

# Employment Assistance for Long-term Unemployed People: Time for a Rethink

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## 1 Introduction

In 1998, employment assistance for long-term unemployed people was restructured and funds were cut. The job compact - a guarantee of a temporary job after 18 months of joblessness, was replaced by intensive assistance - a more open-ended system of support provided through the newly-established Job Network.

The theory behind the Job Network funding model is appealing: employment assistance providers are best placed to judge what assistance each job-seeker requires, and appropriate, cost effective assistance will be offered if funding is tied to employment outcomes rather than programs. However, the result has been a reduction in the level of support provided to most long-term unemployed people, leading to poorer employment outcomes than the most effective (though not all) Job Compact programs raise.<sup>1</sup>

Competitive tendering was effective in driving costs down but it weakened service quality. Further, the system of outcome-based payments shifted the risk of investing in substantial employment assistance from Government to providers, who have been reluctant to risk their own funds on more costly interventions.

The solution is to shift some of the risk and political responsibility back to Government, which should guarantee substantial employment assistance to all long-term unemployed people. This could be implemented within the Job Network model by making a pool of funds available to providers so that they can offer the assistance each long-term unemployed job-seeker needs, while retaining the system of outcome-based payments.

## 2 What Should Employment Assistance Do?

Employment assistance for jobless people should do at least three things.

- improve the efficiency of job matching;
- lower workforce barriers for disadvantaged job-seekers; and
- reduce long-term unemployment and joblessness.

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1 For a more detailed treatment of these issues, see ACOSS (2000) and ACOSS (2001).

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There are three reasons for a focus on *long-term* unemployment and joblessness. The first is equity. The longer a person remains unemployed, the greater the risk of poverty, poor health, family conflict and social isolation. The second is to reduce unemployment. Lowering long-term unemployment helps improve the functioning of the labour market, thereby reducing the overall level of unemployment. Long-term unemployment is a major factor contributing to our high level of structural unemployment - that part of unemployment that has ratcheted upwards in every business cycle in Australia since the 1970s.

The third is cost effectiveness. Most short-term unemployed people will get a job with minimal help, so it makes sense to target the most expensive employment assistance towards long-term unemployed people and those who are identified as being at high risk of long-term unemployment.

The focus of this paper is therefore on the effectiveness of employment assistance for long-term unemployed people over the 1990s. We compare two programs that comprised part of the Working Nation package in the mid 1990s, Jobstart and Jobskills, with two present-day schemes, Intensive Employment Assistance and Work for the Dole.

We begin with a brief description of the two radical experiments undertaken in employment assistance in Australia during the 1990s: Working Nation and the Job Network.

### **3 Working Nation and the Job Compact**

The Working Nation strategy was introduced in 1994 in response to a sharp rise in long-term unemployment following the recession of the early 1990s. Its centrepiece was the Job Compact. The Job Compact guaranteed all unemployed people a temporary job for around six months after they had been out of work for 18 months. This was intended as a circuit breaker to provide employment experience and training that would improve their employment prospects.

The guarantee was a very important commitment for the Government to make. Until then, Australian governments guaranteed unemployed people access to social security payments and basic job matching assistance through the CES, but more intensive employment assistance was rationed and only a minority of long-term unemployed people benefited in any given year.

Working Nation was implemented through a series of employment assistance programs. They were of three types:

- paid employment experience programs;
- training and personal support programs; and
- programs that combined employment experience and training.

Access to programs was facilitated by a system of case management. Case managers were responsible for counselling each disadvantaged job-seeker, working out a plan of action to secure employment and referring them to an appropriate mix of programs.

Case managers, but not programs, were mainly funded according to the employment and training outcomes they achieved. This funding was in accordance with a fixed schedule of fees that was meant to reflect the degree of labour market disadvantage of each job seeker.

Two of the more effective programs were Jobstart and Jobskills. We describe them below.

### **Key Features of Two Working Nation Programs**

#### **Jobstart**

- Targeted towards job ready long-term unemployed people
- Six months paid employment
- Roughly half a full-time wage subsidised by government
- Most placements in the private sector

#### **Jobskills**

- Targeted towards more disadvantaged long-term unemployed people
- Six months subsidised employment and training
- Almost 100 per cent of the wage subsidised by government
- Three-fifths work experience two-fifths training
- Placements in the community sector and local government

The Job Compact achieved positive employment outcomes for many long-term unemployed people, but it did not meet expectations in reducing the overall level of long-term unemployment. One reason for this was the economic slow-down of the mid-1990s. Another reason was flaws in its design and implementation.

One major design flaw was the assumption that all long-term unemployed people needed the same kind of assistance - a temporary subsidised job. A related flaw was that the program-based delivery system meant that the case manager role was largely reduced to slotting people into available places in programs, often inappropriately. Thirdly, there were problems with the implementation of the Job Compact. Program places were expanded too rapidly, there was too much focus on *very* long-term unemployed people (out of work for five years or more) at the outset, and too little use of the most effective programs such as Jobstart and Jobskills.

