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Facing High Barriers to Employment?

*Jeff Borland, Mark Considine, Guyonne Kalb
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Jeff Borland[†], Mark Considine[‡], Guyonne Kalb[§] and David Ribar[§]

[†] Department of Economics, The University of Melbourne

[‡] School of Social and Political Sciences, The University of Melbourne

[§] Melbourne Institute of Applied Economic and Social Research, The University of Melbourne

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Melbourne Institute of Applied Economic and Social Research

The University of Melbourne

Victoria 3010 Australia

Telephone (03) 8344 2100

Fax (03) 8344 2111

Email melb-inst@unimelb.edu.au

WWW Address <http://www.melbourneinstitute.com>

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Abstract

This Policy Brief proposes a new model for employment programs to assist jobseekers with high levels of labour market disadvantage. Current employment programs in Australia are either unsuitable for or have been poorly designed to meet the needs of these jobseekers. Based on evidence from evaluations of employment programs and from practitioners, we argue that an employment program for jobseekers with high levels of disadvantage should substantially address their deficiencies in job readiness and skills and provide a pathway to employment via work experience. This is most likely to be feasible where programs are implemented at a local level through a partnership between service providers and employers. Why employment programs should include these elements is explained, and a variety of issues in implementing the proposed model of employment programs are discussed.

JEL classification: J08, I39

Keywords: Disadvantaged jobseekers, employment programs

1. Introduction

Seven years since the Global Financial Crisis (GFC), during which the rate of unemployment in Australia climbed from below 4 percent to over 6 percent, there is yet to be any substantial move back to full employment. While unemployment in Australia rose much less than in most other industrialised countries during the GFC, the rate in some of those other countries has since come down, whereas in Australia it has barely moved. For example, the rate of unemployment in Australia in March 2016 was 5.7 percent, compared to 5.0 percent in the country worst affected by the GFC, the United States.

Fundamentally, the high rate of unemployment in Australia reflects its low rate of growth in Gross Domestic Product (GDP) since the GFC. Estimates suggest that annual GDP growth needs to be about 3 percent for the rate of unemployment to remain constant. But since the GFC growth has averaged only 2.45 percent. The main way therefore in which governments can lower the rate of unemployment in Australia is to adopt policies that increase the overall level of economic activity. However, another set of interventions known as employment (or active labour market) programs can also be valuable.

Employment programs seek to increase the likelihood of obtaining a job for those who are unemployed and to make job-holding more secure for those at risk of unemployment, by assisting them with job search, changing their search behaviour and/or raising their skills and job readiness. In Australia active labour market programs have remained consistently important since the mid-1970s; at present Australia spends about 0.3 percent of its GDP on active programs for the unemployed. Table 1 lists the main types of employment programs.

A major failure of employment programs in Australia has been their lack of impact on outcomes for the most highly disadvantaged jobseekers. Programs that have been implemented have either not been intended for or are unsuitable for jobseekers with high levels of disadvantage, or have been poorly designed to meet their needs.

As one illustration, the Commonwealth government in its 2015-16 Budget announced a major new employment program, Youth Jobs Prepare-Trial-Hire (Youth Jobs PaTH). This program will see young jobseekers who have been unemployed for 6 months receive 6 weeks of pre-employment training followed by a subsidised internship for 4 to 12 weeks. Unfortunately, for jobseekers with high levels of barriers to obtaining work, such as language and literacy problems, homelessness or substance abuse, this scale of assistance in PaTH is unlikely to be sufficient to make them job

ready. Another illustration is the Work for the Dole program. While this public sector job creation program was originally targeted at jobseekers who were long-term unemployed, its design flaws meant that it had no (or negative) impact on labour market outcomes for that group (Borland and Tseng, 2011).

Table 1: Main types of employment programs

| Type of program | Main objective |
|---------------------------------------|---|
| Information or job brokerage | Identify and publicise available job opportunities; assist with matching jobseekers to job vacancies |
| Job search monitoring and counselling | Increase the amount or effectiveness of job search undertaken by jobseekers |
| Work placement programs | Provide employment opportunities for jobseekers in either the private sector (through wage subsidies) or the public sector (via job creation schemes) |
| Formal training and education | Increase the job readiness and skills of jobseekers via a classroom environment |
| Public sector procurement | Mandate that a proportion of public sector jobs (in some field) be made available to jobseekers with specified backgrounds |
| Post-employment support | Provide guidance, advice and other support to employers and employees to improve the jobseeker's likelihood of remaining employed |

In this Policy Brief we argue that it is possible to use existing government funding for employment programs to obtain much better outcomes for jobseekers with high levels of disadvantage. Based on evidence from evaluations of employment programs and from practitioners we identify several best-practice features. We argue that employment programs to assist jobseekers with high levels of disadvantage should substantially address their deficiencies in job readiness and skills and provide a pathway to employment via work experience. This is most likely to be feasible where programs are implemented at a local level through a partnership between service providers and employers.

