, Figure 6).<sup>54</sup> In particular, both these inflows fell from about 5 000 per month before September 2003 to slightly less than 4 000. This shows a “cross gender effect” on the male partner's status: probably in most cases where a female partner no longer made a benefit claim following the closure of PA, the male partner started work (or in some cases, retained an existing job).

A couple-based perspective on these findings is that, in the case of a couple with one partner unemployed, the closure of PA represented an increase in total participation requirements. If this couple stayed on income support, both partners needed to participate in Job Network, etc. rather than only one. Or if the female partner was averse to job search,<sup>55</sup> due to the closure of PA the couple's benefit income would fall by half, sharply

increasing the incentive for the male partner to find work (or in some cases, retain an existing job). The impact, as seen in these statistics, was a fall of over 50% in inflows to income support among the group that previously claimed PA with, in addition, a “cross gender effect” that tended to reduce claims by male partners.

### *The Parenting Payment reform of July 2006*

Table 4.6 summarises information about the impact of Welfare to Work reforms, implemented in July 2006, on outcomes for Parenting Payment recipients during the first year. The table compares benefit spells that started in 2006/07 with benefit spells that started in 2005/06. The policy changes directly affected parents whose youngest child was aged 6 or more. In the case of PPs, those with a child aged 6 or 7 experienced a different policy change from those with a child aged 8 or more.

Table 4.6. **Benefit entry and exit rates before and after the 2006 Welfare to Work reforms**

Source (in DEEWR, 2008)	Benefit claimant group <sup>a</sup>	Policy change from July 2006 <sup>a</sup>	Annual number of new benefit claims			Percentage of new claims still on benefit 50 weeks later <sup>b</sup>			Change in new claims continued for at least 50 weeks (%)
			2005/06	2006/07	Change (%)	2005/06	2006/07	Change (%)	
Table 3.1, Chart 4.5	New claims for PPS by sole parents with youngest child aged 6 or 7	Participation requirements	8 552	8 230	-4	79	63	-20	-23
Table 3.1, Chart 4.1	New claims for PPS/NSA by sole parents with youngest child aged 8 to 15	Switch to NSA with participation requirements. Lower benefit level and lower income cut-off point	28 313	13 902	-51	73	50	-32	-66
Table 3.2, Chart 4.3	<i>Of which: claims with income below AUD 834 per fortnight/off-benefit rates adjusted for cut-off point<sup>c</sup></i>	Switch to NSA with participation requirements and lower benefit level	23 278	12 982	-44	62	49	-21	-56
Table 3.1, Chart 4.7	New claims for PPP/NSA by partnered parents with youngest child aged 6 to 15	Switch to NSA with participation requirements, benefit level unchanged	25 476	11 398	-55	52	42	-19	-64
Chart 3.3	New grants of DSP (includes 15-29 hours assessed capacity in 2005/06 but not 2006/07)	People with work capacity of 15-29 hours no longer eligible; changed assessment procedure	62 000	61 000	-2	..	..	..	..
Chart 3.6, Chart 4.14	New DSP applicants/NSA recipients with work capacity of 15-29 hours (numbers are estimates) <sup>d</sup>	Switch to NSA with participation requirements and lower benefit level	13 000	8 000	-38	94	86	-9	-43

.. Data not available.

a. PPs: Parenting Payment – Single; PpP: Parenting Payment – Partnered; NSA: Newstart Allowance; DSP: Disability Support Pension.

b. Approximate figures read from charts, subject to change due to retrospective updates in the administrative data; Chart 4.3 reports survival to 48 weeks due to data limitations.

c. People with fortnightly income above AUD 834 could qualify for PPs in 2006/07 but could not usually qualify for NSA in 2007/08, so that data excluding these claims are more appropriate for isolating the behavioural impact of the reform.

d. Approximate figures read from Charts 3.3 and 3.6 in the cited source: the number with work capacity of 15-29 hours is an estimate under an assumption that work-capacity assessments by “Better Assessments” (data October 2005-March 2006) applied in 2005/06, and those by the Job Capacity Assessment (data October 2006-March 2007) applied in 2006/07, taking account of the fact that new grants of DSP included the 15-29 hours group in 2005/06 but not 2006/07.

Source: DEEWR (2008), “Welfare to Work Evaluation Report”, Research Branch and Evaluation and Program Performance Branch, available at [www.workplace.gov.au](http://www.workplace.gov.au).

- Sole parents with a youngest child aged 6 or 7 were still able to claim PPs, but after July 2006 PPs was subject to participation requirements. In this case, the number of starts on benefit was little changed, but the approximate one-year survival rate on income support, for those who started on benefit, fell by about 20%;<sup>56</sup>
- Sole parents with a youngest child aged 8 or more were no longer able to claim PPs and were expected in standard cases to claim NSA. Focusing on the cases where the claimant did not have other income (other income might disqualify the claimant from NSA, even in the absence of a change in behaviour), the number of starts on benefit in this group<sup>57</sup> fell by 44% and the one-year survival rate among those who started on benefit fell by about 20%; and
- Partnered parents with a youngest child aged 6 or more were no longer able to claim PPp and again were expected in standard cases to claim NSA. In this case, the number of starts on benefit fell by 55%. For PPp recipients who started on NSA, the approximate one-year survival rate on income support again fell by about 20%.

Comparing these three cases, a large “entry effect” – a change in the rate of inflows to a benefit due to a change in benefit conditions – does not correlate uniquely with either new participation requirements (since little entry effect was seen for the PPs 6-7 year child-age group) or a reduction in benefit level (for the PPp group, an NSA claim did not involve a reduction in benefit level). Further factors, cited below, could explain why there was a larger entry effect for PPp recipients as compared with PPs recipients.

### ***Participation requirements for grandfathered PPs and PPp claims in July 2007***

Parents who were already on PPs or PPp in July 2006 were not affected by the July 2006 reform. They were “grandfathered”, meaning that they could potentially stay on these benefits until their youngest child turned 16 (although this will change in 2013, see below). However, in early January 2007 grandfathered principal carer parents were informed that from July 2007, participation requirements would apply for those with a youngest child aged 7 or more (DEEWR, 2008a). In practice, “activation involved a call to interview with a Centrelink advisor during which the participation requirements were explained and, in most cases, an Activity Agreement setting out how the individual would meet the requirements drawn up and signed there and then” (Fok and McVicar, 2011).<sup>58</sup>

Rates of exit from PPs and PPp to another type of income support were much higher in the year starting 30 June 2007 than they had been in the previous year – around four times higher, in the case of PPp recipients with a child aged 7 or more. However, 70% of the switches between benefits were between the two Parenting Payments, or into NSA, not entries to an inactive benefit. Inflows from Parenting Payments to DSP increased by an estimated 300 per month, which is small as compared with the impact on flows off income support (Fok and McVicar, 2011).<sup>59</sup>

Table 4.7 presents data for rates of exit from income support for these grandfathered parents. The data compare outcomes for those with children aged less than 7 and those with children aged 7 or more, and compare outcomes for 2006/07 and 2007/08.<sup>60</sup> For PPs recipients with children aged 7 or more, the rate of exit from income support averaged about 0.027% per day in the year after 30 June 2006, and about 0.048% per day in the year after 30 June 2007, 1.8 times higher. For PPp recipients the increase was from 0.034% per day to 0.089% per day, 2.6 times higher.

The annual exit rates in Table 4.7 imply (discounting the difference-in-difference estimates)<sup>61</sup> that activation reduced annual survival rates on income support for grandfathered

PPp recipients by about 18%, which is close to the impacts reported in Table 4.6 for several other groups of parents. But for grandfathered PPs recipients, annual survival rates fell by only 7%.<sup>62</sup>

Table 4.7. Rates of exit from income support by Parenting Payment recipients in 2006/07 and 2007/08<sup>a</sup>

	PPs			PPp		
	In the year after 30 June 2006	In the year after 30 June 2007	Increase in 2007/08 compared with 2006/07	In the year after 30 June 2006	In the year after 30 June 2007	Increase in 2007/08 compared with 2006/07
Age of youngest child	Rates of exit from income support per day (%) <sup>b</sup>					
Age less than 7	0.02	0.03	0.01	0.03	0.05	0.03
Age 7 or more	0.03	0.05	0.02	0.03	0.09	0.06
Increase for age 7 or more less increase for age less than 7 (difference in difference estimate of impact)			0.01			0.03
	Equivalent rates of exit from income support per year (%) <sup>b, c</sup>					
Age less than 7	6.59	8.78	2.19	9.44	17.34	7.90
Age 7 or more	9.28	16.02	6.75	11.57	27.70	16.14

PPs: Parenting Payment – Single; PPp: Parenting Payment – Partnered.

- Data relate to exits from income support by “grandfathered” claimants, who continued on the same payment after June 2006. In 2007/08 claims by parents whose youngest child was aged 7 or more were subject to participation requirements.
- Estimated from Figures 12, 13, 14 and 15 of Fok and McVicar (2011), which show smoothed exit rates for about 300 days of the year (not reported for first 30 and last 30 days of the year).
- Assuming the per-day survival rates apply for 365 days.

Source: Fok, Y. and D. McVicar (2011), “Activation and Welfare Dependency”, Final Report of Project 3/10, Melbourne Institute of Applied Economic and Social Research, <http://melbourneinstitute.com/labour/publications/reports.html>; and authors’ calculations.

### ***People with assessed work capacity of 15 to 29 hours per week***

As shown in Table 4.6 above, new grants of DSP changed little between 2005/06 and 2006/07. This result may be considered surprising and disappointing, because in 2005/06, among people assessed with less than 30 hours of work capacity (thus, entitled to DSP in 2005/06), over 20% had an assessed work capacity in the range of 15-29 hours. In 2006/07, the group with partial work capacity no longer qualified for DSP, but many more people were assessed as having a work capacity of less than 15 hours. DEEWR (2008a) concludes that a number of offsetting factors, some relating to the introduction of Job Capacity Assessments (JCAs),<sup>63</sup> contributed to this outcome.

The estimated number of starts on income support by people with an assessed work capacity of 15 to 29 hours fell by about 40% in 2006/07. The prospect of NSA status may have dissuaded some workers with partial work capacity from making an application, but it may also have influenced the behaviour of assessors in the direction of granting DSP in marginal cases. Among those with an assessed work capacity of 15 to 29 hours, who started on NSA, the approximate one-year rate of survival on income support fell by about 9%, a fairly small impact. Overall, in the first year of Welfare to Work reforms 14% of partial-work-capacity claimants who started on NSA left within a year, whereas at least 50% of sole parents claimants who started on NSA left.

### *Summary of evaluation findings*

For the policy reforms that changed conditions for new entrants, most of the caseload impact resulted from lower rates of entry to income support. This is in line with longstanding evidence that much of the impact from referrals to Work for the Dole and other labour market programmes takes place through motivation effects (also called threat or compliance effects).<sup>64</sup> Evidence that many relatively-employable people are able to find work (or perhaps family income support) when the incentives for this are sharper arguably supports a strategy with significant compliance requirements, and an employment-service focus on hard-to-place client groups and assistance with overcoming barriers.

The employment assistance measures (including their “hassle” element) associated with an NSA claim (or PpP claim) are also found to have a large impact on exit rates. Participation requirements reduced the proportion of new claimants who were still on the caseload a year later by about 20%, except in the case of grandfathered PPs recipients.<sup>65</sup>

Fok and McVicar (2011) conclude that the impact of activation has generally been larger for PpP recipients than for PPs recipients, and DEEWR (2008a) also finds some evidence for this. Three general factors could be involved:

- PpP recipients could be more averse to participation requirements than single parents, due to poorer employment prospects and greater adherence to traditional social norms;<sup>66</sup>
- PpP recipients have more alternative options than PPs recipients do: they may drop their claim and be supported by their partner, or their partner may increase earnings, or they may increase their own earnings, with the partner providing childcare; and
- Due to differences in income limits and taper rates, when they meet participation requirements by working 15 hours per week, PpP recipients are more likely than PPs recipients to lose eligibility for benefit.

The low rate of exit from benefit by grandfathered PPs recipients, as compared with other PPs recipients with children aged 6 or 7, could be related to differences in forward-looking incentives. Grandfathered PPs recipients who earn enough to cancel their PPs payment for more than 12 weeks and then return to income support can only claim NSA, which pays a significantly lower rate (NWRN, 2011). Thus, a temporary entry to work could result in a large financial loss for a recipient who might otherwise benefit from their grandfathered PPs status far into the future.<sup>67</sup> By contrast, for the PPs recipients with children aged 6 or 7, the higher PPs rate is time-limited. In this case, recipients know that they will be transferred to the lower NSA rate when their child turns 8, which increases the exit rate. The low rate of exit from grandfathered PPs is a likely factor motivating restrictions announced in the 2011 budget. From 2013, grandfathered recipients will only receive Parenting Payments until their youngest child turns 12 (or 13 during the transitional year). Also, from 2011 new births will no longer prolong an existing grandfathered payment (Evans, 2011).

In general, these findings suggest that for parents, participation requirements have a large impact, and payment rates – especially the long-term entitlement feature of grandfathered PPs – also have a large impact. This supports the strategy of activating parents.

The evaluation studies show that a transfer to NSA status (or equivalently, a transfer to grandfathered PpP status with participation requirements) reduces the caseload a year later

by about 20%, but they give no information about what happens beyond the first year of a participation requirement, in the later phase of ongoing service delivery. Some comparisons of exit rates over more than a year would be useful: the long-run caseload depends strongly on whether the 20% reduction in the survival rate over the first year of a benefit spell is repeated in the second and subsequent years.

The findings for people with partial work capacity suggest a cautious approach to policy reforms. Transfer to NSA status increases the re-employment rate, but perhaps by not enough to prevent long-term growth in the stock of jobseekers with partial incapacity. This is a challenge because policy reforms with a greater focus on the person's ability to work and revised impairment tables from 2012 are expected to reduce inflows to DSP. People claiming DSP will be required to provide evidence that they have received appropriate employment assistance and are still unable to participate in the workforce (DHS, 2011), and the success of this strategy depends on how many entries to work result from the employment assistance. A cost-benefit analysis of measures that reduce inflows to DSP could be based on modelling flows into and out of NSA and DSP, and into and out of employment, to see how the cost of JSA services for the group that remains on NSA builds up, as compared to the benefit in term of increased employment outcomes. This would give some perspective on whether DSP eligibility criteria should be further tightened, and to what extent employment service (JSA and DES) resources should be concentrated on people with partial work capacity.<sup>68,69</sup>

## **Income support reciprocity rates and employment rates**

From 1996 to 2010 the reciprocity rate for non-student income-replacement benefits declined by 6 percentage points and the employment rate of the working-age population increased by about 5 percentage points (see the section *The history of activation of unemployment and inactive benefits* above, and Figure 1.4). Two of the demographic groups targeted by inactive-benefit reforms in Australia, older males and sole parents, can be identified both in the statistics for other benefits such as NSA, and in survey statistics that report employment rates (Table 4.8).

### ***Older male workers***

In 2003, when Mature Age Allowance (MAA) was closed to new entrants, it had a caseload of over 40 000, which was about 8% of the 60-64 year-old male population,<sup>70</sup> and by 2009 the MAA caseload had fallen to zero. Some of the fall in the caseload was offset by an increase in the number of 60-64 year-old males on NSA: as noted in Chapter 3, the NSA participation requirements for mature-age workers are relatively weak. Nevertheless, the employment rate of 60-64 year-old males increased by 9 percentage points from 2003 to 2009. The closure of PA (with the “cross gender effect” described above) and the rising female pension age could have been further factors discouraging early retirement by males.

### ***Sole parents***

From 2005 to 2009, the number of PPs recipients fell by over 100 000 (nearly 25%) mainly due to Welfare to Work reforms. Table 4.8 estimates that only 20% of this fall was offset by a net increase in the number of sole parents on NSA, and a further 10% was offset by transfers to DSP. Recognizing that about 40% of sole parents on income support are employed, the increase in sole-parent employment is estimated to be about two-thirds of the decline in the number of sole parents who are on income support with no earnings.<sup>71</sup>

Table 4.8. Change in income-support reciprocity and employment rates for older workers and sole parents

	60-64 year-old men					Employment <sup>a</sup> Percentage rate/number
	Benefit caseload				Population	
	MAA	NSA	DSP	Total		
	Number					
2003	40 178	8 258	98 078	146 514	439 000	48.0
2005	20 877	18 426	97 861	137 164	476 000	52.2
2009	0	26 792	97 946	124 738	585 000	56.9
Change 2003-09						
Change in number <sup>a</sup>	-40 178	18 534	-132	-21 776	146 000	45 000
Change in percentage of population	-7.8	3.6	-0.0	-4.3		8.9
	Sole parents					Employment <sup>a</sup> Percentage rate/number
	Benefit caseload				Population <sup>b</sup>	
	PPs <sup>c</sup>	NSA <sup>d</sup>	DSP <sup>e</sup>	Total		
	Number					
2005	450 811	..	..	..	490 000	49
2009	344 096	20 000	..	..		55
Change 2005-09						
Change in number <sup>a</sup>	-106 715	20 000	11 000	-75 715		29 000
Change in percentage of population	-21.8	4.1	2.2	-15.5		6.0

MAA: Mature Age Allowance; NSA: Newstart Allowance; DSP: Disability Support Pension; PPs: Parenting Payment – Single.

.. Data not available.

- The change in the number employed is reported controlling for population growth, calculated as the change in the employment rate multiplied by the average population.
- The population figure cited related to sole parents with children aged under 15 in 2004-06. This is used as the denominator in calculating changes in benefit numbers as a percentage of the sole parent population, since separate data for 2005 and 2009 were not located.
- About 40% of PPs recipients had some earnings in 2005 [DEEWR (2008), “Welfare to Work Evaluation Report”, Research Branch and Evaluation and Program Performance Branch] and 35% in 2009.
- The change is the number of sole parents on NSA reported by ACOSS (2009), with an assumption that the number was small in 2005.
- Estimate for additional transfers to DSP from Parenting Payments as a consequence of welfare reform over four years (300 per month for four years, see text, adjusted for PPs recipients). Separate data for the absolute number of sole parents on DSP in 2005 and/or 2009 were not located.

Source: FaHCSIA, Income Support Customers: a Statistical Overview, several issues; *OECD Online Employment Database* ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)); ABS (2007), “One-parent Families”, Social Trends, Cat. No. 4102.0; ABS (2010b), “Measures of Australia’s Progress, 2010: Work: Lone Parents”; and ACOSS (2009), “The Winners and Losers from the Pension Increases”.

One issue for such a comparison is that survey statistics for the number of sole parents tend to be ambiguous and lacking in detail, and inactive sole-parent benefits may encourage administrative reporting of sole-parent status which is not completely reflected in survey responses. In Australia, assuming that 60% of the PPs recipients in Table 4.8 were not employed in 2005, the PPs (not employed) recipiency rate based on administrative data, plus the employment rate reported in survey data, added up to slightly over 100%. Similarly in New Zealand, at one point it was calculated that there were more single parents on benefits (including the widow and unemployment benefit) than existed on the basis of a census population count of single parents (Stephens, 2000).

Partly because the increase in the sole-parent employment rate has not matched the decline in PPs recipient numbers, Australia's sole-parent employment rate is still relatively low in international comparative terms. About 60% of all sole parents on income support (PPs or NSA) now have a youngest child aged 0-5. Australia might be reluctant to extend participation requirements to them partly because, as mentioned in Chapter 1, the rate of employment among mothers of young children generally is relatively low in Australia. Under the 2011 *Better Futures for Jobless Families* initiative, jobless parents on Parenting Payment and living in ten disadvantaged locations will be required to attend one interview each year while their child is aged one and two, then two interviews each year when their child turns three and four years old. However, these interviews will focus on the health and development of the child rather than parental employment prospects (DEEWR, 2011d).

## Key points

Benefit payment rates in Australia vary as a function of age and the type of social risk, with separate rates for student status, unemployment, disability, parenting and other responsibilities. Partners can claim individual payments, although means-testing applies to the income of the couple. The assets-test limits for unemployment benefits are high, corresponding to several times average annual earnings.

The payment rate for a single person on unemployment benefit (Newstart Allowance, NSA) has fallen well below the payment rate for Disability Support Pension (DSP), and recipients report that it is quite hard to live on. Because unemployment payment rates have been increased only in line with prices, the net unemployment benefit replacement rate in OECD model calculations, averaging across a variety of situations, has fallen by several percentage points from 2001 to 2009. Although these observations might argue for increasing unemployment benefit payment rates, there are also several arguments for caution. Australia's unemployment benefit is generous in some other respects, since it is relatively easy to access and can be partly retained in combination with part-time earnings; together with means-tested housing and health benefits, unemployment benefits already generate some "traps" with high effective marginal tax rates; and other OECD countries have reduced replacement rates in the 2000s, arguably due mainly to concerns that higher replacement rates increase unemployment or make it more difficult for active policies to succeed.

When a claimant has earnings, benefits are withdrawn at taper rates of up to 60 cents in the dollar for unemployment benefits, but only 40 cents in the dollar for Parenting Payments. Low taper rates positively affect the incentive to move from unemployment to part-time work but negatively affect the incentive to move from part-time to full-time work. This consideration supports a policy of low taper rates for target groups with less-than-full-time work capacity, and the government has recently announced a reduction in taper rates for parents on NSA.

About 50% of unemployment benefit recipients are currently not statistically classified as jobseekers, although this covers a range of situations and the classification needs to be interpreted with caution. The proportion was 10% in 1997 and 1998 but increased to around its current level by 2004. The intensification of placement efforts over these years probably identified some clients' barriers to employment. Also, the range of situations where job search is not required has been expanded, and some client groups formerly entitled to an inactive benefit are now on an unemployment benefit with reduced requirements. For example, expectant mothers and principal carer parents with four or more children may now be on an unemployment benefit, but not be required to search for work; and people who are only required to work part-time may often satisfy their participation requirements while their earnings are too low to cancel their entitlement to a payment. Statistics by detailed reason are available for suspensions of JSA clients from participation in JSA, but these do not cover cases where clients are exempt or not required by Centrelink to search for work and yet are still in the active JSA caseload, or unemployment benefit recipients who are not registered with JSA. The non-jobseeker population on an unemployment benefit is so large that it needs more analysis and attention, to identify different the subgroups and describe the criteria and procedures that apply.

In Australia, benefit has not until now been suspended automatically following non-attendance at an appointment with a JSA provider, partly because the unemployment benefit acts as social assistance and is in principle paid during illness or temporary exemption from job search for other reasons. But the outcome has been a situation where jobseekers often miss appointments and are not often sanctioned, leaving broad scope for the development of different complicated rules about when to apply sanctions that enforce attendance. Providers themselves may describe sanctions as punitive and counterproductive, yet they also need contact with jobseekers to generate business income, so high levels of tension and controversy have often arisen. The new policy of automatic suspension of payment should be implemented to make the link between attendance and benefit more clear and predictable, in the context of the existing safeguards for clients already flagged as vulnerable, and the provisions for further assessment of clients who repeatedly suffer loss of benefit.

Australia adopted broad activation principles for unemployment benefits from the late 1980s to the late 1990s, with implementation continuing since then. In a parallel development, through reforms at different dates from 1995 to 2007 and particularly from 2003 to 2007, which to some extent continue, access to inactive benefits has been restricted. By 2010 or 2011, the combined caseloads of Mature Age Allowance, Partner Allowance, Widow Allowance, and the two Parenting Payments were about 400 000 below peak levels attained earlier in the 2000s.

In most cases where access to an inactive benefit was restricted, long-term and net transfers of the target group to other types of income support were relatively small. In many cases, people in the target group no longer claimed income support at all. For those who did make a claim for unemployment benefit, claim durations tended to be shorter than had been the case when they could claim an inactive benefit. For 60-64 year-old males, the increase in employment rate more than matched the decline in the income-support reciprocity rate, whereas the for single parents, the increase in the employment rate was about two-thirds of the decline in the income-support reciprocity rate for claimants without earnings.

The policy changes activating inactive benefits were not all highly successful. Participation requirements for "grandfathered" PPs recipients, who retained a long-term entitlement to a

higher rate of payment, had a relatively small impact. The policy that transferred claimants with an assessed work capacity of 15 to 29 hours per week to unemployment benefit, rather than DSP, resulted in a reduction of claims with this level of assessed work capacity, but perhaps only due to a change in assessment procedures in marginal cases. Among those with an assessed work capacity of 15 to 29 hours, the one-year survival rate on income support fell only about 10% as compared to earlier experience, even though this group was now on a lower rate of payment with participation requirements. These findings illustrate that the current activation measures, involving an individual action plan and regular interviews with an employment services provider, can only partially counteract underlying problems, which may be financial disincentives or but may also be significant employability barriers. In the case of people with partial work capacity, they suggest a cautious approach to policy reforms seeking to avoid excessive growth in the stock of long-term unemployed jobseekers with partial work capacity.

Due to reduction in the number of people in receipt of unemployment benefits, and inactive benefits, Australia now has a low rate of working-age dependency on income-replacement benefits, with relatively low expenditure on active and passive labour market programmes. At the same time it provides, for people who meet the income and asset tests and comply with participation requirements, easy access to income support. In future policy developments, one objective should be to preserve these outcomes, in particular ensuring that the incentives and assistance measures are in place to rapidly counteract any cyclical rebound of unemployment.

## Notes

1. In international terms, “inactive benefits” can be defined as those not subject to an availability-for-work requirement, which is the defining feature of unemployment benefits. In Australia, with the introduction of Newstart Allowance in 1991, the requirement was described as the “activity test”. The term “participation requirements” at first referred to participation in Mutual Obligation activities (in 2001, the government announced that “From July 2002, participation requirements will progressively be applied to most unemployment benefit recipients”: Richardson, 2002) and similar activities introduced for Parenting Payment recipients in 2003. In more recent usage, followed in this chapter, it often includes the “activity test”.
2. Payment rates cited in this section relate to July 2011 (see Centrelink, 2011).
3. See Davidson and Whiteford (2012) for a more detailed description of NSA and YA.
4. YA applicants may be assessed as “independent” for a variety of reasons including work history, marriage, having a dependent child, being unable to live at home and having parents who cannot exercise their responsibilities. Independence exempts a YA recipient from parental means testing.
5. From July 2012, new 21-year-old jobseekers qualify for YA rather than NSA.
6. Workers aged 60 and over and unemployed for more than nine months previously received Mature Age Allowance, an inactive benefit (as discussed elsewhere in this chapter).
7. Ppp and PPs are also paid to parents with older children who started their claim before July 2006 (“grandfathered” claimants), subject to participation requirements.