Nevertheless, these programs were effective despite being implemented on a large scale, and the overall effect of the Job Compact was to reduce long-term unemployment significantly.

## 4 The Job Network and Work for the Dole

The Job Compact was abolished from 1997 and replaced by a second radical experiment, the Job Network. Ostensibly, this was done because the Job Compact had failed. However, a major consideration was the \$1 billion per annum in expenditure savings achieved by abolishing the Job Compact and introducing competition in the provision of public job matching services. In 1997-98, employment assistance outlays for jobless people were cut by approximately 50 per cent.

The Job Network provides three tiers of employment assistance: job matching, job search training and intensive employment assistance. These services are delivered by a combination of community, private sector and government agencies, who tender for Job Network contracts.

Intensive assistance is the highest level of assistance and it attracts the greatest level of funds. It is targeted towards the most disadvantaged jobseekers, using an assessment tool known as the Job Seeker Classification Instrument. However, there is no guarantee of access to intensive assistance for long-term unemployed people. In the September quarter 2000, 25 per cent of long-term unemployed social security recipients were denied access to Intensive Assistance following assessment, mainly on the grounds that they were not sufficiently disadvantaged (DEWRSB, 2001a). This is a curious definition of disadvantage, when long-term unemployment is widely recognised both here and overseas as a key indicator of labour market exclusion.

Intensive Assistance is not program based. Government funding is linked to employment outcomes rather than the services provided. In many ways, this is a better model because it concentrates the minds of service providers on outcomes rather than securing places in programs. However, a pure outcomes-based model has major drawbacks, as we explain below.

Work for the Dole is the other key employment assistance scheme for long-term and other disadvantaged job seekers. This provides part time temporary employment on community projects, in return for unemployment benefits.

The irony of the introduction of Work for the Dole is that it shares features in common with old-fashioned job creation programs such as the New Work Opportunities program within the Working Nation strategy. Yet it was introduced just as these previous programs were abolished, on the grounds that employment assistance should be more flexible and outcomes-based.

Work for the Dole is job creation on the cheap. Payment for participants is limited to unemployment benefits plus a small supplement, and the service providers receive very little financial assistance to provide supervision or training. Improving employment outcomes is not one of the official objectives of this scheme. Rather, it was introduced as part of a broader strategy to re-orient employment assistance to meet welfare compliance goals, on the assumption that unemployment is to a large extent a behavioural problem. While compliance is important, an excessive focus on compliance goals has in recent years distorted employment assistance priorities from their original purpose of positively assisting people to obtain employment (ACOSS, 2001).

## **Key features of Two Working Nation Programs**

### **Intensive Employment Assistance**

- Service providers are usually paid up to \$4 500 or \$8 500 per client (depending on degree of labour market disadvantage) to achieve employment outcomes
- After taking account of overheads and those clients who don't gain employment, this falls on an average of about \$200 to \$400 per client
- The services provided are not specified by Government, but these are mainly confined to job search support (though a minority of clients receive subsidised employment or vocational training).

### **'Work for the Dole'**

- Six months work on community projects
- Usually for two days a week
- Payment is Newstart or Youth Allowance plus a \$10.40 per week supplement

## **5 What Happened to Long-term Unemployment?**

Trends in unemployment and long-term unemployment over the 1990s should provide some clues as to the relative effectiveness of the above employment assistance schemes. If employment assistance is working well, we would expect that, during an economic recovery, long-term unemployment would decline in line with reductions in overall unemployment levels, with a one year delay. This would indicate that employment assistance is overcoming the relative disadvantages confronting long-term unemployed people, such as skills deficits or a lack of recent work experience.

If, on the other hand, there are signs of persistence in the long-term unemployment data, this would suggest that employment assistance is not working effectively.

Our two Working Nation programs formed part of the Job Compact from 1994 to 1997. Intensive Employment Assistance and Work for the Dole operated from 1998 to the present.