The rest of the Policy Brief is organised as follows. Section 2 gives further context for the need for extra intervention for jobseekers with high levels of disadvantage and suggests how employment programs might play that role. Section 3 gives a brief overview of the characteristics of jobseekers facing high levels of disadvantage in Australia today. Section 4 describes the main features of best-practice employment programs for jobseekers with high levels of disadvantage. Section 5 deals with some specific issues regarding the implementation of best-practice programs.

2. Jobseekers and employment programs

What do we mean by a jobseeker with a ‘high level of disadvantage’? One way to answer this question is to divide jobseekers into three categories. Some unemployed people can be regarded as having a low level of disadvantage – they are job-ready and have skills that can be matched to available jobs. Such jobseekers are likely to have short spells out of employment. Other unemployed people might be characterised as having a medium level of disadvantage – with some limitations in job readiness, skills that cannot be directly matched to available jobs, or a lack of necessary work experience. These jobseekers are at some risk of having longer spells out of employment. Finally, there are unemployed people with a high level of disadvantage – they are not job-ready and lack the formal training or work experience required for available jobs. This group of jobseekers has a high probability of having long spells out of employment.

The optimal assistance to provide to a jobseeker via employment programs differs depending on their level of disadvantage and the types of employment opportunities in their labour market. For unemployed people with a low level of disadvantage the optimal assistance will be to **maintain capability and motivation** by increasing their information about job openings and helping them with their efforts in job search. Unemployed people with a medium level of disadvantage will need assistance to allow them to **demonstrate capability**. Employers perceive that these jobseekers have some limitations in their job readiness or job-specific skills. To the extent that this gap is a misperception on the part of employers, or the individual may not be able to do some of the tasks required to obtain a job but nevertheless be able to perform that job successfully, these individuals need the opportunity to show that they can do the job. Unemployed people who have a high level of disadvantage will require assistance to **build capability**. This would involve assistance to increase their job readiness and job-specific skills, and in finding and maintaining employment.

Current Commonwealth government employment programs focus on jobseekers with low and medium levels of disadvantage and give much less attention to jobseekers with high levels of disadvantage. Most significantly, the *jobactive* system —presently the Commonwealth government’s largest program with a budget of \$1.5 billion in 2015-6— provides little financial incentive for service providers to assist jobseekers with high levels of disadvantage; and the large caseload and hence limited time available for caseworkers to spend with individual clients is a structural impediment to getting them job ready.

Limitations of the current Commonwealth system of support for unemployed jobseekers have been noted by several major service providers – for example:

- Brotherhood of St Laurence (BSL) (2015, p.3): ‘While working reasonably well for ‘job ready’ jobseekers, the Commonwealth employment services have a poor track record for disadvantaged jobseekers, including young people with barriers to employment, mature-age jobseekers, those who have been unemployed for a long time, Aboriginal and Torres Strait Islander jobseekers and newly arrived communities – particularly refugees and those with low English language proficiency.’
- Melbourne City Mission (2015, p.1) ‘It is our experience that Commonwealth employment services work well with people who are job ready. However, they do not effect significant outcomes for jobseekers with the most complex barriers to engagement...’.

In addition, in a review of employment programs in Australia, the United Kingdom and the Netherlands, Considine et al. (2015, p.67) examined the current Commonwealth model and concluded that: ‘The model continued to produce good results in moving jobseekers into jobs and doing it at a faster rate than previous systems. But this was not the best outcome for more disadvantaged jobseekers and in this area the Australian quasi-market helped insulate the public employment services from responsibility for the most disadvantaged.’ They identified several structural deficiencies in the model: ‘Frontline staff used a narrower band of [support] measures, spent less time with individual jobseekers, had less to do with employers, and only rarely made contact with other support services. Different types of agencies began to look more like each other...’.

What is available for highly disadvantaged jobseekers in Australia at present is the Work for the Dole (WfD) scheme, the default activity for satisfying the annual activity requirement. International studies of this type of public sector job creation program overwhelmingly have found them to be ineffective. From a review of 207 studies of labour market programs Card et al. (2015, p.12) concluded, ‘Another clear finding...is the relatively poor performance of public sector programs – a result that has been found in other previous analyses and in our earlier study. This pattern suggests that private employers place relatively little value on the experiences gained in a public sector program...’. Similar findings were obtained in reviews of international evidence by Heckman et al. (1999), Kluve (2010) and Martin (2014); and in reviews of the Australian WfD program – Borland and Tseng (2011) and the Organisation for Economic Co-operation and Development (OECD) (2012: p.206). The explanation for the poor performance of the usual type of public sector job creation programs is twofold: the absence of substantial skill development for disadvantaged jobseekers, and the absence of a pathway to a permanent job.