8. Australia's last-resort social assistance benefit, Special Benefit, may be paid to people such as recent migrants who are not covered by the standard benefit structure.
9. The calculation for Ireland includes a safety-net payment (SWA rent supplement) that is received by only about 10% of unemployment-benefit recipients, although a significant proportion of the long-term unemployed would receive either this or means-tested rent reductions in public-sector housing (Grubb *et al.*, 2009).
10. In particular, unemployment insurance benefits are generally payable to unemployed people without regard to their unearned income, and to partnered unemployed people without regard to their partner's income, factors that lead to disqualification for an assistance benefit.
11. Since about 2000 good-quality econometric estimates for the elasticity of hazard rates (*e.g.* exits from unemployment) with respect to benefit replacement rates have tended to give estimates in the range of -0.5 to -1.0 or larger. An elasticity of -1.0 implies that a 1% increase in level of an unemployment benefit translates into a 1% increase in the average duration of compensated unemployment spells. Krueger and Meyer (2002) conclude that the elasticity of unemployment with respect to the level of benefits according to the studies they cited is about one, through a combined effect on the incidence (*i.e.* rate of entry) and duration of benefit spells. The Sweden Ministry of Finance assumes that a 1 percentage point drop in the replacement rate results in a 0.12 percentage point reduction in equilibrium unemployment, which is the middle of the estimates made on international panel data (Swedish Fiscal Policy Council, 2011).
12. Allowance payments were frozen briefly in 1984. The real value of NSA payments for a single adult has not been increased since the early 1990s, implying a decline relative to average or median earnings, although the level of allowances relative to the Federal Minimum Wage was little changed from 1998 to 2008 (Australian Government, 2008; ACOSS, 2010). The historical OECD summary measure of benefit entitlements, reflecting gross replacement rates, was at its highest in the years 1993-97 ([www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives)).
13. The Working Credit allows some saving of unused income disregards for later use. When total income from all sources is less than AUD 48 per fortnight, the unused amount of income disregard can be accumulated as a Working Credit up to a maximum of AUD 1000. Earnings up to the amount of the accumulated balance then do not reduce benefit. This allows some people to still receive full benefit for a few weeks after they start work. Bodsworth (2010) found in interviews with income-support recipients that few of them were aware of it or understood its operation.
14. See the country files at [www.oecd.org/els/social/workincentives](http://www.oecd.org/els/social/workincentives).
15. This average wage per full-year and full-time equivalent employee was AUD 69 300 in 2010 (*OECD Online Employment Database*).
16. The proportion of PPP recipients with earnings increased significantly with the Welfare to Work measures, and by 2010 over a third of all PPP recipients with a non-zero payment were on a part rate (FaHCSIA, 2011a).
17. The average for all unemployment benefit recipients has been close to 17% since 2001 (Davidson and Whiteford, 2012, Table 5).
18. Similarly, in a model presented by Lalive *et al.* (2006), Swiss "subsidised temporary employment" jobs substitute for regular jobs, and thus increase the total number of jobseekers on benefit although they reduce the number of jobseekers who are wholly unemployed (see also Duell *et al.*, 2010b).
19. "Policies encouraging part-time participation through low EMTRs [effective marginal tax rates] at the bottom of the income scale target those most responsive to financial disincentives, but can result in increased EMTRs further up the income scale. These higher EMTRs may affect more people and will tend to discourage them from taking on more work, possibly resulting in a 'low income trap'." (Australian Government, 2008).

20. Among PPs recipients who are employed three months after leaving JSA Streams 1 to 4, around four-fifths are employed part-time (DEEWR, 2011b).
21. Australia's Family Tax Benefit requires parents to estimate their combined taxable income for a future year, resulting in overpayments, complexity and unpredictable situations (Australian Government, 2008). This is difficult to resolve without real-time administrative data on earnings, or frequent self-reporting of income.
22. Austria is creating "transparency accounts", to be held by a Federal Data Processing Company, which will allow different institutions to draw upon coherent information about individual income, federal and regional benefits, tax allowances, concessions, etc. The United Kingdom is planning to introduce, from 2013, the Universal Credit, which will be a single payment incorporating benefits that previously were made by different levels of government and using "real time information" (typically monthly) on firms' wage and salary payments.
23. According to the estimates in Table 3.6, PPs recipients make up over 10% of the JSA caseload that has a participation requirement.
24. The labelling of the data line "Grand Total of all Suspensions/Exemptions on the JSA Caseload" (SSCEEWR, 2012a) may be misleading, since the numbers do not include people who are active on the JSA Caseload, but are exempt or meeting their participation requirements in terms of their Centrelink status.
25. The number of people on unemployment benefit for more than three years has been approximately stable at around 170 000 since 1999. The mean duration of unemployment benefit claims is still many times lower than for PPs or DSP (FaHCSIA, 2011a).
26. A large proportion of these PPs recipients are "grandfathered", *i.e.* have children aged 8 or more but are allowed to stay on PPs because their claim started before July 2006.
27. WRC Queensland (2006) provides a detailed description of grounds for exemption from participation requirements in 2006: for example exemption for up to 16 weeks in cases of "Domestic violence and/or high level of stress during relationship separation... Assessed by a Centrelink social worker". Note however the Departmental view that it "was considered undesirable to grant widespread blanket exemptions to particular groups of people, with the emphasis being on Centrelink to develop individualised programs of assistance, tailored to each person's needs and circumstances" (SCARC, 2002). Bodsworth (2010) calls for greater discretion to grant temporary exemptions to recently-divorced or separated parents.
28. However, in Canada and Ireland benefits are not in principle conditional on regular contact with the employment service.
29. For further information and statistics on the complex history of sanction provisions in Australia, see Eardley *et al.* (2005), Yeend (2008), DEEWR (2010b) and Davidson and Whiteford (2012).
30. Eardley *et al.* (2005) define the breach rate as the total number of breaches in a year divided by the number of individuals who received a payment during the year (the sum of the year's initial stock of recipients and inflow of new recipients).
31. The government tried to limit hardship by offering welfare groups AUD 650 per case to keep an eye on families whose payments were suspended for eight weeks and to advise Centrelink if any essential bills (*e.g.* for rent and food) needed paying, but many welfare groups boycotted the scheme, and in practice only about 900 people out of 15 000 sanctioned in 2006/07 benefited from "financial case management" (Saunders, 2008).
32. A "reconnection" failure may be imposed for up to four weeks, then the payment may be cancelled ([www.fahcsia.gov.au/guides\\_acts/ssg/ssguide-3/ssguide-3.1/ssguide-3.1.13/ssguide-3.1.13.30.html](http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-3/ssguide-3.1/ssguide-3.1.13/ssguide-3.1.13.30.html)).
33. The 2008 reform (introduced in July 2009) provided for a one-day no-show no-pay penalty if the jobseeker fails to attend a job interview, or if they attend the interview but deliberately

- behave in a way that would foreseeably result in a job offer not being made (DEEWR, 2008b). According to NESAs (2008), employment services providers generally consider this behaviour to be as serious as refusing or failing to accept an offer of suitable employment without reasonable excuse. Most countries do assimilate failure to attend a job interview to refusal of the job, and in Australia failure to attend a job interview as instructed by Centrelink was assimilated to refusal of the job under Section 601A of the Social Security Act 1991. However, under the Welfare to Work system, “job seekers who missed job interviews were simply reconnected with their provider and incurred no penalty if they attended their reconnection interview” (DEEWR, 2010b).
34. However, it could be argued that this was not a major change because providers have always had extensive discretion over the submission of participation reports.
  35. Disney *et al.* (2010) report that Centrelink is often not able to schedule the new appointment for two weeks or more, and attendance rates at the appointments made through the contact request process are still only about 50%.
  36. The Compliance Activity was described as Full-time Work for the Dole or an equivalent activity for 25 hours per week. Provisions of this kind have existed since at least 2002 (SCARC, 2002) but seem to be rarely used.
  37. Advice from DEEWR, concerning the data in Table 3 of Disney *et al.* (2010).
  38. The Disney *et al.* data should be read with caution, because as described above the source and definition underlying Table A3 (provider records on DEEWR’s IT system) differ from those underlying Tables A6 and A10a (Centrelink records).
  39. This includes cases where the provider was given additional information or suggestions about how to deal with the jobseeker (examples are not given, but possibly this involves using different methods for contacting the jobseeker or arranging appointments at a time consistent with medical treatment).
  40. DWP Housing Benefit and Council Tax Benefit Circular, 22 March 2010 ([www.dwp.gov.uk/docs/g4-2010.pdf](http://www.dwp.gov.uk/docs/g4-2010.pdf)).
  41. This statement by NESAs is disputed, since DHS/Centrelink does reschedule a further appointment in cases where a PR has not been upheld (advice from DHS).
  42. Thomas (2011) notes that the sanction for a “reconnection failure” was initially intended to affect payments for the fortnight in which the failure was incurred. However, legislation was amended so the deduction would only be implemented the following fortnight. Although this was meant to minimise hardship, in practice 71% of reconnection failures led to the loss of 14 or more days of benefit as jobseekers were often not made aware that they were losing payments until a considerable time later. The 2011 legislation reinstates the original intention.
  43. Advice from DHS.
  44. Claim renewal forms must still be submitted online every two weeks. Jobs Australia (2010) describes the schedule of Personal Contact Interviews that take place at Centrelink offices every 2, 4, 6 or 12 weeks depending on jobseeker circumstances.
  45. About 20% of jobseekers – which might correspond to a higher proportion of unemployment benefit recipients – have a Vulnerability Indicator (VI) on the IT system. The main reasons for inserting a VI were psychiatric problem or mental illness (about 45% of cases), illness or injury requiring frequent treatment (about 18%) and drug or alcohol dependence (about 15%). In 2009/10 these clients were somewhat less likely than others to incur a participation failure (the first step towards a reconnection failure) and much less likely to incur a serious failure (Disney *et al.*, 2010). Centrelink staff can record a VI on a number of grounds including mental illness, but they “struggle with the challenge of properly identifying these customers” (Commonwealth Ombudsman, 2011).

46. “... it is important that, where sanctions are considered appropriate, there is a clear link between the failure and the consequence” (NESA, 2011).
47. This subsection draws on Brownlee (1991), OECD (2001) and Herscovitch and Stanton (2008).
48. Benefit system changes are documented by FaCS (2001), DEEWR (2008a), ABS (2010a).
49. Except for Pp, caseloads were rising until entitlements were reformed. The Pp caseload probably declined after 1995 because fewer male partners had earnings below the cut-out point allowing Pp to be payable, and fewer male partners were on a benefit, as unemployment fell.
50. For 1999, Daniels (2008) reports a non-student benefit reciprocity rate of 20.0% whereas OECD (2003, Chapter 4) reports a rate of 17.5%. The OECD figure was 1.3 points higher in the area of sickness and disability due to the inclusion of service pensions, workers compensation, employer-provided sick leave and unemployment benefit (incapacitated); the same for lone parents; 0.4 points lower for unemployment, owing to the exclusion of unemployment benefit (incapacitated); and much lower in the categories of parental and “low workforce attachment” payments, due to the exclusion of Pp, PA, and wife pension paid in conjunction with DSP. These exclusions treated inactive payments to partners as equivalent to dependent additions to a main benefit (in order to improve data comparability through time and across countries). Another difference was that in the OECD estimate working age was defined as 15-64 rather than 16-64. Neither source included Age Pension for women aged 60-64, possibly for reasons of data availability.
51. In June 2010, about 9% of DSP recipients and 17% of unemployment benefit recipients had some earnings; and 34% of Pp recipients and 33% of PPs recipients with a non-zero rate of payment were on a part-rate of payment, although not necessarily due to earnings (FaHCSIA, 2011a).
52. Since 2008, associated with high unemployment, the rate has probably risen above 16% in Spain and the United States. The United States from 2009 to 2012 had many recipients of extended unemployment benefits. Also, although the main assistance benefit in the United States, the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), is not a full income-replacement benefit, about 20 million people, 10% of the working-age population, were adult, non-aged recipients in 2011. This, following OECD (2003, Chapter 4), might be interpreted as equivalent to about 5% of the working-age population on a full-time equivalent basis.
53. Japan has particularly strict asset tests and other conditions for receipt of social assistance, and a low caseload (Duell *et al.*, 2010a). In the United States, the availability of General Assistance benefits is low, although there are programmes for single parents and people with disabilities, as well as SNAP (formerly Food Stamps).
54. Ages 45-59 are used for this comparison because at ages 60-64 women were entitled to the Age Pension. The correlation between partnered male and female claims for income support probably arises because there are relatively few older couples where one partner has earnings and the other can still qualify for a benefit.
55. PA was only payable to people with no recent workforce experience, defined as at least 20 hours a week for a total of 13 weeks or more in the previous 12 months (FaHCSIA, 2011a).
56. The “survival rate” is the proportion of people on income support in week 1 who were still on income support in week 50 (note that a change in the survival rate from 50% to 40% is a fall of 20% in the survival rate and not 10%).
57. Not counting starts on DSP by this group, which were relatively few in absolute terms.
58. According to other sources, the Activity Agreement would be either with a Centrelink or a Job Network provider, or normally with a Job Network provider (NCSMC, 2006).

59. DEEWR (2008a, Chart 3.1) also reports the impact on flows from Parenting Payments into DSP from January 2007, when the participation requirements for grandfathered Parenting Payment recipients were announced.
60. Although Fok and McVicar present these data only as charts, they are the preferred source for the analysis here because they report exit rates comparable to those shown in DEEWR (2008a).
61. There was a substantial increase in the average rate of exit from PPs and PPp for parents with youngest child aged less than 7, who were not immediately activated. However, since the child ages reported relate to the start of the year, these parents were in some cases activated in the course of the year. Also, recipients with younger children probably changed behaviour in response to their future participation requirements, and due to social interaction effects (whereby non-treated population groups tend to modify their behaviour in the same way as treated peer groups), so that difference-in-difference calculation does not accurately estimate impact. DEEWR (2008a) shows that first-year exit rates from PPp and other benefits were almost identical in 2003/04, 2004/05 and 2005/06, so that the change in 2006/07 was a plausible indicator of policy impact; in Fok and McVicar's data, the change between 2006/07 and 2007/08 is probably the best indicator of impact.
62. The 18% and 7% figures are calculated as:  $(1-0.2270)/(1-0.1157)=0.82$ ,  $(1-0.0928)/(1-0.1602)=0.93$ .
63. The identification of potential DSP claimants through the broader JCA process led to an influx of applicants with a higher probability of success, and this could potentially account for up to two-thirds of the growth in the number of clients assessed as having a work capacity of less than 15 hours (DEEWR, 2008a).
64. DEEWR (2010c) distinguishes "referral" impact from the "commencement" impact for Full-time Work For the Dole. The "referral" impact, which relates to cases where people leave income support without commencing on this programme, is in nearly every case larger than the "commencement" impact, which relates to leaving income support during the 13 months after commencement.
65. Due to the entry effect, parents who started an NSA claim in 2006/07 correspond to only a subset of the comparison group of parents who started a Parenting Payment claim in 2005/06. The parents who started an NSA claim were probably relatively disadvantaged, or lacked alternative options. Due to this feature, the estimate of the impact of employment assistance measures might be biased downwards.
66. The characteristics of PPp and PPs recipients are significantly different: the former often have low-income partners (about half are receiving an income-replacement benefit), and 39% of PPp recipients but only 19% of PPs recipients were not born in Australia (FaHCSIA, 2011a).
67. A person on grandfathered PPs could even give birth to a new child in 2011 and stay on the grandfathered rate until 2027 (DEEWR, 2011c). In a small sample of women who had been receiving PPs before the Welfare to Work changes in 2006, several "expressed concern that if they ceased to receive Parenting Payment and then had to go back onto income support, they would automatically move onto the lower Newstart Allowance (principal carer) payment" (Bodsworth, 2010).
68. Tightening of the DSP application and grant process presumably deters marginal applications, so one issue is how many applications are deterred and whether people who do not apply have better subsequent employment outcomes than those who apply unsuccessfully. Von Wachter *et al.* (2010) find evidence for the United States that the process of application for disability insurance may itself be costly, in terms of depressed earnings for rejected applicants returning to the labour force.
69. A reform in 1 July 2012 promotes re-employment among among DSP recipients, rather than directly tightening the application and grant process. DSP recipients under age 35 who are assessed as having a work capacity of eight hours or more a week are required to attend

- participation interviews with the DHS and develop a Participation Plan which includes voluntary activities; the July 2012 changes will be evaluated in 2013/14 (FaHCSIA, 2012).
70. Few women claimed MAA, because women aged over 60 years could claim Age Pension.
71. This outcome has some parallels with the outcome of US Welfare Reform, because between 1993 and 2001 the number of single mothers on welfare (AFDC/TANF) benefits fell by 2.4 million and the number in employment increased by about 1.35 million (OECD, 2003, Chapter 4).

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## Chapter 5

### Australian active labour market programmes

*Expenditure on active labour market programmes, except employment services, is relatively low in Australia. However the data are not closely comparable with those of other countries because training and work experience through the Employment Pathway Fund is classified as expenditure on employment services, and unemployment benefits paid to participants in longer-term training or work-experience programmes are not reported as expenditure on these programmes. Policy changes since 2008 include the restructuring of Work for the Dole, which has reduced participant numbers, and jobseeker training through the Productivity Places Program. For youths without Year 12 schooling or equivalent, the Compact with Young Australians prioritised education and training over other activity. In non-remote areas, Community Development Employment Projects have been phased out so that Indigenous workers now have regular jobseeker status. Disability Employment Services resemble regular employment services but with higher funding, which allows providers to deliver ongoing support in the workplace in relevant cases. External evaluations of labour market programmes are relatively infrequent, but official evaluations using administrative data have provided a range of qualitative and quantitative evidence, including non-experimental estimates of the impact on exits from benefits for many of the programmes.*

## Introduction

This chapter analyses active labour market programmes (ALMPs) in the area of training, job creation, employment subsidies, business start-ups and rehabilitation and sheltered employment for people with disabilities. Job Services Australia (JSA) and the earlier Job Network (JN) were mainly covered in Chapters 2 and 3. The Employment Pathway Fund, which is managed by JSA providers and finances some training, job creation and wage subsidies, is discussed in Chapter 3 and expenditure on it is reported under the heading of *Public Employment Service (PES) and Administration*.

In this chapter, the following section compares public spending on active labour market policies in Australia with spending in other OECD countries, and gives a short overview of the history and structure of ALMPs in Australia. The third, fourth and fifth sections outline in more detail the major measures in the area of training, job creation and incentives for business start-ups. The sixth section highlights specific programmes for selected target groups such as youth, Indigenous Australians and people with disabilities, and the seventh describes and discusses some of the evaluation studies.

## International comparison and overview of active labour market programmes

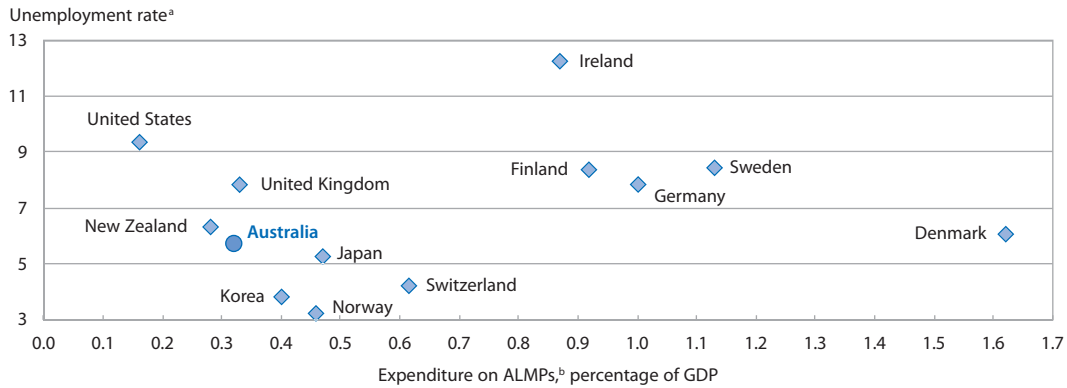
### *Expenditures and participants in ALMPs in 2009/10*

Subject to the limitations of the available data, Australia ranks among the lower third of OECD countries concerning total labour market programme expenditure, and its ratio of active to passive measures is below the OECD average, as was shown in Figure 1.5. Figure 5.1 illustrates, for selected OECD countries in 2009, the relationship between expenditure on ALMPs as a percentage of GDP and the unemployment rate. Australia is in the group of countries with relatively low ALMP expenditure. Its position is close to Japan's, with relatively low unemployment and low ALMP expenditure. Figure 5.1 also shows that countries with a given unemployment rate can have very different levels of ALMP expenditure. For example, Korea, Switzerland and Denmark had similar low unemployment rates, but expenditure on ALMPs as a percentage of GDP varied by a factor of four.

Reported expenditure on training measures as a percentage of GDP is particularly low, even compared with the United Kingdom, the United States and Japan (Figure 5.2). In Australia, along with Canada, Switzerland, Norway and Denmark, supported employment and rehabilitation is the largest area of expenditure. However, arguably in Australia expenditure on training measures is underreported and expenditure on supported employment and rehabilitation is overreported (see Box 5.1). Expenditure on *Direct job creation* as reported in 2009/10 relates to a programme targeted on Indigenous Australians. Employment incentive programmes have mainly been restricted to Indigenous Australians and people with a disability.<sup>1</sup> Against the background of a low overall share of ALMP expenditure in GDP, a high share of total ALMP expenditure is in Category 1 *Public employment service and administration*.

According to further statistics in the *OECD Online Employment Database* (see also Annex 5.A1), expenditure in nominal terms on ALMPs (including PES and administration) increased by 90% between 1998-99 and 2009-10, with “supported employment and rehabilitation” accounting for the largest proportion of the increase. As a result of the strong GDP growth, expenditure as a share of GDP declined slightly, from 0.35% to 0.32%, over the same period. In 2009-10, the stock of participants in passive measures<sup>2</sup> was 5.5% of the labour force, somewhat below the OECD unweighted average of nearly 7.0%. The

Figure 5.1. **Incidence of unemployment and expenditure on active labour market programmes, Australia and selected OECD countries, 2009**  
Percentages



ALMPs: Active labour market programmes.

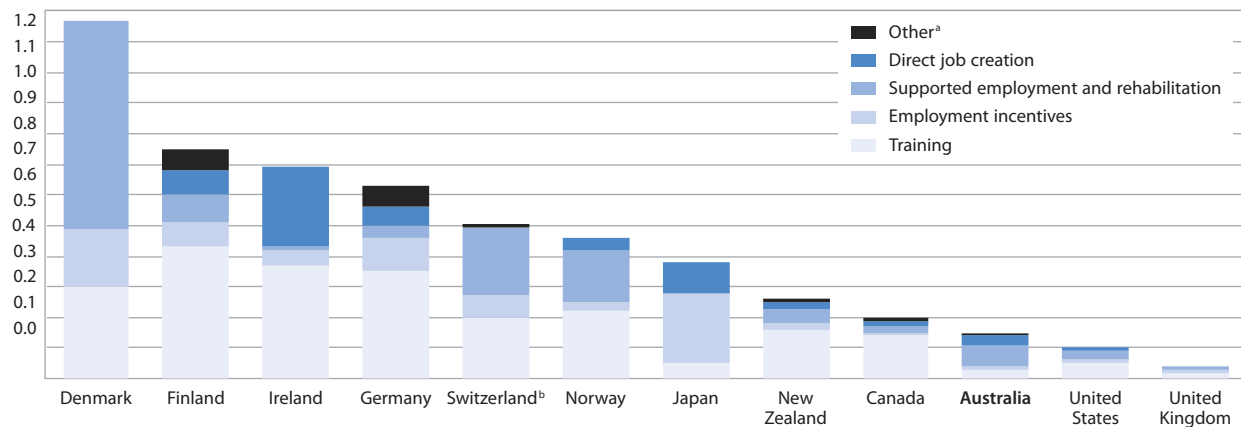
ALMPs include Categories 1. *Public Employment Service and administration*; 2. *Training*; 4. *Employment incentives*; 5. *Supported employment and rehabilitation*; 6. *Direct job creation* and 7. *Start-up incentives*; see the sources for further definitional information.

a. Unemployed as a percentage of the labour force.

b. Data for expenditures refer to Categories 1 to 7 in the *OECD/Eurostat Labour Market Programme Database*, with the exception of New Zealand and Norway for which they refer to the sum of Categories 1.1 and 2 to 7. For Australia, Japan, New Zealand, the United Kingdom and the United States, data refer to FY 2009/10. For Switzerland, data for Category 5 (Supported employment and rehabilitation) have been extrapolated because data related to the sub-category 5.1 (Supported employment/*Emplois protégés*) were not provided by the Swiss labour market authorities.

Source: *OECD Online Employment Database* ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)).

Figure 5.2. **Expenditure in ALMP categories 2 to 7, selected OECD countries, 2009**  
Percentage of GDP



Countries are ranked in decreasing order of expenditure as a per cent of GDP on active measures in Categories 2-7 of the *OECD/Eurostat Labour Market Programme Database*.

a. Other includes job rotation (only for Germany and Finland) and start-up incentives.

b. For Switzerland, data for supported employment and rehabilitation have been extrapolated because data for 2009 related to the sub-category “*emplois protégés*” were not provided by the Swiss labour market authorities.

Source: *OECD/Eurostat Labour Market Programme Database*.

stock of participants in active measures (ALMPs not including *PES and administration*) was about 1.8% of the labour force, well below the OECD unweighted average which was nearly 4%,<sup>3</sup> and below the rates in most countries of OECD Europe. In recent years, 70% of the participants in ALMPs have been in Category 5 *Supported employment and rehabilitation*, with more than 1% of the labour force in this category in total, the fourth-highest percentage in the OECD (after Denmark, the Netherlands and Poland). Participant numbers, along with expenditure data, may be somewhat overstated in Category 5 and understated in other categories, particularly training (Box 5.1).

### Box 5.1. Coverage and international comparability of ALMP expenditure and participant data

Incomplete information, and the fact that national programmes do not fit neatly into the categories of the *OECD/Eurostat Labour Market Programme Database*, frequently affect data coverage and international comparability. Data problems may concern the inclusion or exclusion of programmes or expenditure components in total active and passive expenditure (Categories 1 to 9), the allocation of expenditure to active spending (Categories 1 to 7) *versus* passive spending (Categories 8 and 9), or the allocation to Category 1 (*PES and administration*) *versus* Categories 2 to 7 (*i.e.* specific training, employment and disability programmes). A classification issue often invalidates some types of international comparison but not others. Definitional issues when interpreting international comparisons include:

- Income-support payments to participants in Category 1 *PES and administration* should be reported in Categories 8 and 9 (passive expenditure). Income-support payments to participants in Categories 2 to 7 (such as training allowances or unemployment benefits) should be reported as expenditure in those categories, rather than in Categories 8 and 9; and
- Measures should be recorded in Categories 2 to 7 when they involve *i*) a particular type of action (training, job creation, etc.), other than job search; *ii*) full-time or significant part-time participation in the activity (training, work in a job-creation programme, etc.); and *iii*) the targeting of participation on the unemployed or other groups of people who face particular difficulties in entering or retaining their position in the labour market (Eurostat, 2006).