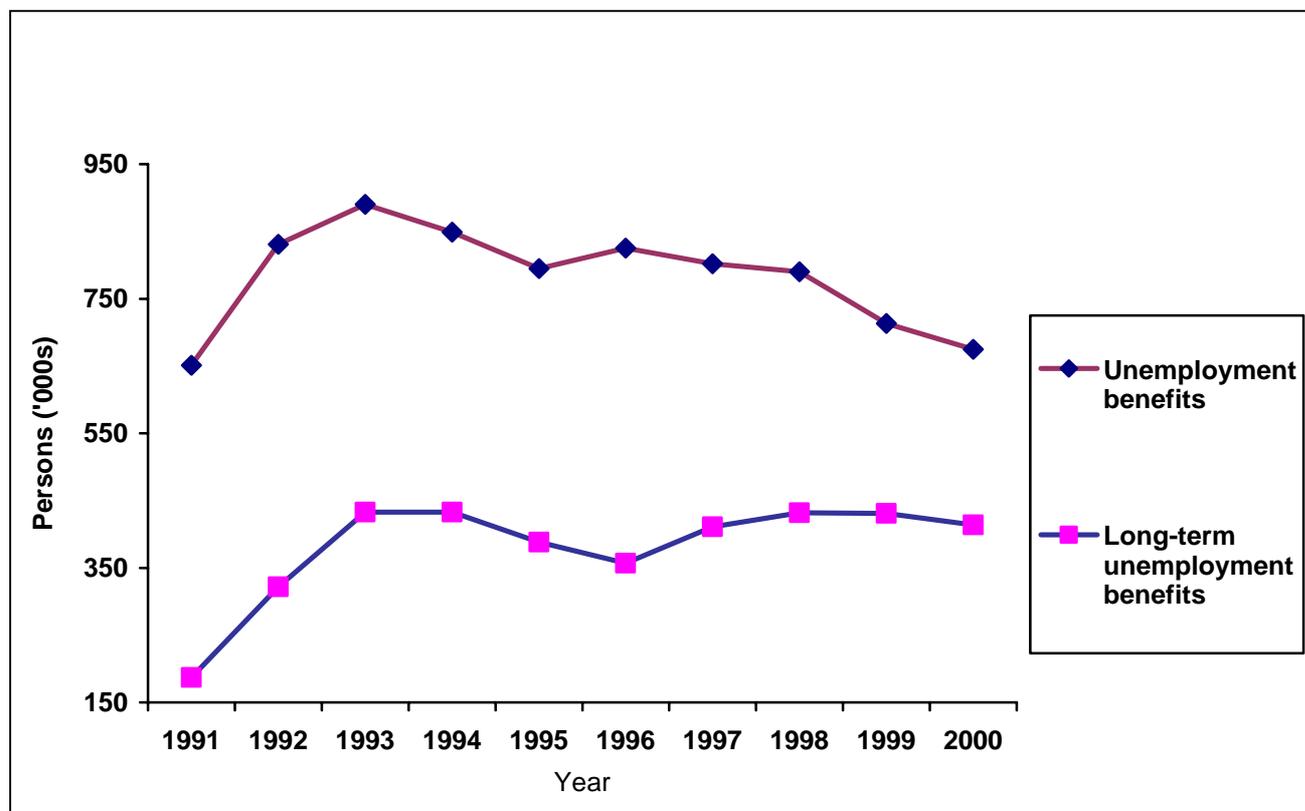
Figure 1 outlines trends in the numbers of unemployment benefit recipients<sup>2</sup> from 1990 to 2000. We use unemployment benefit statistics rather than ABS unemployment data because the latter is a very limited measure of labour market disadvantage.<sup>3</sup>

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2 Newstart Allowance and Youth Allowance (Other)

3 One of the drawbacks of using unemployment benefit data for this purpose is that changes in eligibility conditions (as distinct from labour market conditions) have an influence on the number of recipients. However, a detailed examination of these trends over the 1990s suggests that changes in eligibility conditions over the 1990s did not have a major net impact on the numbers. See Warburton, Opoku and Vuong (1999).

**Figure 1: Unemployment Benefit Recipients**



Sources: Centrelink (various years); Warburton, Opoku and Vuong (1999)

Note: Newstart Allowance plus Job Search Allowance plus Youth Allowance (unemployed) recipients.

There are two main reasons for this:

- First, people who obtain an hour's employment in a given week are classified by the ABS as employed. This means that the growing number of under-employed people who are either employed for very short part-time hours or cycle between unemployment and casual work are excluded from the ABS unemployment data;
- Second, people with a disability or temporary illness that prevents them from working in the short term are also excluded because they are unlikely to be actively seeking and available for employment at the time

Another reason for using unemployment benefit data is that the Government has set itself the objective of reducing the number of people reliant on social security payments.

The above data can be broken down into four periods:

- the recession in the early 1990s, which led to a sharp rise in both unemployment and long-term unemployment;

- a brief period of strong employment growth from 1993 to 1995, in which both unemployment and long-term unemployment began to fall;
- a period of sluggish employment growth from 1995 to 1998, in which unemployment remained flat and long-term unemployment tracked upwards;
- a subsequent period of strong employment growth.

The graph indicates that long-term unemployment tracked the reduction in unemployment during the Working Nation period, but there is evidence of persistence in the period following the introduction of the Job Network, despite strong employment growth.<sup>4</sup>

On the face of it, this suggests that the Working Nation programs were more effective in reducing long-term unemployment than the present schemes. However, it is difficult to assess program performance using macro-economic data because many factors other than employment assistance influence the results. In addition, there is an element of churning in employment assistance programs that often distorts these unemployment statistics.<sup>5</sup> Nevertheless, it is of great concern that the number of people on unemployment benefits long-term has hardly shifted over the past three years of solid growth in employment opportunities. This should sound alarm bells for policy makers.