3. Which jobseekers face high barriers to employment?

High levels of disadvantage derive from low skills, a lack of job readiness, and/or other barriers, often compounded by weak local labour market conditions. First, jobseekers may have personal histories that limit their opportunity to find work. For example, growing up in a household where no one is employed may restrict a jobseeker's awareness of what is required to be job ready, and reduce access to informal networks that may lead to jobs. Second, personal characteristics, such as being a recent immigrant, may be associated with skill limitations such as low English proficiency. Major health issues and disability are known to be other factors that can seriously hinder job finding. Third, low levels of education or training for people who left school early and out-dated skills for some older workers who have been retrenched may restrict jobseekers' employment options. Jobseekers' prospects of obtaining employment may also be adversely affected by other barriers, such as where an individual does not have a driver licence and/or a car, in which case a lack of public transport would limit the jobs for which they can apply. As well, what ultimately matters for whether an individual can obtain a job are employers' perceptions of his or her capability. These perceptions will to a large extent depend on the individual's actual capability, but may also reflect employers' attitudes, including discrimination against specific groups. For example, a view by employers that it is too costly to hire and train older workers for new jobs may over-state the actual capability gap for older workers.

Specific groups of individuals can be identified as potentially having high average levels of disadvantage. Some main examples are: Current and ex-prisoners; Young people transitioning from State care; the Indigenous population; Refugees and recent immigrants from non-English speaking backgrounds; Workers retrenched in locations where the job losses constitute a relatively large share of total employment; Young people with a history of being out of work and out of education; People with disabilities; Sole parents; and Homeless people or people with insecure housing.

The size of the groups of jobseekers who potentially face high levels of disadvantage in Australia makes their situation a serious policy issue. For example, Table 2, which presents these data, shows that in recent years there were around 180,000 long-term unemployed, almost 100,000 disengaged young jobseekers, and about 120,000 older workers in jobs defined as precarious.

Table 2: Demographic statistics on disadvantaged groups in Australia, 2011

| Disadvantaged group | Size of group in Australia |
|--|----------------------------|
| Long-term unemployed (2016) ^a | 179,300 |
| People aged 15 to 19 not working or studying ^b | 96,583 |
| Low-skill workers aged 15 to 64 years in precarious employment ^c | 122,915 |
| Recently (post-2006) arrived immigrants aged 15 to 64 ^b | 730,264 |
| Indigenous people aged 15 to 64 ^b | 330,508 |
| People aged 15 to 64 with a disability ^b | 377,491 |
| Single parents ^b | 781,438 |
| People aged 15 to 64 years with no post-school qualification and no year 12 ^b | 2,767,187 |

Sources: (a) ABS, Labour Force Australia, January 2016; (b) ABS, Census of Population and Housing 2011; (c) This population includes workers who have not finished Year 12, have no post-school qualification, and are not currently studying (from ABS, Census of Population and Housing 2011); and precarious employment is where a person is working in a sector expected to experience a decrease in employment in the next five years (from Commonwealth Department of Employment, Industry Employment Projections 2015, Canberra).

4. Best-practice in employment program design for jobseekers with high levels of disadvantage

4.1 The type of programs

Our assessment is that employment programs to assist the most disadvantaged jobseekers need to provide four main elements:

- Develop job readiness skills;
- Assist in obtaining job-specific skills necessary to obtain employment;
- Help place people in jobs; and
- Provide on-going monitoring and support in the job placement.

Job readiness refers to those generic attitudes and skills that are necessary to obtain and retain a job. Additionally, job readiness skills include self-organisation capabilities and basic health management that are necessary to work as an employee. For example, a survey of employers by the Commonwealth Department of Education (2014) found that characteristics on which they placed a high value in assessing whether to hire a young person are: a positive attitude to work; reliability and a respectful approach to work colleagues; a high standard of personal preparation; and work

experience or time spent in voluntary activities. While having these generic attitudes and skills is the end-point of becoming job ready, it is important also to recognise that achieving these skills may require addressing other barriers. This is especially likely to be the case for highly disadvantaged jobseekers. For example, people with mental health conditions, who have substance abuse problems or who are homeless, may lack the capacity to undertake the training necessary to become job ready. Job readiness is therefore perhaps best thought of as the presence of generic attitudes and skills that are necessary to perform a job and the absence or management of personal barriers that would interfere with holding a job. Box 1 suggests a best-practice template for services to ensure that job readiness is acquired.