Against this background, in the *OECD/Eurostat LMP Database* for Australia (see Annex 5.A1) total expenditure may be somewhat understated:

- Some labour market training expenditure may not be included and some may be included but reported as expenditure on unemployment benefits. In 2009/10, about 80 000 people on an unemployment benefit (not including Parenting Payments) were participating in training (advice from DEEWR; see Table 4.4 for related information), and most were not active jobseekers. They might be counted as participants in labour market training. The training programmes that are currently reported in the *OECD/Eurostat LMP Database* for Australia have a much smaller average stock of participants. Australia has not provided information about participants in training by type of training and by administrative statuses such as benefit recipient, active jobseeker or JSA-registered; and
- The database may not include all state or territory-run programmes, although some state/territory expenditure is included and evidence from Queensland (Cook, 2008), suggests that state funding for employment and training programmes for the unemployed is fairly low. (Incomplete coverage of sub-national expenditure is also a problem in other federal OECD countries and in those where municipalities implement their own employment programmes for social assistance recipients).

### Box 5.1. Coverage and international comparability of ALMP expenditure and participant data *(continued)*

Active expenditure may be understated relative to passive expenditure:

- Data for training programmes and job-creation programmes, except for the Community Development Employment Projects (CDEP) programme, do not include income-support payments to participants. The inclusion of income-support payments to participants in training and other active programmes under the relevant heading would probably at least double total reported expenditure on the programmes concerned.

Some expenditure is reported in Category 1 when it should in principle be reported in Categories 2 to 7, or vice versa:

- Expenditure from the Job Seeker Account (JSKA) (more recently, the Employment Pathway Fund, EPF) is reported in Category 1 *PES and administration*. However, this expenditure finances training, employment incentives and work experience activities. From 2003/04 to 2005/06, JSKA expenditure averaged AUD 216 million per year, with wage subsidies accounting for 29% of this total and training for 24%. This implies that about AUD 120 million per year of expenditure on training and wage subsidies (about 30% of the total) was not included under the relevant heading. This type of statistical misallocation increased in 2009/10, since expenditure on training and wage subsidies from the EPF rose to about AUD 168 million (advice from DEEWR: see SSCEWR, 2011a, for partly-similar published information). In particular, as from 2009/10 funding for Work for the Dole (about AUD 140 million in previous years) is incorporated into the EPF, and is no longer included in Category 6 *Direct job creation*; and
- Some participants in Category 5 *Supported employment and rehabilitation* arguably should appear in Category 1. They are clients of the Disability Employment Network or the Vocational Rehabilitation Service, which, like the Job Network or JSA, are mixed programmes, but with participation in case management often being the main activity.

*Source:* OECD Secretariat (the OECD/Eurostat LMP database); Cook, B. (2008), “National, Regional and Local Employment Policies in Australia”, Centre of Full Employment and Equity (CofFEE), Working Paper No. 08-06, University of Newcastle, Callaghan, October, available at <http://el.newcastle.edu.au/coffee/pubs/wp/2008/08-06.pdf>; and SSCEWR (2011), “Questions on Notice EW0934\_11. Employment Pathway Plans”, Canberra, available at [www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Committees?url=eet\\_ctte/estimates/index.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Committees?url=eet_ctte/estimates/index.htm).

### *History and key features of ALMPs in Australia*

A number of job-creation and labour market training programmes have been set-up since the early 1970s,<sup>4</sup> but the relative weight of these two programme areas changed over time. Subject to the limitations of the data described in Box 5.1, expenditures on *Training* as a share of the GDP peaked in the first half of the 1990s, and by 2008 was 16 times lower than in 1992. The share of expenditures on *Direct job creation* peaked in 1995 under the *Working Nation* initiative, when it was nearly 6 times higher than in 2008 (*OECD/Eurostat LMP Database*). While at the beginning of the 1990s expenditures on training measures were higher than on job-creation programmes, the reverse was the case from 1995 onwards. During the 1980s and much of the 1990s, wage subsidies were also among the key measures (e.g. *Jobstart*, under the *Working Nation* initiative), but since the introduction of the Job Network (JN) in 1998 they have played only a minor role.

ALMPs were influenced by the mutual obligation approach. As mentioned in Chapter 4, this can be traced back to the Social Security Review of the late 1980s, the introduction of an activity test for unemployment benefit recipients in the Social Security Act in 1991, and the Working Nation initiative introduced in 1994. In contrast to earlier approaches where job creation was seen as a demand-side measure, *Work for the Dole* (WfD), introduced as a pilot programme in 1997, was in the spirit of a supply-side measure. Under Job Network, from 1998 resources were reduced and concentrated on the programmes which had proven to be the most cost-effective<sup>5</sup> which meant that, except for WfD, training and job-creation programmes with broad coverage of the long-term unemployed were abandoned (OECD, 2001). The mutual obligation principle is criticised for its focus on the responsibility of the individual *vis-à-vis* the society, rather than on increasing the jobseeker's employability (Davidson, 2002; Martyn, 2007). In the second half of the 2000s, there was some reorientation of expenditure towards training, with reference to the need to tackle skill shortages, as well as skills development for long-term unemployed and other disadvantaged groups.

In 1998, Mutual Obligation became a specific requirement for people unemployed for more than six months to participate in one of a range of activities which included part-time work, study, voluntary work and community work (DEEWR, 2010a). Mutual Obligation in this sense was first applied to 20-24 years-olds, and was extended in 2000 and 2001 to ages 18 to 49 (OECD, 2001; Yeend, 2004; Martyn, 2007). Work for the Dole was the default referral for people (18-39 year-olds, from 2001) who had not started another Mutual Obligation activity. Despite the potentially compulsory nature of referrals, the stock of WfD participants in the 2000s did not exceed 4% or 5% of the stock of unemployment benefit recipients. Potential participants often took up different options, including leaving benefit.

The *Active Participation Model* 2003 introduced a formal referral process whereby JN members would provide clients with information on so-called *Complementary Programs*. These were generally established programmes, with allowance for new programmes to be recognised. Referrals to the Personal Support Program (PSP), disability services (see below) and the New Enterprise Incentive Scheme (NEIS) resulted in transfers of the client to these programmes, but JN members were required to continue the provision of JN services (typically Intensive Support) during participation in other complementary programmes. Between August 2003 and June 2006, the most common referrals were to WfD (500 000 referrals), the PSP (140 000), the Community Work Program (66 000), Transition to Work (38 000),<sup>6</sup> NEIS Training (14 000), the Language, Literacy and Numeracy Program (10 000) and the New Apprenticeships Access Program (2 000). There were also many small complementary programmes with fewer than ten jobseekers referred in each month.<sup>7</sup> The use of individual programmes varied significantly between JN providers, due partly to a lack of awareness of them by some providers. On average, 54% of the jobseekers referred to complementary programmes were recorded as having commenced the assistance. Two of the lowest rates of commencement were for the Career Planning Programme (12%) and the Adult Migrant English Program (19%). Possible factors in low commencement rates were inappropriate referrals of clients who would not be entitled, and failure to record commencements on the IT system (DEEWR, 2007a).

As described in previous chapters, the JSA model focuses resources on disadvantaged and severely disadvantaged jobseekers. Mutual Obligation has been replaced by an obligation to participate in a Work Experience Activity, but in standard cases, this comes in after 12 months of unemployment (up to 18 months, for jobseekers who have changed stream or are in Stream 4), rather than six. Also, the JSA funding model gives providers an incentive to promote participation in options such as part-time study or voluntary work, rather than Work for the Dole. On 31 August 2011, 88 000 people, 54% of those participating in a "Work Experience Activity placement", were in vocational education/

training, 13% (20 000) in non-vocational education/training, 12% (19 000) in part-time casual employment and 6% (9 200) in Work for the Dole.<sup>8</sup> As compared with the Job Network period, the stock of participants in Work for the Dole has fallen by more than half. At the same time, unemployment benefit recipient data (Table 4.4) suggest that the number of unemployment benefit recipients in training has approximately doubled.

ALMPs that count as Work Experience Activities, apart from WfD, include programmes such as *Green Corps* and *Drought Force*, which also have a requirement for 21-39 year-olds to participate for 390 hours over six months. By contrast, participation in the Productivity Places Program (PPP) and other accredited vocational training counts as part-time study (DEEWR, 2010a), and in this case only 100 hours of participation are required (see Chapter 3). The lower hours of required participation would probably apply for the LLNP, the *Australian Apprenticeships Access Program* (AAP) and other state or territory-governed employment and training programmes (required hours of participation in different programmes do not seem to be published).

State and territory governments have generally supplemented the Commonwealth Government ALMPs. Their measures include wage subsidies, payroll tax concessions and exemption from workers' compensation premiums for particular groups, programmes intended to increase participation rates in apprenticeships and traineeships, and training programmes for the unemployed. In some states, specific programmes have been set up for Indigenous Australians and other groups such as youth and people returning to the workforce, and in the area of job creation Queensland implemented the *Community Jobs Plan* (see an overview in Cook, 2008). In 2007/08 over a quarter of expenditures on labour market training measures were made by states and territories, as were over 10% of recruitment incentives and job-creation measures. These shares fell somewhat by 2010/11 (see Annex 5.A1). Most states further reduced their investment in this area due to a difficult fiscal environment, noting that the Commonwealth continues to provide employment services and programmes. The relatively large AUD 19 million Skilling Queenslanders for Work programme was closed in July 2012 (Langbroek, 2012).

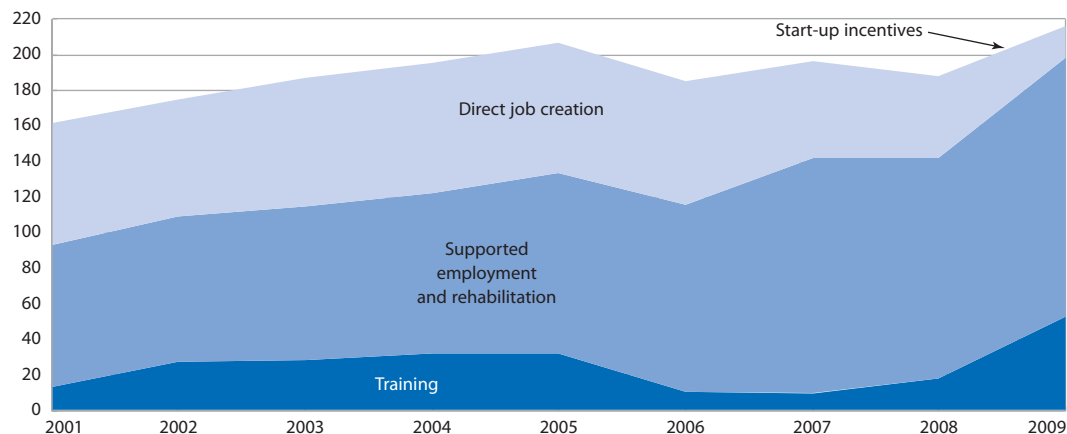
As an element of the *Job and Training Compact* announced in the context of the global financial crisis in April 2009, the *Jobs Fund* supported job creation and skills development for those most affected by the recession through Community and social infrastructure projects. Projects were concentrated in 20 regions with high levels of job loss and disadvantage. After a second round of funding, the majority of Jobs Fund projects ended in June 2011, with a limited number extended to June 2012. Altogether AUD 182 million was spent on funding projects that created 7 600 (temporary) jobs, 2 200 traineeships or apprenticeships, and 4 700 work experience positions. Also, Local Employment Co-ordinators were appointed to co-ordinate and drive local responses to job losses and declining economic demand in the targeted areas (DEEWR, 2010b).

### ***Trends in participant numbers***

Since 2001/02, the reported total stock of participants in labour market programmes has been about 200 000, with about half of the participants in the category *Supported Employment and Rehabilitation* (Figure 5.3). Data coverage is erratic, but Figure 5.3 illustrates some recent changes. The reported stock of participants in “training measures” fell in 2006/07 partly because the former Transition to Work programme was discontinued as more people on Parenting Payments were referred to a Job Network provider. The decline in numbers on “direct job creation measures” after 2006/07 reflects the closure of the CDEP programme for Indigenous Australians in non-remote areas and the fact that Work for the

Dole is not included in the data from 2009/10. The increase in the number of participants in “supported employment and rehabilitation” is related to the introduction of competitive provision of disability employment services (which increased voluntary participant numbers particularly from 2007/08, when new rehabilitation service providers entered the market), and the increasing number of people with some work incapacity who have participation requirements (and are therefore required to register with a service provider).

Figure 5.3. Stock of participants in ALMP categories 2 to 7, Australia, 2001/02 to 2010/11  
Thousands



Source: OECD/Eurostat Labour Market Programme Database.

## Training programmes

Training can have several objectives: *i)* to activate people, in a framework similar to Mutual Obligation or (under Job Services Australia) the WEPH; *ii)* to overcome specific skill deficits of certain groups of jobless people, embedded in the wider government strategy to up-skill Australia’s workforce; *iii)* to respond to concrete skills shortages; and *iv)* to counteract the negative effects of economic downturns on employer-based training.

In the early 1990s spending on labour market training concerned particularly industry and regional assistance schemes, such as the *SkillShare Program* (vocational training, provided by community-based, non-government and non-profit organisations) which started in 1988/89, and the *Special Intervention Program* (remedial assessment and training in English as a second language, literacy, employment-related skills and personal development needs) which started in 1991/92. Under the Working Nation initiative, a *Training Youth Initiative* for young people under the age of 18 and a *National Training Wage* which was to be supplemented by subsidies in order to incite employers to provide training to youth, adults and long-term unemployed were introduced in 1995/96 (OECD, 2001).

With the introduction of the Job Network, expenditure on training fell dramatically. Some policy reorientation towards training occurred in the second half of the 2000s. A Skills Voucher Program, which issued Work Skills Vouchers worth up to AUD 3 000 for Australians aged 25 or over without a year 12 or a certificate II level qualification, started in January 2007 but it was closed with no new vouchers issued after March 2008. In its place, the incoming government committed to the delivery of 450 000 new training places in areas of skill shortage over the four years commencing in April 2008 (Studynow, 2007 and

2008).<sup>9</sup> This developed into the Productivity Places Program (PPP): jobseeker PPP training places were delivered by the Australian Government from April 2008 to June 2009 and by state and territory governments starting at different times in 2009 (see below). For a number of vocational training measures, funding is conditional on linking to the *National Skills Needs List*. As described above and in Chapter 3, the JSA contract encourages training as a method of meeting a jobseeker's Work Experience Activity requirement. It also introduced a Training Bonus which, in some cases, supplements providers' outcome fees. Also, from July 2009 early school leavers (ESLs) no longer had job-search requirements, but were required to participate in study or training (DEEWR, 2008a and 2009a).

The longstanding training measures for jobseekers still operating in 2009/10, as shown in Annex 5.A1, were the *Language, Literacy and Numeracy Program* (LLNP: 22% of total expenditure on labour market training in 2009/10), the *Australian Apprenticeships Access Program* (AAAP, described below: 9%) and *Workplace Literacy*<sup>10</sup> (6%). The PPP accounted for 53% of total expenditure on labour market training, and state and territory-funded expenditure, in the areas of institutional and alternate training, accounted for 12% (Table 5.A1.1).

### *Language, literacy and numeracy training*

Since the introduction of the *Australian Language and Literacy Policy* in 1991, literacy and numeracy training for adults of English-speaking background has gained in importance, as it is increasingly recognised that not only immigrants and their children but also English native speakers may require assistance with literacy and numeracy to improve their employability. The *Special Intervention Programme* (running from 1991 to 1996) and *Literacy and Numeracy Training* (running from 1998 to 2001), were smaller programmes in terms of expenditures and participants than the current LLNP, which started in January 2002. The LLNP seeks to improve eligible jobseekers' language, literacy and/or numeracy skills. It offers them up to 800 hours of free training. In 2009, 45% of jobseekers surveyed (as part of the LLNP Post Program Monitoring Survey) indicated they went on to further education or work.<sup>11</sup> Eligible jobseekers are those who are assessed as experiencing barriers to employment because of low levels of language, literacy and numeracy (DEST, 2005).

Expenditures for LLNP (see Annex 5A) tripled between 2001/02 and 2009/10 when it reached AUD 85 million. The Australians Working Together Initiative provided funding for an extra 9 200 places over four years (2001-05) to meet employment barriers of specific target groups (young people, mature age workers, Indigenous Australians and parents returning to the workforce) and the Australian Government's migration agenda provided another 1 300 places in the programme (DEST, 2005). In the context of the global financial crisis more than 4 000 additional places were planned for redundant workers to June 2010, although statistics (see Annex 5.A1) suggest take up was low. Further increases were announced in the 2011 budget (Australian Government, 2011b).

In the past, basic English programmes for immigrants such as the *Adult Migrant English Program* (AMEP) and *Workplace English Language and Literacy* (WELL) programme, which particularly targeted workers at risk of losing their jobs because of low literacy skills but was not necessarily targeted at jobseekers, by far outweighed Literacy and Numeracy Training in terms of total participant numbers. However, as the AMEP was not well-targeted at jobseekers, take-up by JN participants was quite low (DEEWR, 2007a).<sup>12</sup>

### Box 5.2. The Language, Literacy and Numeracy Program

The LLNP consists of three streams of training in order to overcome the deficits of a quite diverse target group): *i)* basic English language for people whose first language is not English and who have a low English level and who have used their entitlement to assistance under the *Adult Migrant English Program (AMEP)*: they comprise refugees as well as long-term arrivals; *ii)* advanced English language mostly for skilled jobseekers whose first language is not English, and have a good language level but need to improve it; and *iii)* literacy and numeracy which typically addresses literacy and numeracy deficits of people whose first language is English, and include mainly people with learning difficulties, women returning to the workforce after a long break, Indigenous Australians, disabled, rural population and ESLs. In the mid-2000s, participants in the latter group tended to be younger (with the majority aged 15-29) than those participating in the two streams for people whose first language is not English. Data on participant structure further shows that women were overrepresented in the two streams for immigrants, in particular among those in the advanced English stream where they represented more than two-thirds of participants, and underrepresented in the literacy and numeracy stream. In the literacy and numeracy stream, 9% of participants were disabled, 11% were Indigenous and nearly 20% were born overseas (DEST, 2005).

Usually participants are referred to LLNP through Centrelink and Job Network. A fifth of those referred to the programme during 2002-04 did not show up for a pre-training assessment, and 10% did not begin training after their initial assessment (DEST, 2005). One factor in non-take-up is a sentiment of shame and humiliation among those who had been in the Australian schooling system. Other factors are previous negative experience with formal learning, and overestimation of one's existing literacy and numeracy skills (DEEWR, 2009b).

In the first half of the 2000s, average costs per training place were restrained due to strategic improvements in payment methods and reduced allocations of initial training hours during the first years of the programme (DEST, 2005). Between 2006 and 2009 the average rate of retention of participants in LLNP increased by a fourth to reach 282 hours. Improvements in the LLNP for the period 2010-13 include linking the training with work experience for some participants, and facilitating participants' access to the AMEP (DEEWR, 2009b).

Post Program Monitoring (PPM) in 2004 reported that three to six months after exiting the LLNP about 22% of participants were in employment. As could be expected, the advanced English stream showed the best results (32%), followed by the literacy and numeracy stream (25%) and last, the basic English stream (18%). Participants in the basic English stream were more likely to engage in part-time education or training (32%). Overall, half of participants in LLNP were either in employment or in study or training. *Literacy and Numeracy Training* from 1998 to 2001 had a lower share of people exiting the programme in employment, but similar involvement in further education. The *Special Intervention Programme* from 1991 to 1996 had better results in terms of employment, but poor results for further education (after six months). However, these figures are not fully comparable due to differences in the wider economic context, probably differences in participant structure and differences in programme design, as well as differences in the length of monitoring period (three and six months).

*Source:* DEST – Department of Education Science and Training (2005), “Review Report of the Language, Literacy and Numeracy Programme”, Response to a request by the Expenditure Review Committee (ERC) for the education, science and training portfolio to report to the ERC in the 2004/05 budget context, 25 February, Australia, available at [www.deewr.gov.au/Skills/Programs/LitandNum/LLNP/Documents/LLNPReview.pdf](http://www.deewr.gov.au/Skills/Programs/LitandNum/LLNP/Documents/LLNPReview.pdf); and DEEWR (2009), “Language, Literacy and Numeracy Program 2010-2013 – Overview Paper”, Foundation Skills and Pathways Branch, Canberra, October, available at [www.deewr.gov.au/Skills/Programs/LitandNum/LLNP/Documents/LLNPOverviewPaper.pdf](http://www.deewr.gov.au/Skills/Programs/LitandNum/LLNP/Documents/LLNPOverviewPaper.pdf).

### *The Productivity Places Program*<sup>13</sup>

The PPP is delivered mainly through a tender process, which allocates the training places to individual Registered Training Organisations (RTOs), with RTOs being paid for course completions and part-payments being made for participants who drop out before completing. Certificate II courses typically involve about 200 hours of study and certificate IV courses about 400 hours of study. Certificate level II and III courses can be completed in 12 to 16 weeks and certificate level IV courses in six months, but it is also possible to study for as little as three or four hours per week and complete after up to

two years (or longer if study is interrupted and later resumed).<sup>14</sup> The delivery of the training and its quality are in principle assured by checks in the registration process for RTOs, the delivery of national training packages or accredited courses, and quality audit processes (Allen Consulting, 2010; Service Skills Australia, 2010).

Under a National Partnership Agreement, states and territories have implemented the PPP since 2009, although effective delivery started at dates ranging from April 2009 to late 2009. Some jurisdictions top-up the course fees, and incorporate PPP funding into their existing Vocational Education and Training (VET) structures. In general, PPP funding has increased the proportion of government VET funding going to private providers at the expense of traditional Training and Further Education (TAFE) colleges (Box 5.3).

### Box 5.3. The Productivity Places Program

The PPP was developed to implement the Skilling Australia for the Future initiative, which had originated as a Labor Party Election 2007 Policy Document (ALP, 2007). It initially provided 450 000 training places targeted at both existing workers and jobseekers, with 42 000 mainstream jobseeker places to be delivered by 30 December 2008. In response to the global financial crisis, in late 2008 the Australian Government extended the programme with an additional 61 000 mainstream jobseeker training commencements for delivery in 2009. Further budget packages later expanded the PPP to provide 711 000 places over five years, of which 319 000 are allocated to jobseekers (Australian Government, 2009).

In 2009, state and territory governments (except for Victoria) *via* the Council of Australian Governments (COAG) negotiated a National Partnership Agreement for PPP (NP-PPP) (COAG, 2008). Over 70% of PPP training is to be delivered under the NP-PPP and Victorian *Commonwealth Own-Purpose Expenses* arrangements. The NP-PPP ends in June 2012.

The NP-PPP anticipated a mid-term review of the arrangements. This review (Allen Consulting, 2010) examined cost structures and operational arrangements, including data and reporting arrangements, in the initial phase of implementation in 2009.

The Australian Government retained responsibility for some PPP provision through direct agreements with Registered Training Organisations (RTOs) and Industry Skills Councils (ISCs). It used a Priority Occupations for the Productivity Places Program list (POPPPL), which was developed from labour market research including analysis of advertised job vacancies and employer surveys. Since early 2008, the Australian Government has delivered 146 555 PPP training places under several headings:

- Mainstream jobseeker PPP, which provided training for full qualifications at certificate II level to diploma, targeted at specific occupations and qualifications. Under the programme, the Australian Government contracted 833 RTOs, of which 728 delivered training across 229 qualifications. Intake was *via* a range of referral pathways (including self-referral) from 1 April to September 2008, and *via* employment service providers only from September 2008 to 30 June 2009. NCVER (2009) reports that, of an estimated total over 23 000 PPP graduates who commenced Australian Government delivery from April 2008 to 30 June 2009, 46.6% achieved an employment outcome compared with 42.7% for all VET graduates who were not employed before commencing their training; and a further 25.5% continued their studies.
- Structural Adjustment Places (SAP), which provided training places for 25 000 workers who lost their jobs due to the global financial crisis or the cessation of the Home Insulation Program. This programme ended in mid-2010.
- Training courses for the NEIS (see main text for details of the NEIS): certificate III in Micro Business Operations and certificate IV in Small Business Management.
- Enterprise Based PPP, which was announced in November 2009 and has delivered training for nearly 14 000 existing workers for occupations on the POPPPL at certificate III level and above.

### Box 5.3. The Productivity Places Program *(continued)*

The NP-PPP defines a funding allocation for each qualification level, which is AUD 2 500 in total for certificate II level qualifications, AUD 5 000 for certificate III and IV level qualifications and AUD 10 000 for diploma and advanced diploma levels. The Australian Government contributes 50% of the schedule amounts for training of existing workers and 100% of the schedule amounts for training of jobseekers. Schedules for the total amounts to be paid were set out based upon assumed numbers of enrolments and qualifications each year 2009-12, taking into account expected course-completion rates.

The most common approach to implementation of the NP-PPP was that the state or territory issued a public tender to the local training market indicating the skills needed (usually determined through consultation with national Industry Skills Councils and state advisory bodies), and a range of eligibility criteria for participants. RTOs can be registered with either the state regulator or the Australian Skills Quality Authority, and only nationally-accredited qualifications can be delivered.

The competitive tendering arrangements and the fixed level of the Australian Government contribution tend to favour lower-cost providers. RTOs reported that the funding level per course was too low to support capital-intensive training, or provision in remote areas. The level of course fees often dissuaded bids by TAFEs, and some TAFEs that bid successfully reported that they committed additional resources to ensure quality delivery. However, Western Australia effectively topped up the PPP prices per course from those published in the partnership agreement, allowing TAFE Institutes to be involved in the programme, and some other jurisdictions (*i.e.* states and territories) adopted variants of this approach (Allen Consulting, 2010).

The NP-PPP stipulates that states and territories should ensure that competition for the provision of training is open to all private and public RTOs that meet basic conditions. Ross (2011) suggests that competition shifted funding away from TAFEs too rapidly: “The PPP was an offer the states couldn’t refuse... since its launch in 2008, a succession of states have adopted its recipe of full competition between public TAFEs and private companies for the government training dollar... Most states and territories reported that only about 25% of PPP funds had gone to TAFEs, which provide 80% of the overall publicly funded vocational training in Australia.”

The NP-PPP required the training to be additional to “current effort”, which was defined as an average baseline of national data on the conceptual basis of the Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS), over three years (2005-07), for qualifications at certificate II to advanced diploma level. It called for 557 556 additional course enrolments from 1 January 2009 to 30 June 2012. The Australian Education Union argues that PPP funding has not been additional and that: “Despite arguing that the 711 000 places announced in the program would be ‘new’ and ‘additional’ to existing effort, it became clear that states and territories were not resourcing their 40% share of existing worker places from new funding, but rather were shifting existing recurrent TAFE funding into the PPP” (AEU, 2011). It should be noted, however, that NCVER financial data show a significant increase over time in Australian Government investment in vocational education and training, and NCVER VET Provider data show that the states and territories delivered 940 155 enrolments under the NP-PPP in 2010, which was 102.1% of the target (COAG Reform Council, 2011).