## **6 Comparing Effectiveness**

There is little point in comparing the overall outcomes of the Working Nation programs and present employment assistance schemes. Both systems contain flaws. It would be undesirable and unlikely for a future government to restore the previous regime in its entirety. However, if we aim to achieve best practice in the delivery of employment assistance, we should learn from past experience. It is regrettable that Working Nation was abandoned in the mid-1990s without an adequate evaluation of its effectiveness (and that of its component parts). If evolutionary change had been pursued instead of tearing down the old foundations to construct the new (the Job Network), we would not have lost the program and service delivery infrastructure that had been built up over many years. We might also have retained those elements of the previous system that were working well. To put this another way: if some of the Working Nation programs were more effective than present employment assistance services, there is a strong case for offering this kind of assistance within the Job Network framework.

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4 The ABS data suggests that long-term unemployment fell more sharply in the late 1990s, with the significant exception of people unemployed for two years or more. The main reason for this discrepancy between ABS and social security data is probably growth in casual employment among unemployment benefit recipients in recent years.

5 While people are participating in employment programs they may go off benefits. They might no longer be classified as long-term unemployed afterwards, even if they fail to secure a job.

We therefore compare two of the most effective Working Nation schemes - Jobstart and Jobskills, with the two major contemporary schemes for disadvantaged job seekers (Intensive Assistance and Work for the Dole).<sup>6</sup>

The best way to compare the employment outcomes of different labour market programs is to conduct a net employment impact study, in which the employment outcomes following participation in a program are compared with those achieved by a matched sample of non-participants.

Unfortunately no such study has been published in respect of the two existing programs, despite the fact that they have operated now for three years.<sup>7</sup> The Employment Department has released net *benefit* impact studies for both the above schemes, but these studies ask a different question. They ask what effect these programs have on unemployment benefit receipt. For example, an off-benefit outcome in these studies might include the transfer of a job seeker from unemployment benefits to a Disability Support Pension.

A second-best option for the information-poor is to use the official Post Program Monitoring data series to compare the proportions of program participants who were in an unsubsidised job three months after they left a program.

Four factors should be considered when making this comparison:

- The characteristics of program participants

In this paper, we use the proportion of program participants who are unemployed long-term as a proxy for labour market disadvantage. This is not ideal, but duration of unemployment is a strong indicator of labour market disadvantage. It should be kept in mind that this approach advantages the Jobstart program to some extent by comparison with the other three programs, especially Jobskills and Intensive Assistance. This is because those selected to participate in Jobstart were relatively job ready. Job seekers who were harder to place were streamed into other Job Compact programs, such as Jobskills and New Work Opportunities. Further, access to Intensive Assistance is based on an assessment that a job seeker is at risk of long-term unemployment, even though she may only have been unemployed for a short time.

- The state of the labour market

We use data for 1994-95 and 1999-00 for our comparisons on the grounds that employment growth was strong, and unemployment was falling, in both these years.<sup>8</sup>

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6 It might be argued that this comparison is unfair because the previous schemes were only part of the Job Compact package. However, these schemes were offered on a very large scale in the mid 1990s. During 1994-95, more than 100,000 job seekers were placed in one or the other. Since our objective is to assess how the present regime matches the best practice of the past, and not to compare the overall effectiveness of the Job Compact and Intensive Assistance, this seems a reasonable approach.

7 I understand that studies along these lines are now under way and that they will be published before the end of 2001.

8 A number of official studies use 1995-96 data to assess the effectiveness of Working Nation programs. They do not take sufficient account of the fact that employment growth was sluggish

- The sustainability of employment outcomes

A valid criticism of the use of Post Program Monitoring data is that employment outcomes achieved three months after completion of a program might not be sustained over time. However, previous net impact studies of the two Working Nation programs (Jobstart and Jobskills) indicate that their positive employment outcomes were sustained in most cases over a period of at least 12 months (DEETYA, 1997) We have no data on the sustainability of employment outcomes (as distinct from off-benefit outcomes) for the current programs.

- The average cost per place in each scheme;

The relative cost of each program should also be taken into account, and weighed up against their employment outcomes and the labour market disadvantages faced by their participants. Characteristics of Participants Figure 2 below compares the participant profiles (with regard to duration of unemployment) of the four schemes.

**Figure 2: Percentage of Clients who were Long-term Unemployed**

Sources: DEET (1994-95); DEWRSB (2001b)