The contracts with RTOs allow for part-rate payment of the course fees for trainees who do not complete. An unexpected consequence in some parts of Australia was that the non completion rate does not have a funding impact on the provider, although in some cases the part rate payment is capped at 40% of the fee for course completion even if the trainee drops out at a later stage. The NP-PPP funding model assumes completion rates of 35%, but completion rates are turning out higher than this, implying that states and territories need to reduce total commencements below the target or provide additional funding (Allen Consulting, 2010; Service Skills Australia, 2010). The NP-PPP defines places as course enrolments, which include both new enrolments and continuing enrolments in a qualification, as defined by AVETMISS. It includes quantitative targets for qualification commencements rather than qualifications. NP-PPP funding contributions are based on two enrolments per qualification up to certificate IV level, and three enrolments per qualification at diploma and advanced diploma level. It is not clear that these should be seen as upper limits, and data for outturn rates of PPP places per qualification obtained are not easily available (one statistical difficulty is that it is not clear whether people who are no longer currently in training have dropped out: they can enrol again and complete at a later date).

### Box 5.3. The Productivity Places Program (continued)

In the NP-PPP, the jurisdictions agreed to work towards reporting using a national data portal and using AVETMISS standards to track individual students by 2012. Pending the implementation of such a system, the states and territories were required to report on PPP activity outside AVETMISS. However, COAG Reform Council (2010) highlights “inconsistent data collection methods and the varied level of detail provided in jurisdictions’ progress reports. Jurisdictions have reported against qualification commencements and course enrolment targets in three different ways”. According to estimates based on jurisdiction data, there was a shortfall of 24 565 qualification commencements in 2009, and over-delivery with 130 950 qualification commencements against a target of 118 519 in 2010. According to data reported to the National Council of Vocational and Educational Research (NCVER), which are more nearly compliant with AVETMISS standards and became available after the mid-term review, the jurisdictions delivered enrolments 11 752 below the target in 2009 and 19 521 enrolments above target in 2010. The jurisdictions under the NP-PPP delivered 77.8% of the specific target for higher level (diploma and above) qualifications and 107.5% of the targets for certificate II to IV level courses. The 2009 shortfall reflects delays in establishing Implementation Plans detailing state and territory methodologies to meet the targets and policy objectives, which were required before delivery under the National Partnership Agreement could begin. Across different jurisdictions, implementation Plans were agreed at dates ranging from February to June 2009, and NP-PPP delivery commenced at dates ranging from April to late 2009 (Allen Consulting, 2010).

*Source:* AEU – Australian Education Union (2011), “The Failed Productivity Places Program: Privatisation by Stealth, Low Quality Outcomes”, Fact Sheet No. 3, Australia, September, available at [www.aeufederal.org.au/Tafe/factsheets/ppp11.pdf](http://www.aeufederal.org.au/Tafe/factsheets/ppp11.pdf); Allen Consulting (2010), “Mid-Term Review of the National Partnership Agreement for the Productivity Places Program”, Australia, November, available at <http://foi.deewr.gov.au/node/777>; ALP – Australian Labor Party (2007), “Skilling Australia for the Future”, Election 2007 Policy Document, available at [www.mskills.com.au/DownloadManager/Downloads/ALP%20Skills%20policy.pdf](http://www.mskills.com.au/DownloadManager/Downloads/ALP%20Skills%20policy.pdf); Australian Government (2009), “DEEWR Budget Statements – Outcomes & Performance – Outcome 3”, Canberra, available at [www.deewr.gov.au/Department/Budget/Pages/Budget2009-10.aspx](http://www.deewr.gov.au/Department/Budget/Pages/Budget2009-10.aspx); COAG – Council of Australian Governments (2008), “National Partnership Agreement on Productivity Places Program”, Canberra, available at [www.dfeest.sa.gov.au/Portals/1/Documents/policies/COAG%20National%20Partnership%20Agreement%20on%20Productivity%20Places%20Program\\_2008-09%20to%202011-12.pdf](http://www.dfeest.sa.gov.au/Portals/1/Documents/policies/COAG%20National%20Partnership%20Agreement%20on%20Productivity%20Places%20Program_2008-09%20to%202011-12.pdf); COAG Reform Council (2011), “Skills and Workforce Development 2010: Comparing Performance across Australia”, National Agreement for Skills and Workforce Development Report to the Council of Australian Governments, Canberra, 30 September, available at [www.coagreformcouncil.gov.au/reports/skills.cfm](http://www.coagreformcouncil.gov.au/reports/skills.cfm); NCVER – National Centre for Vocational Education Research (2009), “Australian Vocational Education and Training Statistics: Outcomes from the Productivity Places Program 2009”, Statistical Report, Adelaide, 18 December, available at [www.ncver.edu.au/publications/2220.html](http://www.ncver.edu.au/publications/2220.html); Ross, J. (2011), “PPP Virus Spreads through VET System”, *The Australian*, 9 September, available at [www.theaustralian.com.au](http://www.theaustralian.com.au); Service Skills Australia (2010), “Your Guide to Finding Training”, Sydney, available at [www.serviceskills.com.au/your-guide-to-finding-training](http://www.serviceskills.com.au/your-guide-to-finding-training); and advice from DEEWR.

Information about jobseeker participation in PPP is available from several sources:

- The *OECD/Eurostat Labour Market Programme Database* records an inflow of 9 000 participants in 2007/08, 93 000 in 2008/09 and 91 000 in 2009/10, which implies total inflows of over 190 000 by mid-2010. The average stock in 2009/10 was 42 000, implying an average duration of individual participation (including non-completions) below six months. These figures probably include people who are assessed as jobseekers by RTOs and at state level, but are not registered as such on any Australian Government system.<sup>15</sup>
- Under Australian Government administration, 77 472 jobseekers had completed PPP training by September 2010, of which 58 457 were referred by Employment Services Providers. However by end-2010, only 86 866 jobseekers completed PPP training in total (SSCEEWR, 2011b and 2011d). These data relate to completions reported to the Australian Government.

- In calendar year 2010, 18 917 jobseekers exited PPP training and they had an average employment rate around three months later of 43%. On the same basis, 147 000 jobseekers exited non-PPP training, with an average employment rate of 35% (DEEWR, 2011a). In fiscal year 2010/11 (a time period starting and ending six months later) 20 166 jobseekers exited PPP training (DEEWR, 2011b), indicating some increase in the rate of completions. These figures relate to JSA-registered jobseekers as recorded on the Employment Services System, and employment rates recorded *via* the Post Program Monitoring Survey.<sup>16</sup>
- Within the totals cited above, 3 563 jobseekers exited PPP training as a Work Experience Activity in calendar year 2010 and 2 243 jobseekers exited PPP training as a Work Experience Activity in fiscal year 2010/11, a significant decline.<sup>17</sup>
- According to administrative data from 1 July 2009 to 31 December 2010, 18 728 jobseekers commenced in the PPP as their Work Experience Activity. However on 31 December 2010, only 884 jobseekers were undertaking the PPP as a Work Experience Activity (SSCEEWR, 2011b and 2011c).<sup>18</sup>

The interpretation of the different figures is not clear. However:

- The difference between the number of jobseeker commencements by mid-2010 (over 190 000) and completions recorded by end-2010 (less than 90 000) might arise due to under-reporting of jobseeker completions to the Australian Government, although since a completion corresponds to the delivery of a nationally-recognised qualification, reporting of completions should not be very complicated. The difference probably reflects drop-outs (less than half of those who have not yet completed appear to be reported in the stock of active participants) and prolongations of participation in training.<sup>19</sup> Although in standard cases, jobseekers would not study for as little as three or four hours per week (so that it takes over a year to complete even a certificate II qualification), this would be less surprising for groups such as principal carer parents. But people may also interrupt their studies, while intending to resume them at a later date. Statistics cannot immediately distinguish between those who will never complete, and those who will complete at a later date.
- Since 2010 exits from PPP training among JSA-registered jobseekers have been about 20 000 per year, but exits from PPP by jobseekers overall must be about 80 000 per year (if exits were much lower, the average stock of continuing participants in PPP would be much higher than it actually is). This suggests that only about a quarter of jobseeker PPP participants in 2011 were registered with JSA. As noted earlier, many unemployment benefit recipients participate in training, and this often meets their participation requirements, and then they may never be referred to JSA. By contrast, in the period of Australian Government delivery of PPP, about three-quarters of participants (based on the statistics for completions, cited above) were registered with JSA.
- Although it was reported that 18 728 jobseekers commenced in the PPP as their Work Experience Activity from 1 July 2009 to 31 December 2010, clearly in the vast majority of these cases PPP training was not recorded for a significant period of time as the jobseeker's Work Experience Activity on the Employment Services System, or recorded as the main Work Experience Activity in the PPM survey data relating to people who have exited from the WEPH. The high figure for "commencements" probably relates in fact to provider referrals to PPP training that only rarely resulted in effective commencement in the training.<sup>20</sup>

JSA providers report that PPP places are rarely suitable for their clients: “PPP for job seekers contains two major drawbacks for providers... the level of the eligible qualifications – generally certificate III and above – was too high for the needs of their job seekers... The crude monthly ballot was further complicated by the devolution of responsibility for the program to the states and territories, all of which chose to implement it in different ways.” (Jobs Australia, 2011). In New South Wales, providers point out that under state management the PPP only funds courses for jobseekers at certificate IV and diploma level (see [www.training.nsw.gov.au/programs\\_services/funded\\_apl/ppp/index.html](http://www.training.nsw.gov.au/programs_services/funded_apl/ppp/index.html), accessed 18 February 2012). However, national statistics for PPP completions do not entirely support the claim that few courses at certificate II level are available. Four of the top ten courses by completion at 31 December 2010 were at certificate II level, although the ranking of the certificate II level courses had fallen somewhat since 3 March 2010 (SSCEEWR, 2010c and 2011b). Providers argue that it is more effective for them to contract training providers directly: “where foundational skill deficits are identified and appropriate support is put in place, expectations can be exceeded. ...in engaging disadvantaged learners in vocational training significantly better completion rates are achieved when contracting VET providers directly. This is largely due to providers’ ability to leverage consumer power to influence support provision for job seekers and importantly establish a communication protocol that can underpin early intervention if learners experience challenges... Providers’ preference is increasingly to directly contract training providers however this means that they are not able to fully benefit from the broader range of training places subsidised by Government for these job seekers. ... as funding for training places has rolled out to the states the visibility of places funded for job seekers has diminished [and]... the level of understanding about employment services has been low.” (NESA, 2011).

Under current PPP arrangements, RTOs are funded to deliver courses for jobseekers at a given price (except for possible additional funding by states and territories). For financial reasons, and to maintain their accredited status and performance in terms of qualifications achieved, even for lower-level courses they will prefer to work mainly with more employable jobseekers who can achieve completion easily and quickly, rather than unemployed jobseekers if this involves case-management feedback to the JSA provider, more intensive training and longer course completion times. There is a risk that competitive tendering is efficient for training provision and is efficient for employment service provision, but it nevertheless does not link disadvantaged jobseekers to training unless further incentives are incorporated into the structure. To better align RTO and JSA incentives, JSA providers could be allowed to supplement the PPP payments to RTOs in the case of disadvantaged clients (restricted to those in the Work Experience Phase or in higher JSA streams, to prevent “double-dipping” in the case of non-disadvantaged jobseekers). With such a supplement in place, RTOs would have more incentive to co-operate in terms of co-ordinating pathways for disadvantaged clients who need separate services, such as foundational courses or work experience, prior to or together with the vocational training.

By late 2011, the PPP model of 2008 and 2009 was being run down, prior to its closure in July 2012. Some of its funding is being diverted towards a *National Workforce Development Fund*, modelled on Enterprise-Based PPP (Ross, 2011; Service Skills Australia (2012a and 2012b). Organisations are now funded to support the training of new workers (jobseekers) as well as their existing workforce in areas of current and future skills need. However, separate initiatives are needed to further promote participation in VET by disadvantaged JSA clients.

### *Special support for apprenticeships*

Although expenditure on labour market training in Australia is reportedly low, nearly half of the 300 000 commencements in apprenticeships and traineeships in 2010 were by people aged 25 or more (NCVER, 2010). Existing workers account for a significant proportion of starts in apprenticeship and traineeships. Thus these are a possible option for adult jobseekers and not only youths. Providers receive a Full outcome fee for placements into apprenticeships if the wage is high enough to cancel income support. In this sense, the Australian model since 1998 has used mainly a “work first” and “on-the-job” approach to the delivery of VET for jobseekers. Entry to an apprenticeship, which is counted as entry to employment, is probably more favourable for future employment prospects than entry to a formal labour market training programme would be. Such outcomes, since they involve motivating the jobseeker to leave income support and matching the jobseeker to an employer willing to hire him/her, depend critically on the effectiveness of job-search assistance. This subsection focuses on special support for apprenticeships, rather than mainstream provision.

### Employer incentives<sup>21</sup>

The *Australian Apprenticeships Incentive Program* provides financial incentives to employers. The standard employer incentive payments in 2011 were AUD 1 500 at commencement and AUD 2 500 at completion for certificate III or IV level qualifications, and AUD 1 250 for commencement of an apprenticeship in a nominated equity group in a certificate II qualification. This programme also provides a range of special and additional incentives, many of them targeted at traditional trades experiencing a national skills shortage or members of a nominated equity group, e.g. mature age Australian apprentices.

The *Apprenticeship Kickstart Bonus* was a short-term measure in the context of the recent global financial crisis, when apprenticeship commencements declined. It paid the employer an apprenticeship commencement bonus of AUD 3 300, paid in two instalments (after three and after nine months). This was a tripling of support for employers for the first year of a regular Australian apprenticeship. It was targeted at the employment of young apprentices aged 19 years and under who are undertaking a certificate III or IV level qualification in a skills-shortage trade occupation. The employer had to meet eligibility requirements under the *Australian Apprenticeships Incentive Program*. The programme initially supported commencements from 1 December 2009 until 28 February 2010 or until 21 000 commencements had occurred (with a budget of AUD 80 million) and it was extended to a second period (12 May to 12 November 2010) for apprenticeship commencements in small and medium enterprises (SMEs).

The Kickstart package included also a budget of AUD 20 million directed towards states and territories for *Increased Pre-Apprenticeship Training Opportunities* with at least 150 hours of job-focused training in traditional trades. It consisted mainly of off-the-job training. The *Securing Australian Apprenticeships* initiative in 2009 provided incentives to employers to take on an apprentice had who already started but not completed an apprenticeship, and who was not currently employed as an apprentice.

### Additional support for participation in apprenticeships

In general, apprentices may qualify, subject to eligibility in terms of income and other criteria, for Youth Allowance, Austudy or ABSTUDY. The *Support for Adult Australian Apprentices* programme aims to up-skill the adult population and respond to skill needs. It supports people aged 25 years and over during the first two years of an Australian

apprenticeship at the certificate III or IV levels in a trade listed in the National Skills Needs List. Financial support of AUD 150 per week in the first year and AUD 100 per week in the second year (not means-tested) can be directed towards the employer or the worker depending on the wage paid to the apprentice (Australian Government, 2011c).

The AAAP (now sometimes called simply the *Access Program*) provides pre-vocational training and other forms of support for disadvantaged jobseekers who experience barriers to entering skilled employment. People who are registered for employment assistance and who either are in a disadvantaged group (long-term unemployed, people with disabilities, Indigenous Australian, mature-aged jobseekers, ESLs, sole parents receiving Parenting Payment, homeless, self-disclosed ex-offender), or have completed either WfD or LLNP, are eligible. The programme includes a minimum of 150 hours of nationally recognised, accredited pre-vocational training linked to an Australian apprenticeship pathway, and tailored intensive job-search assistance for up to 13 weeks after the completion of pre-vocational training. If a job or training place is found, at least 13 weeks of post-placement support is provided ([www.deewr.gov.au/AccessProgram](http://www.deewr.gov.au/AccessProgram)).

AAAP expenditure increased by 71% from 2001/02 to 2008/09 and by a further 50% in 2009/10, to reach AUD 35 million with an inflow of 13 500 participants (see Annex 5.A1). The increase in 2009/10 reflects an investment of AUD 33.7 million over three years for additional and more tailored pre-vocational training and support places for vulnerable jobseekers. The additional places complement the Council of Australian Governments (COAG) *Compact with Young Australians* and *Targeted Productivity Places Program* for newly retrenched workers,<sup>22</sup> but not all of the AAAP places are reserved for youth. States and territories may also implement their own pre-vocational training programmes.

### Pre-apprenticeship programmes in other countries

Other countries with a highly developed and encompassing apprenticeship system, such as Germany and Switzerland, run pre-apprenticeship programmes targeted at school drop-outs and more generally at youths who encounter difficulties in finding a training place. In Germany, nearly 150 000 youth started a pre-vocational measure as compared with 567 000 who commenced an apprenticeship in 2008/09. Among those starting a pre-vocational measure two groups can be distinguished: those experiencing supply-side barriers (school drop-outs, young people with poor records in literacy and numeracy) and those facing demand-side barriers (lack of employer-based training places). The different pre-vocational programmes target in particular disadvantaged young people (BMBF, 2010). This may lead to substitution effects at the expense of the most disadvantaged youths. Switzerland also provides a pre-vocational measure for young people – the so-called motivation semesters. In both countries, evaluation reports have shown that these measures have been rather successful in bringing young people either into the VET system or into the labour market (see a summary of these results in Duell *et al.*, 2010; and Duell, 2008). However, in the case of Germany, evaluations have also shown that this measure is unable to overcome all the difficulties linked with low educational attainment.

### Work experience programmes

The largest programme in the *Direct Job Creation* category of the *OECD/Eurostat LMP Database* for Australia is *Community Development Employment Projects (CDEP)*, which was set up in 1977. However, this encompasses elements other than job creation

(see the section *ALMPs for specific target groups* below). It was the largest job-creation programme in expenditure terms (subject to the qualification noted in Box 5.1) for many years, but *Work for the Dole* (WfD) had higher participant inflows and in 2008/09 overtook CDEP in terms of the average stock of participants.

WfD was introduced in 1997 in the context of wider labour market reforms but was based on previous experience with job-creation programmes. Prior to 2009/10, the scheduled duration of individual participation was six months. It is not officially described as a job-creation programme: statements of its objectives tend to refer to work experience. In 2000, ensuring that bad work habits are not developed as a consequence of long-term unemployment was described as a key feature.<sup>23</sup> Another common statement of principle was that those receiving income support should be required to “give something back to the community”. According to a recent description, WfD aimed to “equip participants with skills that were required in the local labour market, give them an opportunity to engage with others, and contribute in a team environment” and “... develop the work habits of participants through involving them in community projects” (DEEWR, 2010a, pp. 7 and 25).

In the Working Nation initiative of the 1990s, participation in a job-creation programme could be compulsory, but the participant received a wage from the employer at award wage rates. A major change introduced with WfD is that participants stay on income support, usually unemployment benefit (OECD, 2001). Income-support recipients receive a supplement of AUD 20.80 per fortnight to assist with the costs of participation, which has not changed over the past decade. WfD, as the default referral for people who did not enter another activity, was a key element in enforcing Mutual Obligation requirements, and the principle of requiring work in return for benefits probably accounts for the “compliance effect” whereby some people left benefits when they were referred to WfD (see below).

Under Job Network, WfD was delivered by Community Work Co-ordinators (CWCs), to whom the Job Network providers referred the participants, and who had to link jobseekers with suitable places in the local community. They were paid for WfD placements, rather than for employment outcomes. At first WfD explicitly did not incorporate training.<sup>24</sup> However, in 2001 a Training Credit of up to AUD 800, to be used within six months, was introduced for participants who had completed 390 hours of WfD (OECD, 2001). At a later stage, CWCs were required to incorporate the skills that were in demand in their local communities into all activities (DEEWR, 2010a). It is unclear whether this happened to a significant extent. Jobs Australia (2008a) observed that because WfD put jobseekers into supervised work positions for 6 to 25 hours per week, far more than any other employment programme, “Community Work Co-ordinators are able to identify and address employment barriers early while the job seeker learns important skills including teamwork and punctuality”.

Under JSA, providers should create activities that improve the jobseeker’s motivation and dependability, develop team-work skills and will generate outcomes to benefit the community, and also ensure that WfD activities offer opportunities for structured training for all jobseekers where this is appropriate and available and can be accommodated within the activity structure (DEEWR, 2008a). Examples of WfD activities are maintenance of vehicles and buildings, landscaping or gardening, decorating, metalworking, customer services, hospitality, helping members of the community such as the elderly, people with disabilities or children (DEEWR, 2009c). WfD activities are available with non-for-profit and community organisations, or with local, state, territory or Australian Government organisations and agencies. The activities should be additional so that no competition with other companies and no displacement of workers may occur.

As a result of expanding the programme to other age groups than youth and young adults, the participant structure had shifted between 2000 and 2008 towards a higher share of participants aged 35-44 (see Table 5.1). Changes in the participant structure included a tighter focus on participants who had been in receipt of income support for at least 6 to 12 months, and coverage of those who had been in receipt of income support for more than three years. Expansion at both ends of the participant structure is also reflected in a (slightly) increased share of participants with less than year 10 education, as well as those

Table 5.1. **Characteristics of participants in Work for the Dole and outcomes by participant group**  
Percentages

	Participant characteristics		Outcomes <sup>a</sup>			
	December 2000	December 2008	December 2000		December 2008	
			Employment	Education and training	Employment	Education and training
<b>Age group (years)</b>						
15-20	21	13	27	14	36	15
21-24	33	18	27	13	36	14
25-34	43	27	24	9	34	11
35-44	3	36	30	10	31	10
45 or more	1	6	25	10	21	8
<b>Duration on income support (months)</b>						
0 to less than 6	13	5	40	19	41	13
6 to less than 12	13	27	36	15	40	13
12 to less than 24	20	15	30	13	33	12
24 to less than 36	16	11	21 <sup>b</sup>	9 <sup>b</sup>	29	14
36 or more	38	42	..	..	26	9
<b>Educational attainment</b>						
Less than year 10	21	23	..	..	23	7
Year 10	41	40	..	..	32	9
Year 12	24	17	..	..	38	16
Post-secondary	14	20	..	..	36	14
<b>Gender</b>						
Male	71	65	26	10	31	9
Female	29	35	30	15	35	15
<b>Equity groups<sup>c</sup></b>						
Disability	12	9	19	9	22	10
Indigenous	4	15	16	7	22	11
Non-English speaking background	8	13	25	20	33	15
Sole parents	..	5	26	2	39	16

.. Data not available.

a. Outcomes three months after participant has left a Work for the Dole project.

b. Twenty-four months or more.

c. Equity groups are not mutually exclusive.

Source: DEWRB, Labour Market Assistance Outcomes December Quarter 2000, Issue 3 and DEEWR, Labour Market Assistance Outcome Reports December 2008, Issue 32.

with post-secondary education. While at the end of 2000, about only 30% of participants were women, their share increased to 35% at the end of 2008. The share of Indigenous Australians, as well as people with a non-English speaking background increased, but the share of disabled decreased, probably related to the expansion of PSP and disability employment services as alternative options.

Positive outcomes<sup>25</sup> three months after exiting the programme increased from 36% in December 2000 to 40.5% in December 2008. Over time this percentage has varied, ranging from 32% in 2001 and 2002 to a peak of 43% in 2007, driven mainly by variation in employment outcomes, while outcomes in terms of participation in training and education showed less variation. Net impact evaluations have also tracked employment and off-benefit outcomes for longer periods, and starting from the date of referral to the programme or commencement in it rather than the date of exit (see the section *Monitoring and evaluation of active labour market programmes* below).

Between 2000 and 2008, employment outcomes improved particularly for the age group 15-34, the very-long-term unemployed, sole parents, and the Indigenous, non-English-speaking background and sole parent groups. Commencement rates and employment outcomes may have improved in the first half of the 2000s as a result of a better referral process, with referrals made by the JN member rather than being automatic based on individual characteristics and duration of unemployment, as well as due to improved WfD activities (DEEWR, 2007a). At the same time, despite the introduction of training credits to be used within six months of finishing participation in a WfD project, the rates of participation in education and training shown did not increase significantly for most of the groups shown in Table 5.1.

The nature of the low-skilled tasks undertaken, the lack of structured training, limited relevance of work experience in the non-profit community sector for getting a job on the regular labour market, and the poor prospects for acquiring useful skills for getting more stable employment were pointed out early on as weaknesses of the programme (OECD, 2000; Martyn, 2007; and Cook, 2008). Martyn (2007) claims that the mutual obligation approach "... only further stigmatises those already on the social and economical margins" and Cook (2008) describes WfD as a "... punitive Workfare programme designed to further stigmatise and discipline the unemployed by mandating participation in unpaid work experience". Despite such criticisms, in 2000 a survey recorded high levels of public support for the mutual obligation approach and the requirement to participate in a work for the dole scheme, especially for younger workers (OECD, 2001). Nevile (2004), based on interviews with over 100 participants and a similar number of staff in organisations involved with WfD, as well as impact evaluation evidence, argued that it was successful, while proposing improvements.

The terms of the JSA contract ensured that the Work Experience component would "take on a very different character from Work for the Dole (WfD)" and that it would be "difficult for providers to set up, fund and manage supervised projects for large numbers of job seekers" (Jobs Australia, 2008). As described in Chapter 3, providers now have an incentive to minimise the cost of WfD activities and achieve employment outcomes through them when possible. Expenditure on WfD reached a peak of AUD 174 million in 2003/04 and fell to AUD 134 million in 2008/09 (see Annex 5.A1). In 2008/09 the annual inflow of WfD participants was 60 000 and the stock of participants was 25 000. Data for expenditure under the JSA contract are not available, but by April 2010 the participant stock had fallen to 12 695 (Kervalas, 2011), and in 2010/11 the annual inflow was about 37 500 and the stock was slightly over 9 000,<sup>26</sup> so that the inflows had fallen by less than 50% but the stock

had fallen by more than 60%. The stock and flow data imply a marked fall in the average duration of participation, from five months in 2008/09 to three months in 2010/11.

*Full-time Work for the Dole* (FT WfD), introduced in the context of the Welfare to Work package in 2006, involves more hours and a longer participation period: usually it involves 25 hours per week for a period of ten months and usually includes more than one activity. Jobseekers aged 18-59 who were considered as very long-term unemployed could be referred to FT WfD. In 2006/07, FT WfD was targeted on jobseekers with a demonstrated history of work avoidance, but from mid-2007 the criterion was whether the provider considered that the client would benefit from FT WfD. There were 3 600 commencements in FT WfD in 2006/07 and 11 500 in the following year (DEEWR, 2010a). FT WfD featured prominently in the 2008 JSA request for tender.<sup>27</sup> Providers seem to have made little if any use of it in the early years of JSA. However, the May 2011 budget announced the introduction from July 2012 of a requirement to undertake Work Experience Activities for 11 months in the second year of the WEPH.

The *Green Corps* programme aims to improve Australia's natural environment and cultural heritage. At least 80% of the total activity time should be spent on environmental tasks. As a separate programme, until 2009, it paid a Training Allowance of AUD 300 per week. Green Corps activities are hosted by not-for-profit organisations or local, state, territory or government organisations and agencies. In 2008/09, about AUD 26 million was spent on the Green Corps programme for a stock of 1 800 participants making it a relatively expensive programme in terms of cost per participant-year. Under JSA, the programme was expanded to all age groups with the same participation and payment conditions as for WfD and funding by providers through the EPF, a major change.<sup>28</sup> Another small programme, the Drought Force, offers similar conditions but it can involve an individual placement with a private business, such as a host farmer.

The *National Green Jobs Corps* programme was introduced on 1 January 2010 for young income-support recipients aged between 17 and 24 years and youth aged between 17 and 20 years who are not in receipt of income support, but who are not working more than 15 hours per week and are not in full-time education. Participants are offered a combination of work experience, skill development and accredited training. They could be eligible for a higher supplement (AUD 41.60 per fortnight) than is available for WfD and related programmes. This programme is funded directly by DEEWR *via* a request for tender process with total funding of AUD 79.6 million over two years. The programme was closed on 31 December 2011, followed by a six-month Transition Period ending on 30 June 2012. From 1 January 2010 to 30 June 2012, 808 National Green Corps projects were commenced. On 31 August 2011, there were 273 active National Green Jobs Corps projects.

A recent meta-analysis of ALMP evaluation findings concludes that subsidised public sector jobs programmes are generally less successful than other types of ALMPs, in line with the conclusions of earlier literature summaries (Card *et al.*, 2010). Evaluation findings of a positive impact from participation in WfD in Australia (see below) are relatively unusual. At the same time, programme participation is quite often mandatory, and in this case the “threat” or “motivation” effect of requiring participation tends to be positive because some people leave unemployment before they would have to start on the programme. Australian comparisons with the *New Deal* in the United Kingdom stressed the importance of the four-month *Gateway* programme, where individually tailored plans for improving the jobseeker's availability are set up, as well as the involvement of private employers (Martyn, 2007). In the UK *New Deal*, participants often found work or otherwise left benefit during the *Gateway* period and there were three alternative options for full-time

programme participation, but the actual rate of participation in full-time programmes and notably the employment option was very low. By contrast, in Denmark's activation strategy of the 1990s and 2000s, rates of participation in job training (mainly work-experience) programmes were particularly high. In Ireland, participants in the *Community Employment* scheme (the largest job-creation scheme), which has existed since the mid-1990s, move onto jobs in the private sector less frequently than participants in other programmes do, but they perform useful work within their communities (e.g. see Grubb *et al.*, 2009).

### Start-up incentives

Jobseekers who are interested in starting a small business can participate in the *New Enterprise Incentive Scheme* (NEIS), which provides accredited certificate III or certificate IV training for micro or small business management, business advice and mentoring as well as ongoing income support for one year. Eligible jobseekers must be at least 18 years of age and be registered for income support. They have to be available to participate in NEIS training and work full time in the business (or fewer hours, if eligible; e.g. in the case of parents with a part-time activity requirement). For Stream 1 or 2 jobseekers, the small business start-up must be in a designated skills-shortage area, while this condition does not need to be met in the case of Stream 3 or 4 jobseekers or Indigenous Australians (DEEWR, 2010a).

The NEIS can assist up to 6 300 jobseekers each year. In 2009/10, there were 6 100 business start-ups under the scheme (DEEWR, 2010b, p. 117). Jobseekers aged 25-49 and those with a post-secondary level of education were overrepresented as compared with the structure of eligible jobseekers (DEEWR, 2009d). Participation in NEIS is typically chosen early in an income-support spell (in the first six months). The very satisfactory programme outcome results – 88% of participants were either in employment or in training or in both, three months after completing the programme – have to be viewed in the light of the small scale of the programme and the characteristics of participants.

### ALMPs for specific target groups

#### *Youth*

Training programmes targeted at young people, including vocational and pre-vocational training, have been implemented by the Commonwealth Government as well as by the states and territories, and some of these programmes have been limited to specific age groups for many years (see the section *Training programmes* above). In the context of the “work-first” strategy, WfD was introduced for youth and young adults before other age groups. The current government partly shifted away from a work-first strategy towards a “learn or earn” strategy for youth.

The new policy orientation towards promoting skills development led to a *National Partnership on Youth Attainments and Transitions* and the COAG agreed to a *Compact with Young Australians* in 2009. This Compact contains three elements: *i*) a National Youth Participation Requirement which requires all young people to participate in schooling to year 10 or in an approved equivalent, and then participate full-time in education, training or employment until the age of 17; *ii*) for 15-24 year-olds, an entitlement to government-subsidised education or training place leading to a year 12 or equivalent qualification (for youth aged 20-24 who have already a year 12 or equivalent qualification, any place that would lead to a higher qualification), subject to availability;<sup>29</sup> and

iii) strengthening participation requirements for ESLs who seek income support: they need to participate full-time in education and training or part-time in combination with other approved activities such as part-time paid or voluntary work (DEEWR, 2009a and 2010c).

A number of European countries have experiences with agreeing Pacts in the spirit of an “education-first” strategy and which aim to enhance participation, in particular by young school drop-outs, in education and training. In the context of the recent global financial crisis, some more countries such as Austria, New Zealand and the United Kingdom have adopted the longstanding concept (dating back to the 1990s or earlier Nordic countries and the Netherlands) of a youth guarantee (Duell *et al.*, 2009; OECD, 2002, Chapter 1; OECD, 2010; and PES to PES Dialogue, 2011). This policy approach is particularly appropriate in periods of an economic downturn. Germany, which is known for its dual system of initial vocational training, agreed a *National Training Pact* in 2004 for an initial period of three years which was prolonged in 2007 and 2010 in order to cope with a decline in offers of vocational training places by employers. The Pact represents a mutual commitment on the part of the state, private companies and the employer organisations and industry organisations with the aim to raise the number of training places (BMBF, 2010). In Norway, closer co-operation between the PES and the educational follow-up system for the 16-19 year-olds, and in 2010 further measures to enhance completion rates of upper-secondary education, were agreed. Other examples include Finland where a youth opportunity guarantee scheme was introduced as early as 1984.<sup>30</sup> The Finnish Government’s *Employment Policy Programme* for 2003-07 included an educational and social guarantee, according to which every unemployed young person should be offered training, trainee work or a workshop place after three months. Evaluation evidence suggests that this guarantee had positive effects on the situation of young people with relatively good employment prospects, but it was less successful in integrating young people encountering multiple problems and young people with an immigration background, as those young people needed more specific support (Duell *et al.*, 2009).

## ***People with disabilities***

### ***Background***

The volume of specialised services for people with disabilities has grown substantially in recent years. By 2009/10 expenditure on rehabilitation services was about 2.5 times its 2001/02 level, and expenditure on open employment services was around 3 times higher (see Annex 5.A1). The stock of participants in rehabilitation services increased sharply, perhaps associated with a shift away from the traditional focus on victims of accidents at work. By 2009/10 expenditures on disability employment services not including sheltered employment were about a half of the level, and participant stocks were about a sixth of the level, of the corresponding totals for JSA.

For a description of the historical background and structural policy reforms leading to the introduction of the current Disability Employment Services (DES), including plans through to 2015, see the section *Disability Employment Services* in Chapter 2). The operations of the former Disability Employment Network (DEN) and Vocational Rehabilitation Services (VRS), as well as DES, are described in more detail here.<sup>31</sup>

DES providers under contract with the Australian Government are currently located at more than 2 000 sites across the country. Like JSA providers, DES providers are required to set up an Employment Pathway Plan (EPP) with new clients. DES providers are also committed to continue their support after placement for the first 26 weeks, and longer if necessary. The Employment Assistance Fund helps providers and employers with

the extra costs of accommodating people with disabilities in the workplace, including work-related modifications and special equipment, assistive technology, Australian Sign Language (Auslan) interpreting, disability awareness training and specialist assistance for people with mental illness or specific learning disorders. It also provides free workplace assessments. All DES providers must comply with the Employment Services Code of Practice (see Chapter 2) and offer detailed Service Guarantees to their clients. On 30 November 2010, only 6% of DES-DMS users were Disability Support Pension (DSP) recipients, whereas about half the DES-ESS users were DSP recipients (DEEWR, 2011c).

In 2006/07, the first year in which, following the Welfare to Work reform, people with an assessed work capacity of 15 to 29 hours were eligible for Newstart Allowance (NSA) rather than DSP, about 17% of these NSA recipients participated in the DEN, 25% were assisted through VRS, 10% participated in the *Personal Support Program* (PSP), 13% in Job Network Intensive Support and 3% took part in WfD<sup>32</sup> (DEEWR, 2008b). People with mental disabilities often participated in PSP. As discussed in Chapter 4, people with work capacity of 15-29 hours per week who were on NSA in 2006/07 but would previously have satisfied eligibility requirements for DSP left income support, mainly for employment, at rates at least twice as high as the comparison group had done in previous years, but this increase was from a low base, with a large majority remaining on income support. New DSP recipients were in 26% of cases recommended by the Job Capacity Assessment (JCA) to access employment assistance, mainly DEN, VRS and PSP, and of these 32% participated in the recommended assistance. Existing DSP recipients who were referred to a JCA – which could occur because they had voluntarily registered with a JN provider, among other reasons – were rarely referred to the Job Network. They were most often recommended to DEN.

Mental health problems are frequent among the long-term unemployed (Horn, 2008). In the first six months of 2009, an *Individual Placement and Support* (IPS) demonstration project – initially providing mental health support, and subsequently expanded to include people with multiple barriers to employment – was organised by the Brotherhood of St Laurence, with independent funding from two charitable trusts. This project was in the area of open employment services, aiming to bring clients into supported employment. The participants were mainly on NSA and in the PSP. However, it proved quite difficult to implement this intensive support model satisfactorily on a small-scale and short-term basis (Bowman and Lawlor, 2010).

### *Open employment services*

Responsibility for open employment services was transferred from the Department of Family and Community Services (FaCS) to the employment Department in 2004 (DEEWR, 2007b). Services included the provision of training, approaching employers, assistance with job design, on-the-job and off-the-job support to ensure new employees settle into their job, and intermittent support on the job to help with disability (DEWR, 2006a; DEEWR, 2010a).

Eligibility for DEN services depended on having a permanent disability, a reduced capacity for communication, learning or mobility, and initially requiring support in the workplace<sup>33</sup> (or while participating in an ALMP) for more than six months, although this was not expected for the capped stream introduced in 2006 (see Chapter 2 for a description of the institutional changes). Commencements in assistance through DEN rose from 23 800 in 2005/06 to 42 100 in calendar year 2009 (DEEWR, 2010a and 2009f). The capped stream, with a fixed capacity of approximately 39 270 places, in September 2009 still

had a stock of participants about twice as large as the uncapped stream (DEEWR, 2010b; SSCEEWR, 2010a). Commencements in both DEN streams as well as VRS in 2009/10 were higher than expected. The increase in voluntary commencements could reflect improvements in the marketing of services to voluntary DEN and VRS clients, motivated by competition and the payment of employment outcome fees, with turnover increasing due to a focus on those with reasonable employment prospects and higher placement rates. The increase in uncapped commencements was related to the Welfare to Work reforms which from 2006 introduced participation requirements for new income-support recipients with an assessed work capacity of 15 to 29 hours per week (see Chapter 4), and to increased numbers of referrals of jobseekers for a JCA by Centrelink and JSA providers (see Chapter 3).

### *Rehabilitation services*

VRS combined specialist employment assistance with vocational rehabilitation. People with an intellectual, psychiatric, sensory or physical disability resulting in a substantially reduced capacity to obtain or retain employment were eligible. Services include employment counselling, vocational counselling, job-seeking and job-placement assistance, work experience and training, work-place assessment or modification (DEWR, 2006a). Like DEN, VRS was also from 2006 divided into a voluntary capped stream and a compulsory uncapped stream. VRS provided employment services for up to 24 months and services generally ceased six months after a jobseeker obtained employment. Commencements in this scheme increased from 26 500 in 2005/06 to 43 100 in 2007/08 but fell to 39 200 in calendar year 2009 (DEEWR, 2010a and 2009f).

### *Disability Enterprises*

Disability *Business Services* – recently renamed *Australian Disability Enterprises* – are commercial enterprises that provide sheltered employment for people with severe disabilities having a remaining working capacity of at least eight hours per week. The tasks performed include packaging, assembly production, landscaping, laundry and food services. Case-based funding for Business Services commenced in 2005. Most intake is through self-referral by people who are either in receipt of, or who meet the impairment requirements to receive, the Disability Support Pension. Providers receive an intake fee, a monthly employment assistance fee for up to 12 months, employment maintenance fees (47% of clients are at the highest level, which is AUD 13 020 *per annum*) and certain supplements during ongoing employment (ANAO, 2008). Growth in the stock of participants slowed to only 2% per year since 2005/06, reaching nearly 19 000 in 2009/10. This remains the most costly disability programme in terms of expenditure per participant-year (see Annex 5.A1, figures for Disability Services Program – sheltered).

### *Disability Employment Services from 2010*<sup>34</sup>

After a review and consultation process in 2008, the DEN and VRS were replaced by *Disability Employment Services* (DES) in March 2010. DES have two main subcomponents:

- The Disability Management Service (DMS) for jobseekers who have a temporary or permanent disability, injury, or health condition, but are not expected to need long-term support in the workplace, although they might need irregular or occasional support to keep a job.<sup>35</sup>
- The Employment Support Service (ESS) for jobseekers who are expected to require regular and ongoing support to keep a job.

Eligibility continues to be restricted to jobseekers with at least eight hours per week work capacity. Major changes with the introduction of DES included:

- The removal of the two capped streams. DES providers must now accept all referrals made through a JCA (now the Employment Services Assessment, ESAt), each referral comes with corresponding funding, and all intake streams may potentially qualify for ongoing support;
- The replacement of the provider-administered Disability Maintenance Instrument (DMI) by an Ongoing Support Assessment (OSA). In principle, at the point of referral clients expected to require moderate ongoing support or high ongoing support are referred to ESS and those expected to require at most flexible ongoing support are referred to DMS. However, when an OSA is conducted following a 26-week employment outcome,<sup>36</sup> it may determine any level of ongoing support, or exit to independent worker status. The moderate ongoing support and high ongoing support payments are AUD 1 320 per quarter and AUD 3 300 per quarter, respectively (DEEWR, 2010d).<sup>37</sup> On 30 November 2010, about 15% of DES-ESS participants (over 10 000 people, in total) were being funded at one of the ongoing support levels, a year or more after the initial placement;<sup>38</sup> and
- An increased focus on performance with shift towards funding through outcome fees: the maximum fee for a 26-week employment outcome was AUD 7 348 in the capped stream of DEN, while the maximum core fee (including placement and 13-week fees, but not exceptional bonus or loading elements) is AUD 14 740 in DES (SSCEEWR, 2010b).

A stated objective in the proposals for DES was to simplify administration and reduce red tape. Simpler eligibility criteria, less complex assessment instruments and referral procedures, the reduction from four separate service streams to two and the reduction in funding levels from nine to two<sup>39</sup> were meant to contribute to this outcome (DEEWR, 2008c and 2009e). However, in a survey conducted in October-November 2010, 79% of provider sites did not agree that the administrative load was lower under DES and another 13% said it was about the same. Factors that led to the perceived increase in administrative load, particularly for providers with an ESS contract, included migration to a new IT system, the need to interact with multiple OSA providers, and the need to deal with inappropriate referrals from the JCA process.

Among the changes in outcomes observed in the first nine months of DES operation were (DEEWR, 2011c):

- An increase in participation in disability employment services from around 7.7% of the target population (DSP recipients and NSA/YA(o) recipients with a disability, together about 1.05 million) to 8.8%. The increase was almost entirely due to increased participation by NSA/YA(o) recipients, with little change for DSP recipients;
- A larger increase, from 7.7% to 9.4%, in participation by income-support recipients from culturally and linguistically diverse backgrounds. This appears to reflect a tendency in the past for DEN/VRS providers to treat non-English speaking referrals as ineligible, whereas they must now accept all referrals (using interpreters if necessary);
- A large increase in commencements by participants with a severe mental illness. Providers reported difficulties in servicing these participants. The increase might nevertheless be partly linked to the fact that of the 2 043 DES sites, 268 are specialised in services for psychiatric disability or mental illness (only 132 have

any other specialisations, either by disability type or by population target group). The increase also suggests that some PSP participants who transferred to JSA in July 2009 were referred on to DES from March 2010 onwards;

- An increase in the number of participants who exit the programme as independent workers (without any ongoing support) from between 200-400 per month previously to 600-1 000 per month in DES. Much of this increase would be related to the transfer at least 10 000 additional NSA/YA(other) recipients to the DES caseload (see the first point above), and more detailed evidence would be needed to identify a possible impact net of this caseload composition effect; and
- A fall in the rate of job placements (placements by year-end relative to commencements in the last nine months of the year) from 28% in 2009 for DEN/VRS to 24% in 2010 for DES. However, the procedures that are treated as placements in these statistics were not closely comparable between the two periods.<sup>40</sup> There was also an increase in the rate of conversion from placements to 13-week outcomes, so that the rate of 13-week outcomes was unchanged at 14%. Placements dropped during the first four months of DES and then recovered, so performance seemed set to improve further.

The 2010 DES contracts share many features with the 2009 JSA contracts, including the payment of outcome fees after 26 weeks in employment, a 20% bonus payment for employment outcomes attained following qualifying training, a 70% loading on fees for remote services, and a contract termination date of June 2012. One difference is that DES providers are allowed to specialise exclusively in a particular disability type or client group, which is not the case for JSA providers. The major differences are the funding of and provision of ongoing support in the workplace and the use of additional client assessment tools – the JCA/ESAt which determines referral to DES, and the OSA tool which determines eligibility for ongoing support, and its administration by external providers to determine eligibility for support beyond 52 weeks.<sup>41</sup> Despite these differences (following the discussion in the section *International comparison and overview of active labour market programmes* above) it would increasingly be appropriate to regard DES during the job-search phase as part of the public employment service (Category 1 of the *OECD/Eurostat LMP Database*) rather than a labour market measure (Categories 2 to 7 of the database).

### *Employer incentives*

Wage subsidies are key measures used by DES providers. The Wage Subsidy Scheme pays up to AUD 1 500 for a 13-week period. In 2009/10 the average stock of participants in disability employer incentives was 14 000 (see Annex 5.A1). Because the hiring subsidy is paid only for 13 weeks, it would typically be relevant before any Ongoing Support Assessment. Providers may also make additional payments funded from their fee incomes to employers who hire their clients. DEN outcomes for wage subsidy participants were more positive (as compared with outcomes for those employed without a wage subsidy) for people with a higher degree of disability, and outcomes differed also by disability type (DEEWR, 2007b).<sup>42</sup>

A new wage subsidy available only through DES, the *Disability Support Pension Employment Incentive Pilot*, runs for two years starting March 2010. The DES pays the employer a subsidy of AUD 3 000 after the participant has been employed for 26 weeks ([www.deewr.gov.au/Employment/Pages/DSPEmploymentIncentivePilot.aspx](http://www.deewr.gov.au/Employment/Pages/DSPEmploymentIncentivePilot.aspx)). The DES

provider encourages employers to employ a DSP recipient, and identifies and prepares people with disabilities for participation in the measure.

In cases where a worker's productivity is below the full award rate of pay, a jobseeker and his/her employer may agree, with assistance from their DES provider, to undertake an independent Supported Wage System Assessment to determine a fair rate of pay based on the employee's productivity level. Low wage rates would in many cases be partly compensated by continuing income-support payments.

Further measures include assistance for Australian apprentices with disabilities. Moreover, assistance is provided to employers to adjust workplaces. Since early 2011, DEEWR manages a new *Employment Assistance Fund* offering employers financial assistance with the cost of adjusting workplaces for the needs of employees with disabilities, which replaces previous workplace modification programmes (Davidson and Whiteford, 2012; [www.jobaccess.gov.au/Workplace\\_modifications/Pages/home.aspx](http://www.jobaccess.gov.au/Workplace_modifications/Pages/home.aspx)).

### ***Indigenous Australians***

Specific labour market programmes for Indigenous Australians have a long history, with the introduction of the Community Development Employment Projects programme (CDEP) in 1977. The objective was to reduce welfare dependency for Indigenous Australians, in particular in areas with poor labour market prospects. Further objectives were to strengthen communities, and to promote self-determination and cultural maintenance (Dockery and Milsom, 2007). However, the success of this programme was in principle measured in the first place in terms of paid employment outcomes, while the objectives of self-determination, community capacity-building and cultural maintenance received less attention. In some respects, CDEP can be regarded as Australia's first mutual obligation programme (Dockery and Milsom, 2007). Despite an intention that CDEP should focus on employment outcomes and labour market preparation, it is not clear that this was the case in practice: in 2009 when a formal work readiness stream was introduced, placements were still overwhelmingly into the community development stream (DFD, 2009).

Participants in CDEP worked part-time and were paid a "wage", which was the equivalent of income support, by the local community organisations running the programme. These were usually local Indigenous-community-controlled organisations. "Top up" wages were sometimes available where alternative sources of funding to social security payments could be found (Davidson and Whiteford, 2012).

CDEP was criticised for having become an alternative to mainstream employment and for reducing the incentive for young Indigenous people to remain in education and training. After 2007, the programme was scaled down in non-remote areas. The number of participants in the programme in stock terms peaked at 36 000 in 2003/04<sup>43</sup> and it fell from 34 306 at end June 2007 to 16 013 by end June 2009 (see Annex 5.A1). Since July 2009, CDEP no longer operates in non-remote areas where the economy is well-established, and new CDEP participants are paid income support rather than a CDEP wage. These changes imply further efforts to ensure that participants register with a JSA provider whenever possible.<sup>44</sup> It was originally announced that existing participants would be transferred from CDEP wages to income support from July 2011 (Macklin and O'Connor, 2008), although by late 2011 this had been postponed and in February 2012 the government announced a continuation of CDEP wage payments to "grandfathered" participants whilst government considered input from public consultations in the development of a new remote employment and participation model. On 26 April 2012, the government announced a further 5 year extension of CDEP wages to 30 June 2017 with the new Remote Jobs and Communities

Program (Macklin *et al.*, 2012). Since October 2011, the Approved Program of Works supplement of AUD 20.80 per fortnight (matching the CDEP Participant Supplement available to participants receiving CDEP wages) has been paid to participants on income support ([www.centrelink.gov.au/internet/internet.nsf/services/cdep.htm](http://www.centrelink.gov.au/internet/internet.nsf/services/cdep.htm), accessed 23 March 2012).

The decision to limit access to CDEP was controversial. A few earlier studies identified a number of positive effects of the scheme for communities such as improved social and cultural cohesion, reduced incidences of alcoholism and incarceration and greater capacity for self-management (Dockery and Milsom, 2007). However, DFD (2009) found that “where CDEP is associated with holding communities together, either through ‘community development’ or ‘economic development’ it is likely to be diluted as a labour market program” and recommended that CDEP should instead be “intimately connected to other labour market programs”.

The second largest programme in this area has been the Training for Aboriginal Program (TAP). TAP has changed over time. Initially, the main element was Job Skills Development, later known as Direct Assistance, which paid wage subsidies (varying from 50% to 100%) to help employers provide employment-based training placements for a period of six months. Further elements included wage subsidies for a trial job for an initial period of six weeks, mentoring and career information. Over time, other measures such as formal training were included. According to Dockery and Milsom (2007), this programme appears to have been successful in promoting employment opportunities and this suggests that a mix of on-the-job work experience, achieved through wage subsidies or brokered placements, combined with mentoring and training, is the best approach for achieving market employment outcomes for Indigenous jobseekers.

By the end of the 1990s, about 70% of the jobs held by Indigenous people were publicly-funded to some extent. A new Indigenous Employment Policy (IEP) was announced in 1999 with the aim of creating employment and training opportunities in the private sector (OECD, 2001). The IEP had a stronger focus on employment outcomes and in particular on the transition to mainstream employment than previous programmes (Dockery and Milsom, 2007).

The IEP consisted of 11 elements including *Structured Training and Employment Projects* (STEP) to help employers to provide employment for Indigenous Australians and *Wage Assistance*, a subsidy paid to employers for 26 weeks. Following a reform of the IEP in July 2009, two Panels deliver services to communities, businesses and individual entrepreneurs: *i*) the *Employment Panel*, which provides guidance to employers and Indigenous jobseekers, as well as funding for Indigenous Australian students undertaking tertiary education, and wage subsidies for employers of Indigenous Australians; and *ii*) the *Economic Development and Business Support Panel*, which delivers strategies or services for creating economic and business development opportunities for Indigenous Australians, and financial strategies or services for existing Indigenous businesses and organisations. Examples of projects include culturally-appropriate literacy and numeracy training and support for the development and implementation of community or regional development plans (DEEWR, 2010a).

The budget for IEP employment incentives tripled between 2001/02 and 2009/10 (see Annex 5A). In 2009 there were 18 100 commencements in IEP-STEP (19 600 in 2008) and 1 600 commencements in *IEP-Wage Assistance* (1 800 in 2008). Three months after exiting the programme, 70% of participants in both IEP-STEP and IEP-Wage Assistance were in employment or education and training (DEEWR, 2009d). Net employment impacts have

only been estimated for Wage Assistance participants who commenced in 1999/2000, the first year of the programme. Fourteen months after commencement, participants still had an employment rate 11% higher than that of a matched control group of non-participants (DEWR, 2002a).

Over the 1990s and 2000s, the measures aiming to engage Indigenous jobseekers in mainstream employment programmes, especially Job Network, had some success. The proportion of Job Network participants who were identified as having an Indigenous background rose from 8% for those exiting Intensive Assistance in 2002/03 to 22% for those exiting Intensive Support Customised Assistance in 2008/09 (Davidson and Whiteford, 2012; DEEWR, 2009f). Possible reasons for this include better identification of Indigenous jobseekers, rapid growth in the Indigenous population of working age, the removal of remote area exemptions to activity tests, and compulsory registration with the Job Network (see also DEWR, 2006b).