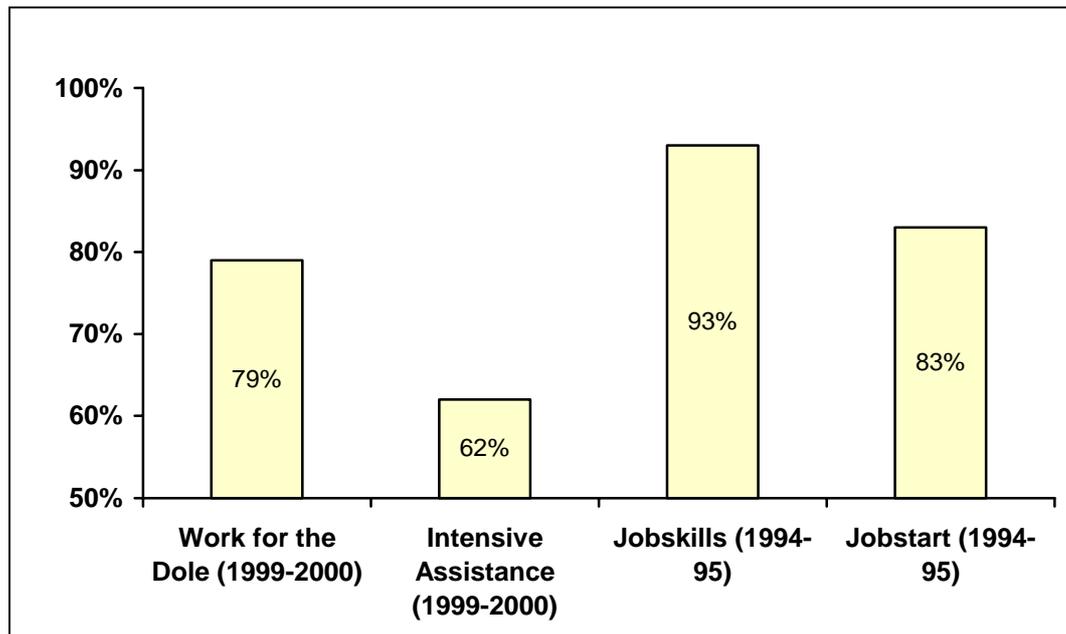


Figure 2 suggests that:

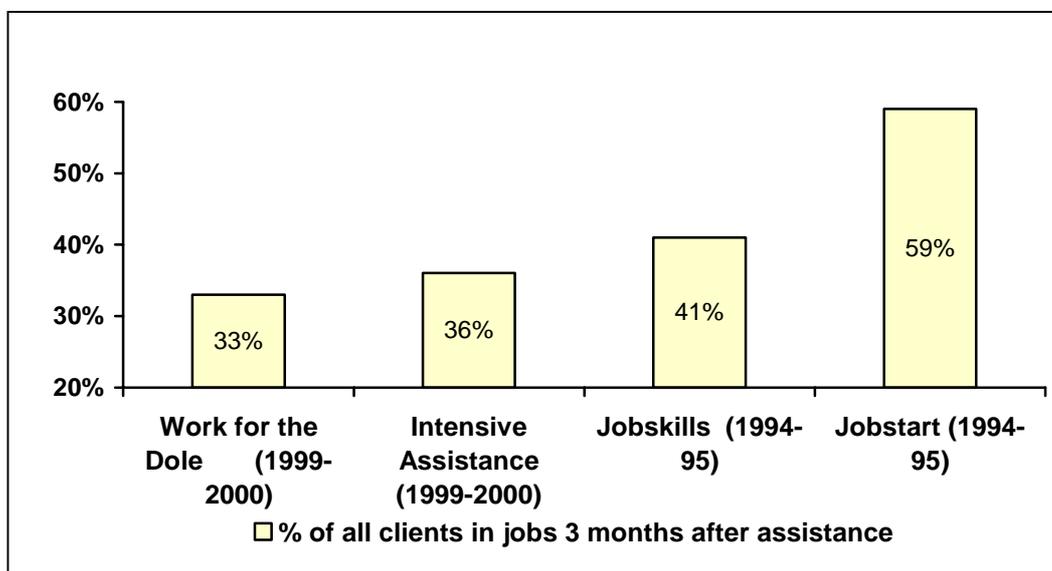
in that year, and well below the levels attained in the late 1990s and in 2000. See, for example, DEETYA (1997).

- the proportion of long-term job-seekers in both Working Nation programs was higher than in the present schemes. This reflects the targeting of the Job Compact to long-term unemployed people;
- as the above discussion and these data suggest, Jobskills was targeted towards a more disadvantaged group of long-term unemployed people than was Jobstart;
- the proportion of long-term job-seekers in Work for the Dole was higher than for Intensive Assistance.

### Employment Outcomes

Figure 3 below compares the post program employment outcomes of each of the schemes.

**Figure 3: Percentage of Participants employed Three Months Later**



Sources: DEET (1994-95), Annual Reports; DEWRSB (2001c)

Figure 3 suggests that:

- On the face of it, both Working Nation programs were more effective than the current schemes;
- Jobstart appears to have been the most effective (though its targeting of job ready long-term unemployed people should be kept in mind);

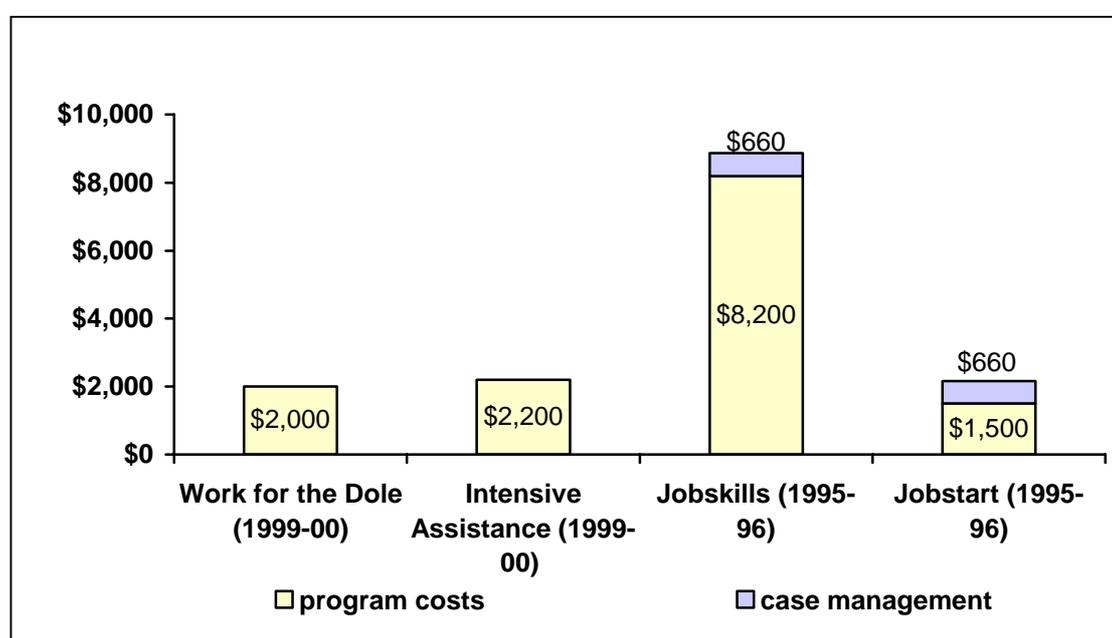
- Intensive Assistance appears to be more effective than Work for the Dole (although it assists a lower proportion of long-term job-seekers).<sup>9</sup>

Like Jobstart and Jobskills, Work for the Dole offers paid employment experience over a period of roughly six months. Its relatively poor outcomes probably reflect the quality of the employment experience provided, and the greater distance between a Work for the Dole placement and mainstream employment.

### Costs

Figure 4 below compares the average cost per placement in each scheme.<sup>10</sup>

**Figure 4: Average Cost of Place in Program**



Sources: ESRA (1994-96); DEETYA (1997); DEWRSB (2001a); DEWRSB (2001b).

Figure 4 suggests that:

- the costs of Work for the Dole, Intensive Assistance and Jobstart are similar;

9 Note that, for comparative purposes, these figures exclude people who moved on to another program afterwards. If they were included, the outcome rate for Work for the Dole would fall by around five percentage points to 27 per cent. Intensive Assistance outcomes would not be significantly affected. On this alternative measure, therefore, Intensive Assistance has significantly better outcomes than Work for the Dole. Outcomes for the Working Nation programs would fall by an unknown amount. See DEWRSB (2000a).

10 It should be kept in mind that the figures for Jobskills and Jobstart are net of unemployment benefit offsets (that is the savings in unemployment benefits while people participate in the program and draw a wage instead). There are no such offsets for the two existing schemes.

- the cost of a Jobskills placement was significantly higher (but its targeting of more disadvantaged long-term unemployed people should be kept in mind).

## 7 Flaws in the Job Network Funding Model

These data suggest that if Job Network providers or the Government offered long-term unemployed people paid employment experience for six months, along the lines of the previous Jobstart or Jobskills programs, better employment outcomes could be achieved in the robust labour market conditions that prevailed in 2000.

Taking account of what we know about the characteristics of clients of Intensive Assistance and Work for the Dole, their employment outcomes are poor by comparison. Moreover, Jobstart would probably have achieved better outcomes for at least some long-term unemployed people at a net cost that is not significantly greater than the existing schemes. It might be argued that these outcomes would only have been achieved for the more job ready long-term unemployed job seekers.

Nevertheless, on the basis of past experience, wage subsidies along Jobstart lines could still assist large numbers of long-term unemployed people into employment.

Jobskills-type assistance (in effect a short traineeship for long-term unemployed people) would have been more costly, but more effective for harder-to-place long-term unemployed people.

This raises a critical question: if these kinds of assistance are cost-effective, why don't Intensive Assistance providers offer them? There are three likely reasons:

- The cost of Jobstart-style wage subsidies for Intensive Assistance providers is at least twice the amount indicated in Figure 4 because, unlike the Government, they do not derive any direct benefit from unemployment benefit offsets;
- Current funding arrangements leave Intensive Assistance providers with only small amounts of public funding to spend on assistance such as wage subsidies. Beyond this, they have to risk their own funds;
- The risk premium for those who do this is far too low. That is, the outcomes payments do not adequately compensate providers for the risk that a positive employment outcome might not be achieved.

Why are outcome payments too low? The main reason is that when providers bid for Intensive Assistance tenders in 2000 their primary concern was that their competitors would undercut them on price. Although they could reasonably anticipate that a higher investment in each client would yield better employment outcomes, they could not be certain that the funding body would view a high bid in this light.