### ***Return-to-work programmes***

The *Transition to Work Program* and its predecessors (see Annex 5A) were originally mainly for parents but also helped mature workers and carers to re-enter the labour market. From July 2006, it was replaced by the *Employment Preparation* programme, which offered a wide range of services, including training measures, counselling, support and mentoring, as well as help with finding childcare arrangements. The 2005 budget (Australian Government, 2005) foresaw AUD 47.7 million funding of Employment Preparation from 2006/07 to 2008/09, an increase over the funding of the Transition to Work programme. In 2006/07, 40% of participants in the programme were mature age jobseekers, and about 60% were principal carer parents. There were 23 000 commencements in the programme in 2006/07 and 25 000 in 2007/08 (DEEWR, 2008b and 2010a).<sup>45</sup>

## **Monitoring and evaluation of active labour market programmes**

### ***Post Program Monitoring***

The Post Program Monitoring (PPM) Survey, which was set up in the late 1980s, gives insights into the participant structure of some of the ALMPs. It records full-time and part-time employment and education and training outcomes achieved by jobseekers around three months after they exit labour market assistance. Results are published in quarterly *Labour Market Assistance Outcomes* reports. In 2008/09, these reports provided data for some of the ALMPs discussed above (WfD, NEIS, IEP-STEP and IEP-Wage Assistance), different stages of Job Network assistance, and alternative case-management services (PSP, DEN and VRS). In 2006, they provided data for three further ALMPs (Community Work, Indigenous Employment Centres and Transition to Work), but not the disability employment programmes. Since July 2009, the Intensive Activity and Work Experience Phases of JSA are included, with subcategories PPP training, non-PPP training, training in job-search techniques, Work for the Dole, voluntary work, and other activity. DES Employment Assistance is listed separately from DES Ongoing Support. There are also some new breakdowns by participant characteristics, including the income-support types DSP, Parenting Payment – Single (PPs) and Parenting Payment – Partnered (PPp).

Although PPM data are useful, it needs to be emphasised that outcomes achieved by jobseekers three months after they exit different types of assistance are not measures of comparative impact, even when they serve the same client group. Programmes vary in terms of the length of participation and the processes that result in exit from the

programme (this issue was already set out in OECD, 2001). A programme that achieves only a low monthly rate of exit into employment may have a high rate of employment three months after exit if participation in the programme continues until employment is found. Conversely, a programme that has fairly high monthly rates of exit to employment might still have the majority of participants unemployed three months after exit if the period of participation in the programme is short and time-limited.

Given the broad scope of JSA, the PPM survey is not conducted only upon exit from JSA but also after completion of different stages of assistance, notably after Intensive Assistance (completed around four months and a half into JSA), after the first year, after 18 months when the first Work Experience Activity should be completed, and at later points. As a mail-based survey, the PPM system potentially covers in-scope labour market assistance across Australia, with a minimum 10% sampling rate ranging up to 100% for some groups. Assuming that responses are actually obtained for 5% to 10% of the JSA in-scope population of 1.4 million over a year,<sup>46</sup> about 100 000 responses are received. Since the PPM sample is generated from administrative records, the survey responses, for example those about employment outcomes or jobseeker satisfaction, could be compared with variables such as paid employment outcomes, or grouped to give results for large employment service providers (for small providers, the sample sizes would be inadequate).

## **Official evaluations**

### *The scope of official evaluation studies*

DEEWR carries out evaluations of employment services and their components. Its reports fall into a number of categories:

- Large-scale evaluations of major policy reforms: the *Job Network Evaluation Stages 1, 2 and 3*, published from 2000 to 2002 (totalling nearly 500 pages), the *Active Participation Model Evaluation 2003-2006* (170 pages) relating to JN as revised from July 2003, and the *Welfare to Work Evaluation* (2008, 140 pages) (which is discussed in Chapter 4, since the policy reforms mainly concerned benefits).<sup>47</sup> These large-scale and broad-ranging evaluations examined multiple processes, using several surveys and administrative data sources. DEEWR (2009g) sets out a similar strategy for evaluation of the JSA model (see below);
- Evaluations of some more specific programmes: the NEIS, the DEN case based funding model, the Indigenous employment policy, job placement employment and training, and several pilot initiatives such as the Welfare to Work Contact Model;<sup>48</sup>
- Studies focusing on particular processes or characteristics of outcomes: job network best practice, jobseeker account evaluation, sustainability of outcomes;
- Reports on the findings of one-off surveys of employer and jobseeker experiences and attitudes; and
- Evaluations of the net impact of labour market assistance: these estimated the net impact of Work for the Dole in 2000; Job Network Programmes and Work for the Dole (DEWR, 2006c); and including disability employment services among the programmes evaluated, Labour Market Assistance Off and Part Benefit Outcomes Measured in 2008 (DEEWR, 2010a).

The rest of this section does not attempt to summarise findings under these headings (findings from a number of evaluation studies have been cited in earlier sections and

chapters). It discusses selected topics: net impact evaluations, longer-term outcomes, the impact of disability employment services, possible development of the official evaluation strategy, the policy response to evaluation evidence, the JSA Evaluation Strategy 2009-12, and external evaluations.

### *Net impact evaluations*

The most recent net impact evaluation (DEEWR, 2010a) focuses on off/part-benefit outcomes<sup>49</sup> in March 2008 for jobseekers 12 months after programme commencement. The main estimates relate to 12 participant groups: three stages of Intensive Support within Job Network at that time, the Mutual Obligation phase (starting after six months of unemployment), Employment Preparation (return-to-work assistance, see above) and three variants of Work for the Dole which would typically involve participation while remaining with a JN provider, and four employment services that are or were alternatives, rather than complements, to participation in the Job Network, *i.e.* DEN, VRS, PSP and Job Placement, Employment and Training (JPET).

In line with *Job Network Evaluation Stage 3* published in 2002 (DEWR, 2002b) and some intermediate evaluation studies, in this recent net impact evaluation, for each of these participant groups a similar-sized matched comparison group was identified and – with regression controls for a range of variables such as age, type of disability, local labour market conditions, etc. – outcomes for the participant group were compared with outcomes for the control group. Using this approach, impacts for particular jobseeker demographics or other statuses (*e.g.* those who were referred to WfD vs. those who commenced in WfD) can easily be estimated. Table 5.2 presents an illustrative selection of results. Subject to caveats given below, some features of the findings are:

- On average, most programmes increased off/part benefit outcomes after 12 months by 5 to 10 percentage points. The exceptions were Employment Preparation, which increased outcomes by 18 percentage points, and PSP and JPET which significantly reduced outcomes;
- Net impacts did not vary greatly by gender, although for the disability programmes they were higher for women;
- Net impacts were less positive for the 20-24 age group and more positive for the 45-54 group, except in the case of FT WfD;
- Net impacts were also less positive for the 0-11 months unemployment duration group and more positive for the 24-35 month unemployment duration group, except in the case of VRS;
- Net impacts for participants in areas with poor and good local labour market conditions were on average almost the same, with some variations across programmes; and
- Net impacts were well above average for the mental illness and drug addiction demographic groups.

The validity of the matched comparison approach depends upon an assumption that the comparison group and control group are, to a reasonable approximation, identical except for programme participation and any differences that can be controlled-for with the regression model. This assumption may be problematic for several reasons:

Table 5.2. **Off/Part-benefit outcomes 12 months after commencement: Comparison and treatment group outcomes and net impacts by selected jobseeker demographics, 2008<sup>a</sup>**

All participants	Intensive Support job-search training	Intensive Support customised assistance 1	Intensive Support customised assistance 2	Mutual obligation	Employment preparation	Work for the Dole (commenced)	Full-Time Work for the Dole (referred) <sup>b</sup>	Full-Time Work for the Dole (commenced)	Personal Support Program and Training <sup>c</sup>	Job Placement Employment and Training <sup>c</sup>	Vocational Rehabilitation Services	Disability Employment Network
	Gross outcomes (percentages)											
By jobseeker demographics <sup>d</sup>												
Net impacts (percentage points)												
Comparison group	66.5	49.0	41.0	51.5	55.3	42.1	25.9	25.8	26.6	37.5	31.4	29.4
Treatment group	73.2	54.8	47.4	58.4	72.9	48.2	40.9	36.1	22.3	30.4	36.3	39.4
All	6.8	5.8	6.4	6.9	17.6	6.1	15.0	10.3	-4.3	-7.1	4.9	10.0
<b>Gender</b>												
Female	6.7	5.0	6.6	8.6	20.2	8.3	13.5	5.6	-4.5	-7.1	9.5	13.6
Male	6.8	6.4	6.4	5.9	15.2	5.2	15.3	11.7	-7.4	-7.0	2.4	8.0
<b>Age</b>												
20-24	8.3	3.7	2.8	3.8	..	4.6	11.5	20.7	-6.1	-0.5	0.7	9.3
45-54	12.2	12.3	13.1	14.0	12.6	8.8	0.9	1.7	..	..	8.0	14.1
<b>Duration on benefits</b>												
0-11 months	6.5	3.8	1.1	4.0	16.2	4.3	..	..	-10.0	-9.0	7.1	9.2
24-35 months	..	..	10.0	12.0	15.5	9.5	20.3	10.4	-5.1	2.1	2.6	11.0
<b>Local labour market</b>												
Poor	7.4	5.9	4.1	8.3	17.1	7.3	21.9	8.9	-6.3	-7.4	4.2	11.6
Good	6.9	7.3	8.4	8.0	13.9	7.9	17.7	12.7	-5.4	-7.7	7.4	9.5
<b>Other demographics<sup>e</sup></b>												
Mental illness	8.3	10.8	10.9	10.9	31.3	8.9	15.6	7.4	-2.8	-4.1	11.6	11.2
Drug addiction	4.6	5.2	11.0	3.6	..	4.2	..	26.2	2.7	-7.7	14.1	13.2
Homeless	5.7	7.2	5.2	5.8	17.7	4.0	19.1	6.3	-3.3	-6.9	4.5	6.0

.. Data not available.

- Jobseekers who commenced in assistance in February 2007 and outcomes achieved in March 2008. Results are only for jobseekers who were on Newstart Allowance or Youth Allowance (other) in February 2007.
- Only includes those who were referred to Full-time Work for the Dole but never commenced.
- Outcomes for the Job Placement, Employment and Training programme were measured 11 months following commencement.
- Selected demographics only are shown: see the source for further details.
- See the source for results for demographic groups "Married", "Culturally and linguistically diverse", "Renting", "Intellectual disability", "Physical disability", "Ex-offender", "Homeless".

Source: DEEWR (2010), "Labour Market Assistance – A Net Impact Study – Off and Part Benefit Outcomes Measured in 2008", Tables 1, 5 and 6.

- Comparison groups were identified as “unemployed job seekers on the same income support payment who had not participated in the programs in the previous six months”. In the Australian context, unemployed jobseekers who have not participated in a programme in the last six months would tend to differ from those who have participated in a number of ways. In particular, when a jobseeker has not participated in any programme over the last six months, it may be that he/she is or was recently exempt (due to illness or other factors limiting availability for work). This background characteristic would depress rates of job-finding as well as rates of participation in programmes among the comparison group. This factor might cause a tendency for estimated impacts to be positive in most cases.<sup>50,51</sup>
- For some programmes, DEEWR (2010a) acknowledges that selection biases influence the reported net impacts, despite the application of the matched comparison method:
  - In the case of Employment Preparation, the result “does need to be viewed in the context of the job seeker mix participating, particularly within the capped stream, where it is reasonable to expect that participants are more motivated to pursue employment opportunities as evidenced by their decision to voluntarily participate in the assistance”.<sup>52</sup>
  - In the cases of PSP and JPET, the estimates of negative net impact from participation were “predominately driven by these programs assisting job seekers with multiple non-vocational barriers to employment where the primary focus of these programs was on addressing those barriers prior to seeking employment opportunities for the job seeker, particularly in the first 12 months of assistance”. The multiple non-vocational barriers would not be present at the same level in the matched control group and the differences would not be corrected by regression or matching techniques, since only a few crude indicators for non-vocational barriers are available in the data set.
- In the case of the New Enterprise Incentive Scheme (NEIS), related to a two-stage application process (selection for training followed by selection on the basis of the business plan established during the training) “it was not readily possible to conduct a net impact study of NEIS because selection biases would have been present”. Outcomes for those who commenced an NEIS placement were compared with outcomes for those who entered NEIS training but who left prior to an actual NEIS placement, but “given the limitations of this approach, no further matching of clients between the groups was carried out”.

Selection on “unobservable” factors could be responsible for the positive estimated impact of Employment Preparation (where motivation is suspected to be a key unobservable) and the negative estimated impact of PSP and JPET (where the multiplicity of barriers is only imperfectly observed). “Unobservables” in a regression or matching context are any such variables that are not recorded with complete accuracy in the data, but do tend to result in Centrelink or a JN provider referring the client to the programme. Selection on unobservables may be tending to generate low Star Ratings for certain types of specialist provider (see Chapter 3); the jobseekers who register with specialist providers have different characteristics from those who register with generalists, and since the choice of provider is voluntary it can be influenced by disadvantage characteristics that are not recorded on DEEWR systems. By contrast, when intake to a particular disadvantage group is based on variables that are recorded in the data set (for example, older workers, people unemployed for more than 24 months, and people with mental illness in Table 5.2), the selection is on

“observables” rather than “unobservables”, and there is not a general tendency for estimated impacts to be negative because the participant group is disadvantaged.<sup>53</sup>

DEEWR (2010a) also charts treatment and control group outcomes from 1 to 13 months after commencement in Job Search Training and from 1 to 28 months after commencement for PSP, DEN and VRS, since in these programmes participation often lasted for a longer time period. The charts show that the full impact of Job Search Training arose within two months of commencement, whereas impacts increased until about the 8<sup>th</sup> month for DEN and the 21<sup>st</sup> month for VRS. The impact of PSP was increasingly negative up to the 21<sup>st</sup> month but then started to improve, which is consistent with the idea that it addressed non-vocational barriers in the first 12 months of assistance prior to seeking employment opportunities for the jobseeker.

Further issues arise in estimating the impact of WfD, where the “compliance effect” (which results in some people leaving benefits soon after they are referred to WfD, in order to avoid participation in it) is suspected to be significant. The Department of Employment has used three detailed operational definitions of compliance and programme effects in different studies,<sup>54</sup> but the current definitions remain problematic:

- The treatment group *Full-time Work for the Dole (referred)* is defined to include only those who were referred to FT WfD but never commenced.<sup>55</sup> The compliance effect is seen when referrals increase the rate of exit from benefit during the period after referral and before the start of participation in the programme.<sup>56</sup> However, the group that was referred but never commenced consists, by construction, largely of people who left income support before participation in the programme commenced *i.e.* relatively rapidly, regardless of whether the referrals actually increased the rate of exit from benefit.
- Stromback (2006) comments, in relation to estimates for the impact of participating in the programme (the “program effect”), that “There is every reason to believe that the decision to drop out is influenced by the prospect of finding a job... in the presence of a compliance effect, the program effect – the effect of the treatment on the treated – is not identified”.<sup>57</sup> The implication for Table 5.2 is that the impact estimates for *FT WfD (commenced)* are biased downwards because individuals who commence WfD are a subgroup – with relatively poorer prospects of finding a job – of all who are referred.

Another general issue is that the matched comparison group may have participated in other labour market programmes, or the same programme at a later stage. A standard practice in relation to this issue, which could be incorporated in DEEWR net impact studies, is to report the rate of programme participation for the treatment and matched comparison groups through time<sup>58</sup> to clarify whether programme participation rates for the comparison group, although they are not zero, do remain much lower than they are for the treatment group.

DEEWR also reported outcomes for participants in some complementary programmes in its evaluation of the Active Participation Model (DEEWR, 2007a). Outcomes were classified into *i)* left income support; *ii)* left income support and returned within 12 months; and *iii)* remained on income support. These outcomes were reported for participants who eventually commenced the programmes and those who did not commence although a referral had been made. It was not suggested that the comparison between the two estimates net impact because “a common reason for not commencing assistance is finding employment”. This comparison included the Language, Literacy and Numeracy Program and NEIS Training.

Net employment impacts – using data from a survey in February 2005 of 20 000 jobseekers who had been on an unemployment benefit in February 2004 – were reported in DEWR (2006c). Estimated impacts on employment rates 12 months after commencement were 8 to 11 percentage points for Job Search Training, Customised Assistance and Mutual Obligation, and 7 percentage points for WfD. It was not possible to apply the matched comparison to other complementary programmes due to low levels of recorded participation. This study stressed that the net employment impact of WfD had increased from 4 percentage points in 2002 to 7.3 percentage points in 2005, attributing this to improved Work for the Dole activities and a better referral process under the Active Participation Model.

### *Longer-term outcomes*

In 2008, DEEWR carried out a study to assess the longer-term outcomes of labour market assistance based on a sample of the PPM survey of former participants who responded three months after having left the programme and who were followed-up 16 months after exiting assistance (DEEWR, 2008d). Around 78% of JN Customised Assistance participants who were employed three months after exiting assistance were still employed at the 16-month mark, and 65% of those still employed were in the same job. Referring to such findings, the Department of Employment traditionally describes 13-week employment outcomes as “sustainable”, and argues that the payment of outcome fees after 13 weeks does not – as external critics have sometimes claimed<sup>59</sup> – lead to excessive churning and placement into short-term jobs.

The response rate for WfD participants – the only ALMP, apart from stages of JN participation, for which data were recorded separately – was about 56%, and the answers could therefore be biased. Employment outcomes rose by 10 percentage points between the three-month and 16-month mark. As compared with other participants in labour market assistance, WfD participants had the lowest employment rates and were the least likely to be in permanent employment (35% after 16 months).<sup>60</sup> Surprisingly, around 30% of those employed after three months experienced a decrease in the skill level of their occupational classification by the 16<sup>th</sup> month, and only 20% experienced an increase. This evaluation also provided information on the pattern of off-benefit outcomes through time for those who stayed employed (since in some cases employment was combined with benefit), and for average weekly and hourly earnings at the three-month and 16-month points for PPs and DSP recipients who had participated in JN assistance.

### *The impact of programmes for people with disabilities*

DEEWR (2010a), DEEWR (2008b) and DEEWR (2008d) reported outcomes for DSP recipients who participated in labour market assistance, although without differentiation between different ALMPs. Employment outcomes for DSP recipients were around 32% three months after leaving assistance, and 39% 16 months after leaving assistance, and they less often entered training than other participants in assistance (DEEWR, 2008d). However, these findings are subject to selection bias, because of the voluntary nature of participation in employment programmes by DSP recipients at the time, and to other issues discussed above.

Subject to these provisos, net impacts on off/part-benefit rates were estimated in 2008 as 5 percentage points for VRS participants and 10 percentage points for DEN participants (Table 5.2). The net impact of VRS was largest for youth aged 15-19 (19 percentage points) and 45-54 year-olds (8 percentage points) and for those who had been on benefits for less than one year. The net impact of DEN was above average for 45-54 year-olds and for those who were on benefit between one and two years. Net impacts were highest for those with

a mental disability in the case of VRS, and highest for those with an intellectual disability in the case of DEN.

### *Possible developments of the evaluation strategy*

Although there are no easy solutions to the possibility or likelihood of selection bias in impact estimation, it merits investigation. Random-assignment experiments are often seen as the “gold standard” for labour market programme evaluations. However an experiment is often impractical, or liable to be costly while not necessarily solving all problems of bias.<sup>61</sup> There may be ways to use existing data better: Stromback (2006) observes that the official Australian evaluations of labour market programmes have not been influenced by recent developments in evaluation theory and practice and “a somewhat *ad hoc* method has been used for many years and an idiosyncratic terminology developed around it”. However, Stromback also warns that the recent developments offer no full solution. A perhaps more promising approach would be to bring in additional data. Data on clients’ Centrelink exemptions and JSCI “changes of circumstance” (revisions of points in the early months after jobseeker commencement with a provider) could be analysed. Another possibility would be to conduct a more in-depth survey<sup>62</sup> for a subsample of people who have taken the JSCI, or only those who have a particular profile of JSCI points. Research could then check whether particular programmes, or specialist providers, have an unusually disadvantaged caseload according to these further indicators. Possibly these approaches would show little evidence of selection biases in the Star Ratings of non-specialist providers and, in cases where some bias appears to be present, they could provide the basis for correcting it.

Other areas where evaluation work might be expanded include:

- There have been no recent impact evaluations of a number of smaller-scale measures, such as LLNP and wage subsidies in the area of vocational rehabilitation.
- There have not until now been impact evaluations of training and wage subsidies funded by providers through the EPF, although since relevant data are detailed in recent PPM surveys this may be forthcoming.
- Official evaluations do not examine substitution effects, displacement effects and deadweight losses which might arise, *e.g.* for wage subsidy programmes or WfD. This may be related to the small scale of these programmes, or a supply-side focus on work experience as the objective.
- A large number of unemployment benefit recipients enter other types of training (often state and territory-based), and they may not be registered with any JSA provider: it would be helpful to document this training and evaluate its effectiveness.

The impact of programmes on longer-term outcomes can be assessed using the off-benefit/part-benefit variable which is available from administrative records, but special surveys are needed to obtain additional information about employment outcomes and job-quality indicators. The Stepping Stones survey has been collecting relevant data since 2009 (see below).

It needs to be kept in mind that quantitative estimates of impact on certain outcomes can only be one input to operational decisions as regards the major case-management regimes. Even if a particular case-management regime (such as PSP) has a negative impact as compared with participation in regular employment services, it cannot be abolished without a replacement or some restructuring of the rest of employment services system, and those changes need to be informed by the broader range of evaluation evidence.

### *The policy response to evaluation evidence*

The design of the *Active Participation Model* introduced in 2003, which was in some respects anticipated in features of the second JN contract from 2000, responded to several early evaluation findings about the performance of Job Network. In particular, surveys had reported nearly a quarter of Intensive Assistance clients had visited their provider only once or twice. Service fees linked to client interviews taking place were introduced to ensure minimum levels of contact. It was also found that few providers were offering services to address underlying barriers to employment such as language classes, counselling or assistance with vocational training (OECD, 2001). The Job Seeker Account, introduced in 2003, also aimed to ensure minimum levels of expenditure on measures to address jobseeker barriers, while leaving providers the freedom to determine targeting and content within this framework.

DEEWR (2010a) highlights that reported net impact estimates contributed significantly to the design of the *Job Services Australia* model: “The results from this study have identified opportunities for Job Services Australia providers to effectively assist job seekers. The largest net impacts from mainstream assistance (delivered through Job Network) were associated with the most disadvantaged job seekers... The results from this study also show the value of work experience activities such as Work for the Dole in the achievement of additional outcomes (...) these results were for the programs operating in 2007 and 2008 and did not cover the changes to employment services associated with Job Services Australia. However, the findings provide a strong basis for the changes introduced.” As this comment illustrates, the design of the JSA model in 2008 did not aim to reduce the role of WfD, although this has now occurred to some extent. The estimated negative net impact of participation in PSP and JPET influenced the decision to abolish these as separate programmes.<sup>63</sup>

### *JSA Evaluation Strategy 2009-2012*

The 2009 JSA evaluation strategy (DEEWR, 2009g), aims to overcome some shortcomings of previous evaluations by including the sustainability of outcomes and job quality (e.g. remuneration, permanency, hours of work) among its effectiveness indicators. The evaluation will use the PPM survey as well as two longitudinal surveys. The Employment Assistance survey, which commenced in January 2008, interviews participants at three- to four-monthly intervals and collects information on the type, quality and intensity of services delivered by the employment services, and attitudes to employment and assistance and sustainability of outcomes. The Stepping Stones longitudinal survey of jobseekers, which collects information on the experiences and outcomes of jobseekers and their pathways after they leave assistance and go off benefit. This is being implemented with four cohorts (with starts from early 2009 to early 2012), and with the participants in each cohort being interviewed at six-monthly intervals and six times in total.<sup>64</sup>

The evaluation strategy document lists ten potential studies of specific topics, some of which might not be required, which would be published as evaluation papers subject to Ministerial agreement. Among these are:

- A “building labour force capacity” study to evaluate skills development policies for jobseekers and training programmes such as PPP;
- An “Indigenous servicing” study;
- A study of the “Impact of the economic downturn on the employment service”, which has been published as DEEWR (2011d); and

- An “effectiveness” study, applying the net impact methodology discussed here to different JSA streams and types of work experience placement, etc., with job quality (remuneration, permanency, hours of work and entitlements, etc.) among the outcome measures, planned for 2012.

A large-scale report consolidating all the evaluation findings is not planned.

### ***External evaluations***

Some evaluations of specific programmes are carried out by the non-profit sector, for example, an extensive review of the PSP (Perkins, 2007) and a report on the IPS project for disadvantaged jobseekers with mental health issues (Bowman and Lawlor, 2010), both supported by the Brotherhood of St Laurence.

Relatively few studies have been carried out by academic researchers. Richardson (2002) assessed the threat effect of requiring Mutual Obligation activities. Young people in the Mutual Obligation Initiative were (slightly) more likely to exit the unemployment benefit system immediately prior to the imposition of the additional activity requirement. Borland and Tseng (2004) carried out an evaluation of WfD on the basis of the Longitudinal Administrative Data Set from the Department of Family and Community Services using a quasi-experimental matching method. The data refer to November 1997 to June 1998 and thus to the pilot phase of WfD. The main finding of the study was that WfD has a negative effect on exit from payments. Nevile and Nevile (2005) review this study<sup>65</sup> and summarise findings from their own research, including an impact estimate and interviews with over 100 WfD participants.

Since the mid-2000s there have been few if any external statistical impact evaluations of WfD or other ALMPs, or of the case-management regimes that appear in Table 5.2. As regards benefit-system reforms there have been some evaluations (see Chapter 4). Stromback (2008) argued “that the Government should encourage independent researchers to contribute to the analysis and evaluation of the Job Network by releasing individual data in a suitable format”, suggesting that a confidentialised sample of 5 000-10 000 drawn from the inflow or stock of jobseekers at yearly intervals would be sufficient. Stromback observes that “scattered information can be gleaned from occasional reports. All in all, however, there is no way for parties external to the Job Network to inform themselves about what is going on... This lack of data is reflected in the public discourse about the Job Network [which] consists of views and opinions, not the analysis of facts. Consequently, this discourse is not very well informed.” It might also be argued that the information is scattered by nature but a huge amount is now available, and the volume of information and the complexity of the true situation are more important as barriers to understanding. Outside access to administrative data in Australia is perhaps limited by confidentiality concerns, difficulties in understanding or documenting the data generation processes, the work involved in tidying data sets for public release, and the likelihood that officials will be doing this for just one or two users.

Other countries provide various models for funding independent research bodies and outsourcing official labour market policy evaluation: see, for example, publications by Sweden’s Institute for the Evaluation of Labour Market and Education Policy (IFAU), and the United Kingdom’s series of Department of Work and Pensions Research Reports. However in other countries, regression analysis, data collection procedures and operational management do not interact quite so closely they do as in Australia (*via* the JSCI, Star Ratings and the use of jobseeker records for impact analysis). For Australia, non-publication of existing information is an issue in a few areas, *e.g.* DEEWR’s KPI3 Quality assessments are not published, and some reviews cited here (Jackson, 2009; Allen

Consulting, 2010) were released only after a Freedom of Information request for access. Also, with the closure of the *workplace.gov.au* site, many of the official evaluations conducted since 2001 – including the largest ones, which provide some of the most detailed documentation of the policies available – are not directly downloadable, whereas external evaluations in the form of working papers, discussion papers, reports and journal articles usually remain downloadable.

## Key points

Australia's expenditure on active labour market programmes in 2009/10 was slightly over 0.3% of GDP, lower than in most other OECD countries. Over half this expenditure was in Category 1 *Public employment services and administration* (which includes outsourced provision), and nearly a quarter was in the category *Supported Employment and Rehabilitation*. Expenditure on the categories of labour market training, *Employment Incentives* and *Direct Job Creation* was particularly low.

Apart from Category 1 and the disability programmes, until recently the largest programmes in expenditure terms were the *Community Development Employment Projects* (CDEP) programme for Indigenous clients largely in remote locations, *Work for the Dole* (WfD), the *New Enterprise Incentive Scheme* (NEIS) and the *Language, Literacy and Numeracy Program* (LLNP). In 2008/09, the new *Productivity Places Program* (*Job Seekers Element*) took second place. During the recession, expenditure on the *Jobs Fund*, which created temporary jobs in regions with high levels of job loss, was also significant. The data for different areas are not closely comparable: reported expenditure on CDEP includes the cost of income-support payments to participants, while reported expenditure on WfD and LLNP does not. Also, in 2009/10, an average of about 80 000 unemployment benefit recipients were in training and exempt from job-search requirements but relatively few of them are reported as participants in labour market training in the *OECD/Eurostat LMP Database*. Related to this, information about jobseekers in training by type of training and labour market policy status (*e.g.* benefit recipient, active/inactive jobseeker and JSA registration) is lacking.

The PPP from 2008 to 2012 has funded Registered Training Organisations (RTOs) in blocks ranging from AUD 2 500 for enrolments in certificate II level courses to AUD 10 000 for enrolments in diploma-level courses. Some lower-level qualifications can be completed in 12-16 weeks while others require several enrolments each lasting for a year. From mid-2009, the Commonwealth Government devolved the administration of PPP and most states issued a public tender for the provision of places to the local training market. PPP significantly expanded the market share of private companies relative to traditional state-managed Training and Further Education provision. Because implementation arrangements vary from state to state, state data on training participation are not comparable, and the national level data now available for PPP are approximate. Some figures, probably with jobseeker status as recorded by the training system itself, report 90 000 annual jobseeker enrolments in PPP. Jobseeker inflows to PPP as recorded on JSA systems are several times lower, and only about 1% of jobseekers recently have been undertaking PPP training as their Work Experience Phase activity. Providers report that PPP training is generally at too high a level for their clients, and that RTOs do not provide necessary feedback on their clients' participation and progress. Competitive tendering may generate gains in terms of cost savings and outcomes for existing workers and certain jobseekers, but specific funding of jobseeker clients is essential to ensure that any successor

to PPP provides foundational courses or relevant work experience, and encourages RTOs to co-operate with JSA providers in co-ordinating pathways for disadvantaged clients.

WfD, involving a significant level of part-time participation for six months, was the primary DEEWR-managed programme for regular jobseekers. After 1998 it was expanded to include workers aged up to 49, and from 2003 JN providers took over responsibility for the referral process from Centrelink. WfD played a significant role in enforcing compliance with Mutual Obligation requirements, and was described as punitive by some commentators and effective in developing work habits or contributing to the local community by others. In 2009, JSA providers became responsible for implementing WfD and funding it through the EPF. Fewer large-scale and off-site projects are now organised: by 2010/11 WfD inflows had fallen by nearly 50%, and the average duration of participation in WfD had fallen from five months to three, whereas participation in training to meet the Work Experience Phase obligations had increased. However, as from 2012 a jobseeker's second year in the Work Experience Phase will involve 11 months of activity.

An important measure for youth has been the introduction, in 2009, of a requirement for early school leavers – people aged less than 21 who have not attained year 12 or equivalent qualification level – to participate full-time in education and training or part-time in combination with other approved activities. This is similar to the “youth guarantees” implemented by some European countries for young benefit recipients.

The organisation of disability employment services has been increasingly aligned with the JN and JSA models. In Disability Employment Services, procedures in the job-search phase resemble those of the JSA model, and there has been a shift towards funding through outcome fees. A key difference is the availability of funding for ongoing support in the workplace in some cases, with a requirement for an external Ongoing Support Assessment (OSA) when a client reaches 52 weeks of employment with this support. This feature which distinguishes the DES model from the JSA model seems well-calculated to deliver indefinite or near-indefinite ongoing support without significant deadweight, because providers need to maximise employment outcomes at minimum cost and, to stay competitive, feed any systematic financial surplus earned from one client back into their general operations. A large proportion of DES participants are engaged primarily in job-search and case-management activities, and could be regarded as participants in employment services rather than in any other type of ALMP. By 2009/10 expenditures on disability employment services (not including sheltered employment) were about a half of the level, and participant stocks were about a sixth of the level, of the corresponding totals for JSA.

A Wage Subsidy Scheme is available for employers who hire DES clients, although the subsidy only lasts for 13 weeks. Situations where a worker's productivity remains low are in principle handled through the Supported Wage System which aligns rates of pay with productivity, and, in relevant cases, continued income-support payments. Providers may provide additional wage subsidies funded from their fee incomes.

Since July 2009, the CDEP programme, which paid Indigenous participants a wage, no longer operates in non-remote areas where the economy is well-established. Where it continues, new participants are paid income support. These changes imply further efforts to ensure that participants register with a JSA provider where possible.

DEEWR's Post Program Monitoring (PPM) Survey is the main source of regular information on jobseeker outcomes after exit from DEEWR-managed services. Exits from different types or levels of assistance on DEEWR's IT systems trigger the mailing of questionnaires, and the quarterly *Labour Market Assistance Outcomes* publication provides information about participant volumes and characteristics and participant labour

market status approximately three months after exit from assistance. The coverage of the publication has been extended over the years and now includes, for example, different types of assistance within the JSA Work Experience Phase, DES, and type of income support as a client characteristic. Two weaknesses of the system are its limited coverage of employment outcomes for participants in education and training, and difficulties in comparing the rates of employment or other outcomes across programmes, because exit from assistance is triggered by an outcome in the case of some programmes and outcomes, and by reaching the time-limit on participation in the case of other programmes.

DEEWR carries out several types of evaluation study. Some focus on specific programmes, processes or jobseeker outcomes, some report the findings of one-off surveys, some estimate the net impact of programmes, and some have been broad strategic reviews drawing on a range of evidence. The net impact studies are based on matching each programme participant with a hypothetical non-participant, constructed using a comparison group of jobseekers, with regression controls to adjust for differences in observed characteristics such as age and unemployment history. However, the characteristics of comparison groups are likely to differ from those of programme participants in several respects, and for some programmes participants are selected based largely on factors that not fully captured by the regression control variables, so selection biases can affect the net impact estimates. The jobseeker characteristics recorded through the Job Seeker Classification Instrument are among the data input to both Star Ratings of providers and programme net impact estimates. To a large extent, this represents an integrated and streamlined system of performance management: Star Ratings are plausibly reasonably accurate in most cases, and they are effective in terms of driving system performance even when the “counterfactual” used to assess performance is not entirely accurate. However, more efforts should be made to document and correct selection biases that could be leading to an unfair assessment that providers and programmes serving the most disadvantaged jobseekers have a negative net impact.

## Notes

1. A Wage Assist programme from July 2006, for hiring the very-long-term unemployed in full-time ongoing jobs (mentioned in DEEWR, 2008b), seems to have had low take-up, but a new wage subsidy programme for hires of the very-long-term unemployed, which became available from January 2012, was expected to have approximately 10 000 participants per annum (Australian Government, 2011a).
2. Categories 8 “Out-of-work income maintenance and support” and 9 “Early retirement (for labour market reasons)”.
3. This OECD unweighted average recalculated without Spain, which reports nearly 10% of the labour force as participants in an unusual employment incentive scheme, would be about 3.3%.
4. In 1972, the Non-Metropolitan and the Metropolitan Unemployment Relief Schemes were introduced and the Regional Employment Development Scheme in 1974. The National Apprentice Assistance Scheme was set up in 1973. In subsequent years, a number of different job creation and training schemes were implemented (for a historical overview, see Cook, 2008).
5. However, the effectiveness of Working Nation and its components was not adequately evaluated (Davidson, 2002).

6. The Community Work Program – also called the Voluntary Work Initiative – referred jobseekers to voluntary work with a budget (for the referral function) of AUD 3 million in 2006/07. Transition to Work, a programme for parents, carers and mature-age people returning to the workforce after a lengthy absence or as first-time entrants, was from 2006/07 replaced by Employment Preparation (which was not reported in the *OECD/Eurostat Labour Market Programme Database*, but see the discussion in the section *ALMPs for specific target groups*).
7. The Complementary Programs include a large number of ALMPs financed by the federal government and the states and territories. Between 2003 and 2006, there were more than 70 different complementary programmes funded by the federal government – in particular training programmes such as the Language, Literacy and Numeracy Programme (LLNP) and programmes related to apprenticeship and traineeships – and the state and territory governments.
8. Advice from DEEWR. Note that the term “Work Experience Activity” here includes training and other alternative options, while in other contexts it refers only to work-like activities such as Work for the Dole and Green Corps (*cf.* SSCEEWR, 2012a).
9. The documents cited are not official but they are among the most detailed available on internet at the time of writing as regards the Skills Voucher programme.
10. “Workplace Literacy” is not a widely-recognised programme name and the data reported in the *OECD/Eurostat LMP Database* under this heading probably relate to an “employed at risk” group of Workplace English Language and Literacy (WELL) programme participants. Arguably the “employed at risk” concept refers in principle to employees whose job is at risk due to restructuring or the economic circumstances of the employer rather than low skills, but the *OECD/Eurostat Database* methodology (Eurostat, 2006) is somewhat ambiguous on this point. Until recently, the WELL programme was exclusively targeted on existing workers, but from 1 July 2009 it was extended to pre-employment for Indigenous Employment Program (IEP) participants: expenditure on the WELL IEP component was AUD 1.7 million in 2009/10 (advice from DEEWR).
11. Advice from DEEWR.
12. Some migrants had a limited entitlement to the programme as its priority was to provide services to recently arrived refugees, humanitarian and family migrants with low English proficiency.
13. This subsection is written in the present tense, but note that the PPP terminated in mid-2012.
14. Certificate I to IV courses on average take from six months to one year (CDU, 2011), or less where people are studying full-time. For example, a certificate III course in accounts administration can range from 16 hours per week over six months to four hours per week over two years; a certificate IV course in occupational health and safety can range from 12 hours per week over six months to three hours per week over two years ([www.seeklearning.com.au/tafe/certificate-3-accounts-administration.asp](http://www.seeklearning.com.au/tafe/certificate-3-accounts-administration.asp) and [www.alanakaye.com.au/courses/ohs/certificate-iv-in-ohas.html](http://www.alanakaye.com.au/courses/ohs/certificate-iv-in-ohas.html), accessed 30 January 2012). In the PPP context, Queensland estimated that certificate II and III qualifications for jobseekers can be completed in 12 to 16 weeks. Hourly costs are most frequently in the range of AUD 11.85 to 13.87 (Allen Consulting, 2010). At these rates, the National Partnership Agreement funding contribution of AUD 2 500 for certificate II courses and AUD 5 000 for certificate III and IV courses funds about 200 hours of study at certificate II level, and 400 hours at certificate III and IV level.
15. The NP-PPP definition of a jobseeker includes, people who are registered with an Employment Service Provider, income-support recipients who are not currently required to meet activity test or participation requirements, and people who are “not currently working and seeking or intending to seek paid employment or self employment after completing the qualification” (COAG, 2008).

16. The *Labour Market Assistance Outcomes* publication, which reports findings from Post Program Monitoring survey, also includes information about the “in-scope” population drawn from administrative sources.
17. The numbers cited are compatible with about 2 100, 1 450 and 800 exits in 2010 first half, 2010 second half and 2011 first half, respectively.
18. The figure for 31 December 2010 may be affected by seasonality. However, the same source reports that 102 540 jobseekers in total were undertaking a Work Experience Activity on 31 December 2010, and (unless dropout rates are very high) the duration of PPP participation would need to match that of other Work Experience Activities such as WfD. In *Labour Market Assistance Outcomes* data, exits from the WEPH by PPP participants are only about a tenth of exits from the WEPH by WfD participants, consistent with PPP training being the Work Experience Activity for only about 1 000 people, at a given point in time.
19. In the PPM survey, the recorded exits from PPP training include cases of “completed training, discontinued training and failed to complete training” (SSCEEWR, 2011d).
20. A comment reported by Mitchell and Ward (2010) suggests that employment service providers promote enrolments in VET because this triggers a payment or is “better than these people than sitting at home doing nothing”, even when the likelihood of a completion is very low due to other problems.
21. This subsection is based on [www.australianapprenticeships.gov.au/Info\\_Emps/Incentives.asp](http://www.australianapprenticeships.gov.au/Info_Emps/Incentives.asp) and the page [www.australianapprenticeships.gov.au/Australian\\_Aprentice/Kickstart.asp](http://www.australianapprenticeships.gov.au/Australian_Aprentice/Kickstart.asp) as accessed 28 October 2010.
22. Information from [www.deewr.gov.au/Youth/YouthAttainmentandTransitions/Pages/compact.aspx](http://www.deewr.gov.au/Youth/YouthAttainmentandTransitions/Pages/compact.aspx) and [www.deewr.gov.au/Employment/JobsandTraining/Pages/TPPPForNewlyRetrenchedWorkers.aspx](http://www.deewr.gov.au/Employment/JobsandTraining/Pages/TPPPForNewlyRetrenchedWorkers.aspx) (last accessed 4 February 2011)
23. “It is not uncommon to hear from participants, in visiting Work for the Dole projects, that one of the key factors and benefits they are getting out of it is, in fact, a motivation to get up in the morning... a key feature of the program is to ensure that bad work habits are not developed as a result of long periods of unemployment” (SEWRBELC, 2000).
24. The absence of training from the list of objectives was probably related to the fact that WfD participants are expected to continue with job search and may be referred to vacancies or take up work at any time (OECD, 2001).
25. Positive outcomes refer to participation in employment, in education and training, or in both, and are therefore less than the sum of employment outcomes and training and education outcomes. Data cited in this paragraph are from various issues of *Labour Market Assistance Outcomes*.
26. Based on an inflow since the start of JSA of 57 780 and 64 025 through to end March 2011 and end May 2011 respectively, and stock figures of 9 151, 9 360 and 9 211 at end December 2010, March 2011 and May 2011 respectively (SEEWRLC, 2011; SSCEEWR, 2012b).
27. DEEWR (2008a) refers to Full-time Work for the Dole 76 times.
28. The participants in Green Corps, “mostly early school leavers, experienced work in a team, with real job outcomes, with supervisors that helped them learn and achieve but didn’t treat them as clients who needed to be fixed... Green Corps remains in name only in Job Services Australia, as its fundamental features – its voluntary nature and its payment of an allowance – have gone.” (Fowkes, 2009). On 31 March 2011, there were 87 Green Corps activities (SSCEEWR, 2012c), which suggests that under JSA, participation in Green Corps activities has fallen significantly.
29. The education and training place entitlement ran from 1 July 2009 for the youngest age group, and from 1 January 2010 for the 20-24 year-olds, until 31 December 2011.

30. The idea was to offer all young people a place in upper-secondary education or an “ordinary” job or, if this was not possible, a place in special measures, mainly work-introduction places at state and municipal workplaces.
31. A further disability employment measure applying from July 2012 is that DSP recipients under age 35 with an assessed work capacity of more than seven hours per week are required to attend interviews with Centrelink every three or six months and develop participation plans, although there is not in this case an obligation to complete the activities foreseen in the plan ([www.fahcsia.gov.au/our-responsibilities/disability-and-carers/benefits-payments/disability-support-pension-participation-requirements](http://www.fahcsia.gov.au/our-responsibilities/disability-and-carers/benefits-payments/disability-support-pension-participation-requirements), accessed 26 September 2012).
32. JN Job-Search Support Only services, which usually only created a *résumé* and vocational profile for automatic job matching in the JobSearch database, were used by 50% of this group, but people could participate in other services as well.
33. *E.g.* transport assistance, worker tutorial and mentoring, physical assistance and personal care assistance at the workplace, assistance with applications and administrative requirements, employer support and advice about the medical condition and workplace equipment, and intervention in crisis situations.
34. Information in this subsection is drawn from DEEWR (2008c and 2011c) and Davidson and Whiteford (2012).
35. For DMS, to the extent that the irregular or occasional support is ongoing, it would be expected to be needed on average less than once a fortnight ([www.jobaccess.gov.au/Services/A-Z\\_list/Pages/Independent\\_living\\_services.aspx](http://www.jobaccess.gov.au/Services/A-Z_list/Pages/Independent_living_services.aspx), accessed 10 September 2012).
36. The provider generally determines the initial level of ongoing support after the 26-week outcome, and then an Ongoing Support Assessment conducted by external assessors on the National Panel of Assessors is required if support is to continue beyond 52 weeks. DEEWR (2011c) reported that most DES sites (70%) agree with the principle of independent assessment, and providers are “making better judgements about whether participants need ongoing support, often exiting the participant just prior to an Ongoing Support Assessment”.
37. The high ongoing support rate (which funds the purchase of support services) therefore exceeds the single-person rate of Newstart Allowance (Australia’s standard income-transfer payment for the unemployed).
38. Information from DEEWR (2011c, Table 2.3), which does not include participants in Post Placement Support (the period between initial placement and the outcome fee achieved after 13 weeks in employment). DEA (2011) assumes that as at 30 June 2011, 31% of DES-ESS clients were in the post placement phase or ongoing support.
39. The capped and uncapped streams of DEN each had four funding levels, determined by the Disability Pre-employment Instrument (DPI) (DEEWR, 2008c), and VRS had a separate funding structure. The DES-ESS stream has two funding levels. The DES-DMS fee structure is in some respects aligned on that of the lower funding level of DES-ESS (both provide a placement fee of AUD 770, and a full outcome fee of AUD 2 860 for the first 13-week period, in standard cases), but is different in other respects (*e.g.* the service fee per quarter for the first two quarters are AUD 1 595 for DES-DMS, AUD 890 for DES-ESS funding level 1, and AUD 1 900 for DES-ESS funding level 2: DEEWR, 2010d).
40. DEN paid a four-week outcome milestone fee when a participant had worked for the equivalent of four weeks at his/her required weekly hours, even he/she took up to six months to accumulate those hours. A DES Job Placement fee is payable when a participant has worked his/her required weekly hours within two weeks of the date that the placement was confirmed (“anchored”) by the provider (advice from DEEWR).
41. From 2005 to 2010, DEN providers also administered the DPI at the initial registration of each client to determine one of four provider funding levels. Since providers were being funded based on records they had generated themselves, they were expected to develop and maintain

- a substantial evidence base. This was a major source of red tape, and for DES-ESS it was replaced by a Funding Level Tool implemented by DEEWR using information from the Job Seeker Classification Instrument, JCA and Centrelink (DEEWR, 2008c and 2011c).
42. Note, however, that DEEWR focused in this study on evaluating funding models, and in this context only looked at outcomes of wage subsidies but did not carry out an evaluation of the effectiveness of the wage subsidy scheme.
  43. There were approximately 220 community organisations active. Placements on CDEP accounted for 25% of Indigenous employment in Australia in mid-2004 (Dockery and Milsom, 2007).
  44. DEWR (2006b) had already specified that “From 1 July 2006, CDEP participants in capital cities and other centres where there is a permanent JNM [JN Member] will need to register with Job Network”, allowing for some participants to be exempted as detailed in the CDEP organisation’s Programme Funding Agreement.
  45. No further statistical information about the Employment Preparation programme seems to be available, and it does not appear in the *OECD/Eurostat LMP database* (see Annex 5.A1). This may be because the relevant activities were not analysed (*i.e.* distinguished from other reported JN provider activity) on a regular basis.
  46. Rates of non-response to the PPM survey of over 50% were reported in the past (Kelly *et al.*, 2001; Rahmani *et al.*, 2002).
  47. There was also an evaluation report on the Australians Working Together measures, which were announced in 2001 although their implementation depended partly on legislation not passed until 2003.
  48. The Welfare to Work Contact Model was a regime of more intensive contact with jobseekers, implemented by Centrelink on a pilot basis in 2006/07.
  49. Off/part-benefit outcomes measure the proportion of jobseekers who, at the time of the outcome measurement, have moved completely off-benefit or who were receiving part-rate income support because of earned income.
  50. DEWR (2006c) noted that its estimates of employment net impacts (using the matched comparison group method) “indicate a strong improvement over previous estimates and are equal to or better than those of high performing programs internationally.”
  51. Along similar lines, Nevile and Nevile (2005) argued that differences between those having participated in WfD and a comparison group not having not participated must be significant to account for the fact that the comparison group was not required to participate. They reason that comparable individuals who did not take part in WfD must have met their Mutual Obligation requirement in another way.
  52. Since Employment Preparation had about 25 000 participants annually at a cost of about AUD 16 million, its cost per participant averaged around AUD 600. If the net impact on off-benefit outcomes a year after participation later is truly 18 percentage points, the cost-benefit ratio would be enormous. However Employment Preparation no longer exists, as a separate programme, within JSA.
  53. Other biases, for example related to a tendency for the comparison group to have a higher rate of exemptions from job-search requirements, could still operate.
  54. Stromback (2006) explains that the definitions in DEWR (2002b) were different from those used in DEWRSB (2001). The definitions in DEEWR (2010a) are different again.
  55. DEWR (2006c) noted that “under the Active Participation Model estimates of net impact from referral to a programme can no longer be accurately derived as compliance effects are now more distributed across a job seeker’s time in assistance. In practice, this means that the net impacts from the Active Participation Model as a whole are greater than the sum of net

- impacts measured from commencement in individual programme elements.” On this basis it was reasonable to estimate a compliance effect only for FT WfD (since in this case referrals, to the programme were mostly “news” for clients).
56. Stromback (2006) remarked that in DEWR (2002b) the estimation of impact “with reference to time since referral... corrects for an obvious flaw with the previous method and the estimated effects are smaller as a consequence”.
  57. Stromback (2006) claims that “the assumption required to identify distinct compliance and program effects is both implausible and contradictory”, which seems exaggerated. If employment outcomes in the weeks or months after referral (corresponding to the typical lag between referral and commencement) are higher than for a control group such as the same people prior to referral, this does identify a “compliance” effect.
  58. The “matched comparison group” in DEEWR net impact studies does not consist of specific individuals: rather, for each member of the treatment group, the comparator is the outcome predicted for the treatment group member by a regression model estimated in comparison group data. In this context, an equation for comparison-group rates of programme participation could be estimated.
  59. CSSA (2006) referred to an “any job will do as long as an outcome is recorded” approach and the “churning” of jobseekers through heavily subsidised 13 week jobs which ignores the principle of getting a sustainable placement right first time. Current EPF guidelines limit the scope for “outcome buying” by specifying that wage subsidies should normally cover less than 100% of the wage and should typically be progressively reduced over a period up to a maximum of 26 weeks of employment (see Chapter 3).
  60. As already noted, time-limited programmes have lower post-programme employment rates than long-term programmes that are exited when a job is found. However, the 26% share of former WfD participants in permanent employment only increased to 35% after 16 months.
  61. For example, new jobseeker obligations for a treatment group may affect the behaviour of people in the control group, who hear about the obligations but are not sure that they are exempted; a control-group member may find work because his neighbour, who is in the treatment group, has received effective job-search advice: additional employment assistance for treatment-group members may reduce the number of job vacancies that remain available for control-group members.
  62. Additional questions, or discussion and explanation, might be able to improve the measurement of barriers. Lipp (2005) reports the development of additional measures of jobseeker attitudes, which were associated with employment outcomes but were not incorporated in the JSCI.
  63. PSP was not covered in the 2006 net impact evaluation (DEWR, 2006c), but the Active Participation Model evaluation (DEEWR, 2007a) illustrated its low gross outcome rates. Plans for merging PSP and JPET into the JSA streams were set out in May 2008 (DEEWR, 2008c), but at the time the main arguments advanced were the waiting lists for PSP and the lack of access to the JSKA or a similar facility that could address its clients’ barriers.
  64. Some findings from the first four waves of interviews with Cohort 1 were available at [www.deewr.gov.au/Department/Research/Pages/default.aspx](http://www.deewr.gov.au/Department/Research/Pages/default.aspx), accessed 23 March 2012.
  65. Among their points is that due to incomplete data on referrals, people who were referred to WfD but did not participate – who may exit payments due to the “threat” effect of WfD – were included in the “control” group rather than the “treatment” group in the Borland and Tseng study.