This raises a serious problem with competitive tendering arrangements in a monopoly market such as the Job Network.<sup>11</sup> Providers are caught between the risk of over-

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11 That is, a market dominated by a single purchaser, in this case the Government.

bidding, and being undercut by competitors, and under-bidding and failing to achieve strong enough employment outcomes.

Under the Job Network funding arrangements, the Government has shifted the risk of investing heavily in employment assistance for long-term unemployed job seekers to the providers. In many ways, government is better placed to take this risk, since it can pool the risk across all long-term unemployed job seekers, it has more resources, and it benefits directly from the savings in social security payments arising from successful employment outcomes.

At the very least, the Government should offer a substantially higher risk premium in the form of outcome payments. However, this would shift much of the risk back to government, and in more ways than one. Employment assistance schemes are always vulnerable to political attack because only a proportion of their participants obtain employment. The Intensive Assistance arrangements are especially vulnerable because providers are not directly accountable for the services they provide. Some might, for example, offer minimal assistance on the basis that many of their clients are going to achieve positive employment outcomes in any event. This limited form of direct accountability for public funds has already attracted much controversy. Yet this very feature of the system is also one of its greatest advantages. It means that providers have the flexibility to decide what form of assistance they should offer each job seeker.

The basic problem with the Job Network funding model is that as a pure outcomes-based model it fails to give providers sufficient resources *and* incentives to offer substantial help to the most disadvantaged job seekers. If some providers offer limited assistance, or concentrate their efforts on the easiest to place clients, they can hardly be blamed for behaviour that is generated by the funding model itself. Most providers do attempt to offer long-term unemployed people the best assistance they can afford within these constraints. However, unless they draw on their own resources, this is not a great deal.

There is very little information available to the public on the kinds of services Intensive Assistance providers offer their clients. However, official evaluations of the Job Network (DEWRSB, 2000a; 2001b) indicate that:

- In the first funding round (up to 2000), less than 25 per cent received vocational training (and the evaluation report made no mention at all of wage subsidies);
- In regard to the second round (from 2000), the evaluation indicates that those job-seekers who did not secure a job within three months of participation in Intensive Assistance had little chance of getting one.<sup>12</sup> This suggests that after the first three months (and once the easier-to-place clients have secured a job) the providers had run out of ammunition to assist those with more intractable employment barriers.

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12 In fact, less than a 20 per cent chance. Most of these people were unemployed for more than two years.

## 8 An Alternative Model

One of the key lessons from the two radical employment assistance experiments of the 1990s is that it is better to build on existing foundations than tear them down, even if radical change is needed. Another lesson is that it is a grave mistake to make short-term budgetary savings at the expense of long-term unemployed people, once the economy recovers. If long-term unemployment is not brought under control in one business cycle, then unemployment will be higher in the next. A third lesson is that we must find ways to marry the flexibility of Job Network model with the greater effectiveness of previous interventions such as wage subsidies and traineeships for long-term unemployed people.

With this in mind, ACOSS is developing an alternative model of employment assistance for long-term unemployed people. It has four steps:

- guaranteed access to Intensive Assistance for long-term unemployed people

All long-term unemployed people, as well as others who are assessed as facing a high risk of long-term unemployment, should be referred for Intensive Assistance after 12 month's unemployment, unless they need specialised help such as disability employment programs.

All referrals to employment assistance, apart from job matching, should be made following an interview with an employment assistance specialist officer at Centrelink. This helps people understand how the system works and how to make a genuine choice of service provider. The present system of automated referral (referral by mail) to some employment programs should be abolished to improve their very low take-up rates;

- personal advisers

Intensive Assistance providers should be required to assign each client a personal employment adviser, to assist them for the duration of their placement.

The Government's Australians Working Together package recognises the critical importance of personal advice and support and allocates resources for this purpose. However, the proposed system is very complex. The same client may have to deal in quick succession with three or more personal advisers or service brokers.<sup>13</sup> Personal advisers should be in a position to assess a client's needs over time and mobilise resources to meet them. This suggests that they should either be located within a service that is providing employment assistance directly, or a brokerage service such as the Jobs Education and Training program.

The proposed personal adviser and brokerage arrangements should therefore be rationalised to improve their efficiency and make the system simpler for job seekers.

- The 'gateway'

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13 One located in Centrelink (where there would be a number of layers of personal advisers for the same client groups such as sole parents), one with a Community Work Coordinator and one in the Job Network.

Once a client is referred to Intensive Assistance, their personal adviser should undertake an extended assessment over a three-month period while assisting them with job search. This should enable the adviser to assess more precisely their employment assistance needs. It would also help service providers to ration more expensive forms of employment assistance, since many job seekers will obtain employment within the three-month period.<sup>14</sup>

- Employment assistance guarantee

Those who have not left Intensive Assistance by the end of the gateway period should be guaranteed employment assistance of a substantial nature to overcome their workforce barriers. This should extend well beyond low level assistance such as personal advice, coaching and job search assistance.