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## **Annex 5.A1**

### **National programme level data for public expenditure, participant stocks and expenditure per participant-year, 2001/02 to 2010/11**

Table 5.A1.1. Public expenditure on labour market programmes, 2001-10  
Millions of Australian dollars (AUD)

Category	Item/Measure name	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>1</b>	<b>PES AND ADMINISTRATION (including benefit administration)</b>	<b>1 405</b>	<b>1 360</b>	<b>1 595</b>	<b>2 025</b>	<b>2 080</b>	<b>2 041</b>	<b>1 979</b>	<b>1 987</b>	<b>2 159</b>	<b>2 307</b>
<b>1.1</b>	<b>Placement and related services</b>	<b>829</b>	<b>752</b>	<b>983</b>	<b>1 420</b>	<b>1 287</b>	<b>1 251</b>	<b>1 254</b>	<b>1 272</b>	<b>1 370</b>	<b>1 532</b>
	Job Placement	x	x	70	91	85	86	79	60	x	x
	Job Search Assistance/Australian Job Search	5	6	x	x	x	20	x	x	x	x
	Job Matching	101	83	x	x	x	x	x	x	x	x
	Intensive Support	x	x	820	1 213	1 072	989	971	981	x	x
	Job Search Training	41	39	x	x	x	x	x	x	x	x
	Intensive Assistance	605	540	x	x	x	x	x	x	x	x
	Project Contracting/Harvest Labour Services	2	3	4	4	4	5	4	5	x	4
	Personal Support Program/Community Support Program	17	27	37	50	64	82	98	107	x	x
	Job Placement Employment and Training	18	19	19	19	20	20	21	20	x	x
	State/Territory Expenditure	23	25	20	27	24	26	31	55	45	45
	Stream Services 1-4	x	x	x	x	x	x	x	x	1 273	1 445
	Other	3	3	4	4	4	3	27	20	17	14
	Australian Apprenticeships Access Program (AAAP)	14	9	10	11	15	21	23	24	35	24
<b>1.2</b>	<b>Benefit administration</b>	<b>232</b>	<b>251</b>	<b>283</b>	<b>299</b>	<b>348</b>	<b>355</b>	<b>313</b>	<b>359</b>	<b>389</b>	<b>393</b>
	PSP Administration	x	3	3	3	3	2	2	x	x	x
	NSA Administration	232	248	280	296	345	352	311	359	389	393
<b>1.3</b>	<b>Other</b>	<b>345</b>	<b>357</b>	<b>329</b>	<b>306</b>	<b>445</b>	<b>435</b>	<b>412</b>	<b>356</b>	<b>400</b>	<b>381</b>
	DEEWR Labour Market Program Policy, Management and Delivery	318	332	329	305	445	435	412	356	400	381
	State/Territory Expenditure	26	25	0	1	0	0	0	0	0	0
<b>2</b>	<b>TRAINING</b>	<b>76</b>	<b>88</b>	<b>93</b>	<b>107</b>	<b>109</b>	<b>90</b>	<b>123</b>	<b>402</b>	<b>359</b>	<b>363</b>
<b>2.1</b>	<b>Institutional training</b>	<b>41</b>	<b>59</b>	<b>51</b>	<b>57</b>	<b>66</b>	<b>58</b>	<b>85</b>	<b>363</b>	<b>316</b>	<b>313</b>
	Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	28	41	38	43	46	46	64	68	85	77
	Basic IT Enabling Skills for Older Workers	x	6	6	6	6	x	x	x	x	x
	Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	12	267	209	211
	State/Territory Expenditure	13	12	7	8	15	12	10	28	22	25
<b>2.2</b>	<b>Workplace training</b>	<b>22</b>	<b>12</b>	<b>19</b>	<b>26</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>23</b>	<b>29</b>
	Workplace Literacy	12	12	13	14	14	15	15	15	18	23
	State/Territory Expenditure	10	0	6	12	1	0	1	1	5	6
<b>2.3</b>	<b>Alternate training</b>	<b>13</b>	<b>17</b>	<b>24</b>	<b>25</b>	<b>28</b>	<b>16</b>	<b>22</b>	<b>22</b>	<b>20</b>	<b>21</b>
	Jobs, Education and Training/Return to Work/Transition to Work	7	11	12	12	12	x	x	x	x	x
	State/Territory Expenditure	6	7	12	13	16	16	22	22	20	21
<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	<b>70</b>	<b>77</b>	<b>105</b>	<b>93</b>	<b>99</b>	<b>90</b>	<b>123</b>	<b>131</b>	<b>146</b>	<b>168</b>
<b>4.1</b>	<b>Recruitment incentives</b>	<b>70</b>	<b>77</b>	<b>105</b>	<b>93</b>	<b>99</b>	<b>90</b>	<b>123</b>	<b>131</b>	<b>146</b>	<b>156</b>
	Measures for Indigenous Australians (TAP/IEP)	44	58	83	69	78	71	109	117	139	148
	State/Territory Expenditure	26	18	22	24	21	19	14	14	7	8
<b>4.2</b>	<b>Employment maintenance incentives</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>
	Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	12

Category	Item/Measure name	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	<b>363</b>	<b>384</b>	<b>424</b>	<b>466</b>	<b>518</b>	<b>571</b>	<b>676</b>	<b>762</b>	<b>893</b>	<b>958</b>
	Mixed 5.1.5.2 Disability Services Program	20	15	16							
<b>5.1</b>	<b>Supported employment</b>	<b>239</b>	<b>251</b>	<b>275</b>	<b>328</b>	<b>377</b>	<b>405</b>	<b>477</b>	<b>544</b>	<b>627</b>	<b>663</b>
	Disability Services Program (regular)/Disability Employment Services (ESS)	130	135	152	166	201	217	271	317	397	419
	Employer Incentives	x	x	x	8	10	17	17	20	22	29
	Disability Services Program (sheltered)	109	116	123	154	166	171	189	207	208	215
	State/Territory Expenditure		0	0	1	0	0	0	0	0	0
<b>5.2</b>	<b>Rehabilitation</b>	<b>104</b>	<b>118</b>	<b>132</b>	<b>138</b>	<b>141</b>	<b>166</b>	<b>198</b>	<b>218</b>	<b>266</b>	<b>295</b>
	Rehabilitation Services/Disability Employment Services (DMS)	104	118	132	137	141	166	198	218	266	295
	State/Territory Expenditure		0	0	1	0	0	0	0	0	0
<b>6</b>	<b>DIRECT JOB CREATION</b>	<b>606</b>	<b>698</b>	<b>730</b>	<b>768</b>	<b>767</b>	<b>705</b>	<b>599</b>	<b>559</b>	<b>508</b>	<b>439</b>
	Work for the Dole	98	151	174	168	155	116	144	134	x	x
	Community Development Employment Projects (CDEP)	445	484	507	525	537	517	364	372	362	285
	Green Corps Programs	22	24	24	24	25	24	25	26	x	x
	Voluntary Work Initiative	1	2	3	4	2	3	x	x	x	x
	National Green Jobs Corps	x	x	x	x	x	x	x	x	x	13
	Jobs Fund	x	x	x	x	x	x	x	x	x	99
	State/Territory Expenditure	40	37	23	47	48	46	66	27	34	41
<b>7</b>	<b>START-UP INCENTIVES</b>	<b>121</b>	<b>91</b>	<b>86</b>	<b>89</b>	<b>94</b>	<b>103</b>	<b>102</b>	<b>100</b>	<b>95</b>	<b>91</b>
	New Enterprise Incentive Scheme	68	74	74	76	80	80	85	85	73	75
	Measures for Indigenous Australians (BDP)	53	18	12	13	14	23	17	15	14	9
	Measures for Indigenous Australians (EDI and BS)	x	x	x	x	x	x	x	x	x	7
<b>8</b>	<b>OUT-OF-WORK INCOME MAINTENANCE AND SUPPORT</b>	<b>6 678</b>	<b>6 191</b>	<b>6 028</b>	<b>5 719</b>	<b>5 447</b>	<b>5 262</b>	<b>4 804</b>	<b>5 594</b>	<b>7 043</b>	<b>7 047</b>
<b>8.1</b>	<b>Full unemployment benefits</b>	<b>6 313</b>	<b>6 082</b>	<b>5 963</b>	<b>5 612</b>	<b>5 389</b>	<b>5 186</b>	<b>4 742</b>	<b>5 494</b>	<b>6 889</b>	<b>6 882</b>
<b>8.1.2</b>	<b>Unemployment assistance</b>	<b>6 313</b>	<b>6 082</b>	<b>5 963</b>	<b>5 612</b>	<b>5 389</b>	<b>5 186</b>	<b>4 742</b>	<b>5 494</b>	<b>6 889</b>	<b>6 882</b>
	Newstart Allowance	5 078	4 831	4 755	4 627	4 528	4 494	4 181	4 886	6 137	6 149
	Youth Allowance (Other)	509	519	522	503	536	482	452	551	715	708
	Mature Age Allowance	364	381	373	259	163	88	29	1	0	0
	Partner Allowance (Benefit only)	362	351	314	223	162	122	80	56	37	25
<b>8.4</b>	<b>Redundancy compensation</b>	<b>7</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>
	State/Territory Expenditure	7	9	0	0	8	3	0	0	0	14
<b>8.5</b>	<b>Bankruptcy compensation</b>	<b>358</b>	<b>100</b>	<b>64</b>	<b>107</b>	<b>50</b>	<b>73</b>	<b>62</b>	<b>100</b>	<b>154</b>	<b>151</b>
	EESS/GEERS/SEESA	358	100	64	107	50	73	62	100	154	151
<b>9</b>	<b>EARLY RETIREMENT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>2</b>
	State/Territory Expenditure	0	0	0	0	1	1	0	2	1	2
	Total 1-7 Active programmes total	2 642	2 698	3 034	3 547	3 669	3 601	3 602	3 940	4 160	4 326
	Total 2-7 Active programmes except PES <sup>b</sup>	1 236	1 338	1 438	1 523	1 588	1 560	1 623	1 953	2 001	2 020
	Total 8 and 9 Passive programmes <sup>b</sup>	6 678	6 191	6 028	5 720	5 448	5 263	4 804	5 596	7 044	7 048

x Measure ended or not started (expenditure and stocks are equal to zero).

.. Data not available.

a. LLNP participant stocks are estimated as 20/52 of annual participant inflows (assumed duration of 20 weeks).

b. Average expenditure per participant-year calculated omitting programmes for which participant stock data are not available.

Source: OECD/Eurostat Labour Market Programme Database.

Table 5.A1.2. Participant stocks in labour market programmes, 2001–10  
Units

Category	Item/Measure name	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
<b>1</b>	<b>PES AND ADMINISTRATION (including benefit administration)</b>	Not calculated for Category 1										
1.1	Placement and related services											
	Job Placement	x	x	743 341	794 483	827 676	805 154	704 218	735 090	x	x	
	Job Search Assistance/Australian Job Search											
	Job Matching											
	Intensive Support	x	x	434 323	465 778	477 251	454 367	405 663	421 549	x	x	
	Job Search Training	4 535	x	x	x	x	x	x	x			
	Intensive Assistance	233 974	234 894	x	x	x	x	x	x			
	Project Contracting/Harvest Labour Services										0	
	Personal Support Program/Community Support Program	13 339	28 500	28 500	32 500	37 044	34 575	42 273	53 202	0	0	
	Job Placement Employment and Training	5 508	5 614	5 851	4 081	6 876	5 051	9 356	10 580	x	x	
	State/Territory Expenditure											
	Stream Services 1-4	x	x	x	x	x	x	x	x	773 095	724 716	
	Other	0	0	0	0	0	0	0	0	0	0	
	Australian Apprenticeships Access Program (AAAP)											
<b>1.2</b>	<b>Benefit administration</b>											
	PSP Administration											
	NSA Administration											
<b>1.3</b>	<b>Other</b>											
	DEEWR Labour Market Program Policy, Management and Delivery											
	State/Territory Expenditure											
<b>2</b>	<b>TRAINING</b>	<b>31 847</b>	<b>51 659</b>	<b>51 329</b>	<b>49 528</b>	<b>50 105</b>	<b>23 993</b>	<b>24 865</b>	<b>27 278</b>	<b>62 167</b>	<b>34 297</b>	
<b>2.1</b>	<b>Institutional training</b>	<b>5 025</b>	<b>16 525</b>	<b>20 117</b>	<b>20 790</b>	<b>20 017</b>	<b>7 803</b>	<b>7 005</b>	<b>15 144</b>	<b>49 280</b>	<b>19 495</b>	
	Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5 025	7 525	8 817	9 790	9 017	7 803	7 005	6 904	7 680	8 043	
	Basic IT Enabling Skills for Older Workers	x	9 000	11 300	11 000	11 000	x	x	x	x	x	
	Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	0	8 240	41 600	11 452	
	State/Territory Expenditure											
<b>2.2</b>	<b>Workplace training</b>	<b>22 112</b>	<b>25 414</b>	<b>23 217</b>	<b>17 654</b>	<b>18 134</b>	<b>16 190</b>	<b>17 860</b>	<b>12 134</b>	<b>12 887</b>	<b>14 802</b>	
	Workplace Literacy	22 112	25 414	23 217	17 654	18 134	16 190	17 860	12 134	12 887	14 802	
	State/Territory Expenditure											
<b>2.3</b>	<b>Alternate training</b>	<b>4 710</b>	<b>9 720</b>	<b>7 995</b>	<b>11 084</b>	<b>11 954</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Jobs, Education and Training/Return to Work/Transition to Work	4 710	9 720	7 995	11 084	11 954	0	0	0	0	0	
	State/Territory Expenditure											
<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>											
<b>4.1</b>	<b>Recruitment incentives</b>											
	Measures for Indigenous Australians (TAP/IEP)											
	State/Territory Expenditure											
<b>4.2</b>	<b>Employment maintenance incentives</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3 493</b>	
	Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3 493	

Category	Item/Measure name	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	<b>79 595</b>	<b>81 673</b>	<b>85 771</b>	<b>90 059</b>	<b>101 084</b>	<b>105 370</b>	<b>132 248</b>	<b>124 208</b>	<b>145 142</b>	<b>163 545</b>
	Mixed 5.1 5.2 Disability Services Program	4 014	2 831	2 674							
<b>5.1</b>	<b>Supported employment</b>	<b>62 467</b>	<b>65 654</b>	<b>66 278</b>	<b>72 577</b>	<b>82 409</b>	<b>89 498</b>	<b>99 787</b>	<b>83 587</b>	<b>97 970</b>	<b>108 735</b>
	Disability Services Program (regular)/Disability Employment Services (ESS)	46 849	48 980	49 183	49 177	56 064	59 492	69 182	51 991	65 144	70 971
	Employer Incentives	x	x	x	6 234	8 784	11 493	12 118	12 757	14 072	18 957
	Disability Services Program (sheltered)	15 618	16 674	17 095	17 166	17 561	18 513	18 487	18 839	18 754	18 807
	State/Territory Expenditure										
<b>5.2</b>	<b>Rehabilitation</b>	<b>13 114</b>	<b>13 188</b>	<b>16 819</b>	<b>17 482</b>	<b>18 675</b>	<b>15 872</b>	<b>32 461</b>	<b>40 621</b>	<b>47 172</b>	<b>54 810</b>
	Rehabilitation Services/Disability Employment Services (DMS)	13 114	13 188	16 819	17 482	18 675	15 872	32 461	40 621	47 172	54 810
	State/Territory Expenditure										
<b>6</b>	<b>DIRECT JOB CREATION</b>	<b>68 481</b>	<b>65 986</b>	<b>72 801</b>	<b>72 929</b>	<b>73 285</b>	<b>69 084</b>	<b>46 288</b>	<b>42 766</b>	<b>12 384</b>	<b>12 897</b>
	Work for the Dole	17 530	17 251	23 650	25 414	28 082	24 138	25 424	24 953	x	x
	Community Development Employment Projects (CDEP)	34 246	35 182	36 000	34 775	34 497	34 306	18 800	16 013	10 321	10 704
	Green Corps Programs	1 700	1 796	1 945	1 834	1 832	1 880	2 044	1 800	x	x
	Voluntary Work Initiative	15 005	11 757	11 206	10 906	8 874	8 760	x	x	x	x
	National Green Jobs Corps	x	x	x	x	x	x	x	x	x	2 193
	Jobs Fund	x	x	x	x	x	x	x	x	x	x
	State/Territory Expenditure										
<b>7</b>	<b>START-UP INCENTIVES</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>81</b>	<b>353</b>	<b>329</b>
	New Enterprise Incentive Scheme	..	..	..	..	..	..	..	..	..	..
	Measures for Indigenous Australians (BDP)	..	..	..	..	..	..	..	81	353	329
	Measures for Indigenous Australians (EDI and BS)	x	x	x	x	x	x	x	x	x	..
<b>8</b>	<b>OUT-OF-WORK INCOME MAINTENANCE AND SUPPORT</b>	<b>675 999</b>	<b>640 888</b>	<b>600 663</b>	<b>554 064</b>	<b>525 784</b>	<b>491 523</b>	<b>465 062</b>	<b>603 101</b>	<b>642 352</b>	<b>613 452</b>
<b>8.1</b>	<b>Full unemployment benefits</b>	<b>675 999</b>	<b>640 888</b>	<b>600 663</b>	<b>554 064</b>	<b>525 784</b>	<b>491 523</b>	<b>465 062</b>	<b>603 101</b>	<b>642 352</b>	<b>613 452</b>
<b>8.1.2</b>	<b>Unemployment assistance</b>	<b>675 999</b>	<b>640 888</b>	<b>600 663</b>	<b>554 064</b>	<b>525 784</b>	<b>491 523</b>	<b>465 062</b>	<b>603 101</b>	<b>642 352</b>	<b>613 452</b>
	Newstart Allowance	545 535	512 332	483 093	453 614	438 560	417 793	399 401	520 194	553 893	527 480
	Youth Allowance (Other)	90 339	87 486	84 665	79 573	75 186	68 698	64 907	82 907	88 459	85 972
	Mature Age Allowance	40 125	41 070	32 905	20 877	12 038	5 032	754	x	x	x
	Partner Allowance (Benefit only)	..	..	..	..	..	..	..	..	..	..
<b>8.4</b>	<b>Redundancy compensation</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
	State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..
<b>8.5</b>	<b>Bankruptcy compensation</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
	EESS/GEERS/SEESA	..	..	..	..	..	..	..	..	..	..
<b>9</b>	<b>EARLY RETIREMENT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
	State/Territory Expenditure	0	0	0	0	..	..	..	..	..	..
	Total 1-7 Active programmes total	..	..	..	..	..	..	..	..	..	..
	Total 1-7 Active programmes except PES <sup>b</sup>	179 923	199 318	209 901	212 516	224 474	198 447	203 381	194 333	220 046	214 561
	Total 8 and 9 Passive programmes <sup>b</sup>	675 999	640 888	600 663	554 064	525 784	491 523	465 062	603 101	642 352	613 452

x Measure ended or not started (expenditure and stocks are equal to zero).

.. Data not available.

a. LLNP participant stocks are estimated as 20/52 of annual participant inflows (assumed duration of 20 weeks).

b. Average expenditure per participant-year calculated omitting programmes for which participant stock data are not available.

Source: OECD/Eurostat Labour Market Programme Database.

Table 5.A1.3. Expenditure per participant-year in labour market programmes, 2001-10  
Thousands of Australian dollars (AUD) per participant-year<sup>1</sup>

Category	Item/Measure name	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
<b>1</b>	<b>PES AND ADMINISTRATION (including benefit administration)</b>	Not calculated for Category 1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
1.1	Placement and related services												Job Placement												Job Search Assistance/Australian Job Search												Job Matching												Intensive Support												Job Search Training												Intensive Assistance												Project Contracting/Harvest Labour Services												Personal Support Program/Community Support Program												Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9
	Job Placement												Job Search Assistance/Australian Job Search												Job Matching												Intensive Support												Job Search Training												Intensive Assistance												Project Contracting/Harvest Labour Services												Personal Support Program/Community Support Program												Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9												
	Job Search Assistance/Australian Job Search												Job Matching												Intensive Support												Job Search Training												Intensive Assistance												Project Contracting/Harvest Labour Services												Personal Support Program/Community Support Program												Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																								
	Job Matching												Intensive Support												Job Search Training												Intensive Assistance												Project Contracting/Harvest Labour Services												Personal Support Program/Community Support Program												Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																				
	Intensive Support												Job Search Training												Intensive Assistance												Project Contracting/Harvest Labour Services												Personal Support Program/Community Support Program												Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																
	Job Search Training												Intensive Assistance												Project Contracting/Harvest Labour Services												Personal Support Program/Community Support Program												Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																												
	Intensive Assistance												Project Contracting/Harvest Labour Services												Personal Support Program/Community Support Program												Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																								
	Project Contracting/Harvest Labour Services												Personal Support Program/Community Support Program												Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																				
	Personal Support Program/Community Support Program												Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																
	Job Placement Employment and Training												State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																												
	State/Territory Expenditure												Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																								
	Stream Services 1-4												Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																				
	Other											1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																
1.2	Australian Apprenticeships Access Program (AAAP)												Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																												
	Benefit administration												PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																								
	PSP Administration												NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																																				
	NSA Administration											1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																																																
1.3	Other												DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																																																												
	DEEWR Labour Market Program Policy, Management and Delivery												State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																																																																								
	State/Territory Expenditure											<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1	2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8		Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6		Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x		Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																																																																																				
<b>2</b>	<b>TRAINING</b>	1.5	1.3	1.3	1.5	1.6	2.5	3.6	12.8	5.0	9.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
2.1	Institutional training	5.6	2.8	2.2	2.4	2.6	5.9	10.8	22.1	6.0	14.8																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	Language, Literacy and Numeracy Program (LLNP) <sup>a</sup>	5.6	5.4	4.3	4.4	5.1	5.9	9.1	9.8	11.1	9.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	Basic IT Enabling Skills for Older Workers	x	0.7	0.5	0.5	0.5	x	x	x	x	x																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	Productivity Places Program (Job Seekers Element)	x	x	x	x	x	x	..	32.4	5.0	18.5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		Workplace Literacy	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																																																																																																																																																												
2.2	Workplace training	0.5	0.5	0.6	0.8	0.8	0.9	0.8	1.2	1.4	1.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
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	State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	2.3	Alternate training	1.5	1.1	1.5	1.1	1.0	..	..	..	..	..		Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																																																																																																																																																																																																
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	Jobs, Education and Training/Return to Work/Transition to Work	1.5	1.1	1.5	1.1	1.0	x	x	x	x	x																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>4</b>	<b>EMPLOYMENT INCENTIVES</b>	..	..	..	..	..	..	..	..	..	..	4.1	Recruitment incentives	..	..	..	..	..	..	..	..	..	..		Measures for Indigenous Australians (TAP/IIEP)	..	..	..	..	..	..	..	..	..	..		State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..	4.2	Employment maintenance incentives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4		Cyclone Yasi Wage Assistance	x	x	x	x	x	x	x	x	x	3.4	<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9		Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	Supported employment	3.8	3.8	4.2	4.5	4.6	4.5	4.8	6.5	6.4	6.1		Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																																																																																																																																																																																																																																				
<b>3</b>	<b>JOB ROTATION AND JOB SHARING</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
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<b>5</b>	<b>SUPPORTED EMPLOYMENT AND REHABILITATION</b>	4.3	4.5	4.7	5.2	5.1	5.4	5.1	6.1	6.1	5.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	Mixed 5.1.5.2 Disability Services Program	5.11	5.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
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	Disability Services Program (regular)/Disability Employment Services (ESS)	2.8	2.8	3.1	3.4	3.6	3.6	3.9	6.1	6.1	5.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								

Category	Item/Measure name	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	Employer Incentives	x	x	x	1.2	1.1	1.5	1.4	1.6	1.6	1.5
	Disability Services Program (sheltered)	7.0	7.0	7.2	9.0	9.5	9.2	10.2	11.0	11.1	11.4
	State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..
<b>5.2</b>	<b>Rehabilitation</b>	<b>7.9</b>	<b>8.9</b>	<b>7.8</b>	<b>7.8</b>	<b>7.6</b>	<b>10.5</b>	<b>6.1</b>	<b>5.4</b>	<b>5.6</b>	<b>5.4</b>
	Rehabilitation Services/Disability Employment Services (DMS)	7.9	8.9	7.8	7.8	7.6	10.5	6.1	5.4	5.6	5.4
	State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..
<b>6</b>	<b>DIRECT JOB CREATION</b>	<b>8.3</b>	<b>10.0</b>	<b>9.7</b>	<b>9.9</b>	<b>9.8</b>	<b>9.5</b>	<b>11.5</b>	<b>12.4</b>	<b>30.3</b>	<b>25.3</b>
	Work for the Dole	5.6	8.8	7.4	6.6	5.5	4.8	5.7	5.4	x	x
	Community Development Employment Projects (CDEP) <sup>c</sup>	13.0	13.8	14.1	15.1	15.6	15.1	19.4	23.2	35.1	26.6
	Green Corps Programs	12.9	13.4	12.3	13.1	13.6	12.6	12.2	14.4	x	x
	Voluntary Work Initiative	0.1	0.2	0.3	0.4	0.2	0.3	x	x	x	x
	National Green Jobs Corps	x	x	x	x	x	x	x	x	..	..
	Jobs Fund	x	x	x	x	x	x	x	x	..	..
	State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..
<b>7</b>	<b>START-UP INCENTIVES</b>	..	..	..	..	..	..	..	<b>183.8</b>	<b>39.0</b>	<b>27.4</b>
	New Enterprise Incentive Scheme	..	..	..	..	..	..	..	..	..	..
	Measures for Indigenous Australians (BDP)	..	..	..	..	..	..	..	183.8	39.0	27.4
	Measures for Indigenous Australians (EDI and BS)	x	x	x	x	x	x	x	x	..	..
<b>8</b>	<b>OUT-OF-WORK INCOME MAINTENANCE AND SUPPORT</b>	<b>8.8</b>	<b>8.9</b>	<b>9.4</b>	<b>9.7</b>	<b>9.9</b>	<b>10.3</b>	<b>10.0</b>	<b>9.0</b>	<b>10.7</b>	<b>11.2</b>
<b>8.1</b>	<b>Full unemployment benefits</b>	<b>8.8</b>	<b>8.9</b>	<b>9.4</b>	<b>9.7</b>	<b>9.9</b>	<b>10.3</b>	<b>10.0</b>	<b>9.0</b>	<b>10.7</b>	<b>11.2</b>
8.1.2	Unemployment assistance	8.8	8.9	9.4	9.7	9.9	10.3	10.0	9.0	10.7	11.2
	Newstart Allowance	9.3	9.4	9.8	10.2	10.3	10.8	10.5	9.4	11.1	11.7
	Youth Allowance (Other)	5.6	5.9	6.2	6.3	7.1	7.0	7.0	6.6	8.1	8.2
	Mature Age Allowance	9.1	9.3	11.3	12.4	13.5	17.5	38.5	..	..	..
	Partner Allowance (Benefit only)	..	..	..	..	..	..	..	..	..	..
<b>8.4</b>	<b>Redundancy compensation</b>	..	..	..	..	..	..	..	..	..	..
	State/Territory Expenditure	..	..	..	..	..	..	..	..	..	..
<b>8.5</b>	<b>Bankruptcy compensation</b>	..	..	..	..	..	..	..	..	..	..
	EESS/GEERS/SEESA	..	..	..	..	..	..	..	..	..	..
<b>9</b>	<b>EARLY RETIREMENT</b>	<b>0.0</b>	<b>0.0</b>	..	..	..	..	..	..	..	..
	State/Territory Expenditure	0.0	0.0	..	..	..	..	..	..	..	..
	Total 1-7 Active programmes total	..	..	..	..	..	..	..	..	..	..
	Total 2-7 Active programmes except PES <sup>b</sup>	5.3	5.5	5.6	5.9	5.9	6.5	6.4	8.5	7.2	7.5
	Total 8 and 9 Passive programmes <sup>b</sup>	8.8	8.9	9.4	9.7	9.9	10.3	10.0	9.0	10.7	11.2

x Measure ended or not started (expenditure and stocks are equal to zero)

.. Data not available.

\* Expenditure per participant-year calculations should be interpreted with care, since participant stock data vary in their conceptual basis and may relate to a particular date, and expenditure in one year may support programme participation in another.

a. LLNP participant stocks are estimated as 20/52 of annual participant inflows (assumed duration of 20 weeks).

b. Average expenditure per participant-year calculated omitting programmes for which participant stock data are not available.

c. Several factors affect the ratios between expenditure and participant stocks in the data shown here. CDEP expenditure includes wages paid to participants, but from 2009/10 new CDEP participants receive relevant income support (which is not reported as CDEP expenditure) rather than wages. In recent years, CDEP has been removed from non-remote locations, where non-wage costs per participant were probably relatively low. Participant stocks have declined faster than annual programme expenditure partly because data relate to year-end (30 June) stocks.

Source: OECD/Eurostat Labour Market Programme Database.



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# Activating Jobseekers

## HOW AUSTRALIA DOES IT

### Contents

Summary and recommendations

Chapter 1. The background to active labour market policies in Australia

Chapter 2. The institutional set-up of Australia's labour market policy and employment services

Chapter 3. Job brokerage and activation strategies in Australia

Chapter 4. Unemployment and related benefits in Australia

Chapter 5. Australian active labour market programmes

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