Personal advisers within the Intensive Assistance service should decide the form of assistance to be offered to each client under the guarantee, in consultation with them. This is a further development of the Intensive Assistance Support Plans already in place. This is a more flexible approach than referring people to programs or introducing supplementary funding such as the recently-proposed training credits that can only be used for a fixed purpose.

- Employment assistance guarantee funding pool

A separate pool of funds should be established to assist providers to meet their obligations under the guarantee. In effect, the employment assistance guarantee would be a government guarantee. This is very important to ensure that Governments are not able to side step their employment assistance obligations to long-term unemployed people by passing the buck to service providers. Each provider would be accountable to spend any funds drawn from this pool to provide the services they offer their clients under the guarantee. This is a further development of the present declarations of intent. The existing system of up-front and outcome based payments would remain in place.

The implementation of the guarantee, together with regulation of the employment assistance market, the setting of basic service standards and the evaluation of outcomes, would be over-sighted by an independent statutory body (separate from the funding body).

- Abolish the Work for the Dole program

The \$200 million per annum that would be saved in this way could be redirected to the Employment Assistance Guarantee funding pool, although more than this amount would be needed.

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14 This is the case in the United Kingdom, where a similar system (also called the gateway) operates. A large proportion of clients leave intensive assistance before the end of this period. See Finn (2001).

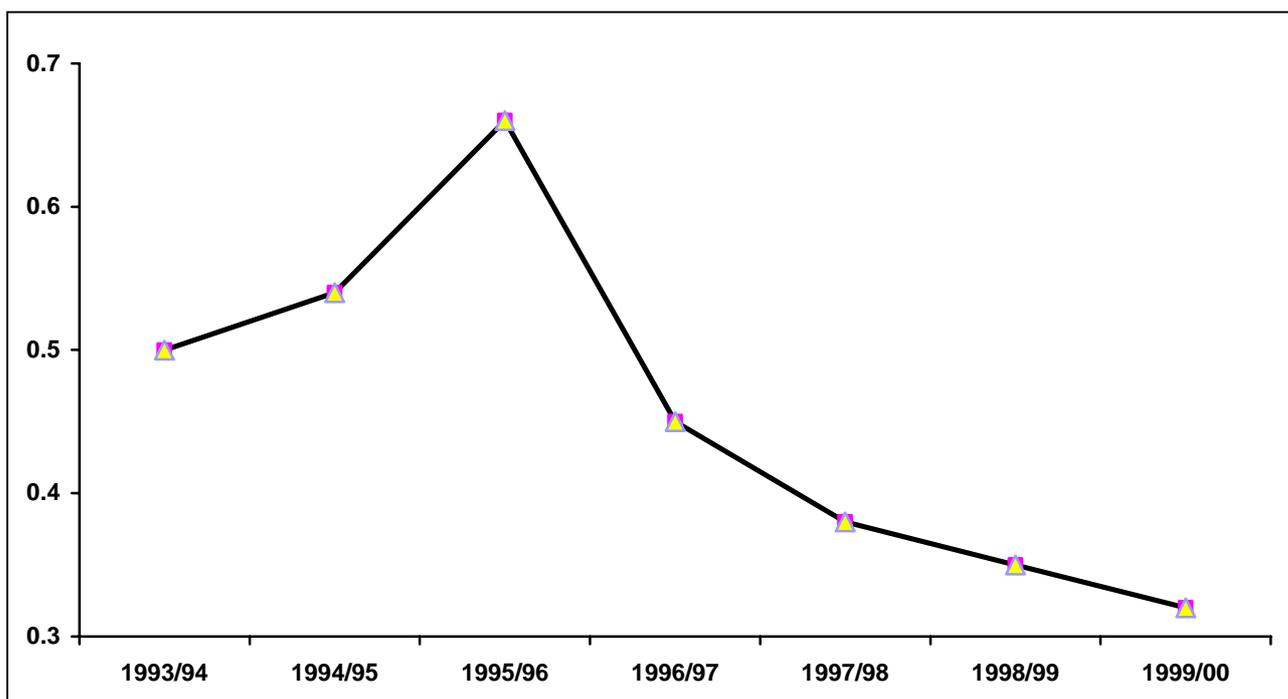
## 9 The Expenditure Commitment to Employment Assistance

Unemployment and long-term unemployment will not be reduced in Australia unless governments are prepared to make a sustained investment in employment assistance for long-term unemployed people.

Over time, the employment assistance guarantee should extend to other jobless people who want a job and face severe labour market disadvantage, but whose unemployment is hidden. This includes sole and married parents who are on Parenting Payment and people who are on Disability Support Pension, for prolonged periods. There are long queues for the voluntary employment assistance schemes available to these groups.

Although the up-front cost of such investment may be high, this must be weighed up against the social and fiscal cost of doing nothing. While other countries expanded their employment assistance effort in the 1990s, Australia dropped the employment assistance ball in the middle of the decade (see Figure 5) and we will pay a high price for this in the future.

**Figure 5: Expenditure on Employment Assistance (percentage of GDP)**



Source: Federal Budget Papers

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