Box 1: A best practice template for providing job readiness

- An audit of the jobseeker’s available skills as a starting point for assessing what he or she is able to offer to employers and where job readiness could be further developed;
- English language training;
- Literacy and numeracy skills;
- Job search and job application skills;
- Development of inter-personal skills;
- Training in basic tasks required in the workplace (such as using IT);
- An introduction to the workplace (for example, expectations of employers regarding behaviour and dress; working in teams; working with people from different cultures);
- Opportunities for work experience and volunteering;
- Facilitated access to formal training; and
- Assistance in addressing barriers to work such as lack of transport (for example, assistance in obtaining a driver licence) or childcare.

Job-specific skills are the extra skills, training and experience that are necessary to perform a specific job or complete a set of tasks in the workplace. Job-specific skills can be intrinsic or have been acquired via prior education, training or experience (and in most cases, of course, extra job-specific skills will be developed on the job). Examples of intrinsic skills would be where some physical characteristic such as strength is required to work in a job in construction, or manual dexterity to work in data processing. Examples of acquired skills would be doing an accredited degree or course to work as an accountant; or an apprenticeship to work as a motor mechanic.

A *job placement* is an opportunity for a jobseeker to be employed and gain work experience for a specified period. The job placement would be a sustainable and potentially on-going position with a private sector or government employer, and which as part of an employment program would be supported for some period of time by government funding. One possibility therefore is that the jobseeker could continue in the job after the funded period is completed. The prospect for a disadvantaged jobseeker to obtain a job placement has multiple advantages. It motivates the person to undertake the building of job readiness and training. It provides a structure to the type of training that is delivered to the jobseeker; that is, the training is targeted at what is required to prepare for the job placement rather than being generic. Furthermore, having a job placement means that an outcome of the program is that the individual acquires work experience and a credible signal of their job readiness.

Jobseekers with high levels of disadvantage are unlikely to shift seamlessly into employment, even after training for job readiness and acquiring skills. Some aspects of knowing what to do at work can only be learned with experience on the job. For some jobseekers (for example, those with disabilities) it may be necessary for jobs to be redesigned or for a period of transition into work to occur. Jobseekers with background factors that are barriers to employment may have to continue to deal with those issues even once in a job. And finally, it may be valuable to have an intermediary between the employer and jobseeker in the placement, who can explain the perspective of each party to the other, and avoid misunderstandings that might lead to conflict. Hence, for many jobseekers with high levels of disadvantage, *on-going monitoring and support* in the job placement will be necessary. This could involve minimal intervention – such as continuing contact with a jobseeker outside the workplace so that there is the potential to provide support should any difficulties arise; or it could be more extensive – for example, a support worker who an employer can call on should difficulties with a job placement arise and who might meet regularly in the workplace with jobseekers doing placements.

The degree of attention to each of the four best-practice elements of the employment program will vary depending on the needs of the jobseekers who are participating in the program. For example, where the characteristics of jobseekers are such that they are unable to undertake advanced training, the program should focus more on providing job readiness and less on job-specific skills, with the idea of matching the jobseeker to a job placement requiring relatively low skills. But where the characteristics of jobseekers allow them to undertake more advanced training or education, and there are employment placements for which those higher levels of skills are required, the program

could focus more on supporting the jobseeker to acquire the necessary job-specific skills through formal training.

4.2 How to provide employment programs

Providing this best-practice model for employment programs is most likely to be achievable: (i) at a local level; and (ii) in partnerships between organisations providing different types of assistance to jobseekers (not-for-profit agencies, social enterprise, councils etc.) and employers – where the providers make jobseekers job ready and provide support in placements, and employers provide the job placements.

The rationale for implementing programs at the local level is that program design can be tailored to the specific needs of jobseekers, available employment opportunities, and the support systems in that region; and it is at the local level that it will be easiest to develop partnerships between organisations assisting jobseekers and employers who can provide job placements.

The rationale for a partnership model is that while only employers can provide job placements, they cannot be expected to (and cannot afford to be) responsible for the job readiness of disadvantaged jobseekers. Hence it is critical to have organisations that can assist jobseekers to become job ready and to maintain their job readiness during periods of unemployment. Where disadvantaged individuals have multiple issues affecting their job readiness (such as homelessness and mental health) it may be necessary for service providers with expertise in those areas to work jointly with employment service providers to achieve the outcome of job readiness. However, in this case, job placements could be some way down the track and appropriate activities will be needed to help jobseekers maintain their commitment to work.

In response to the request for submissions to the Victorian government's review of its employment programs in 2015, several organisations similarly support the local partnership model as best-practice. An example, from the submission by Jesuit Social Services (2015, p.4), is:

‘...we recommend a strategy based on...

2. Building the skills and capabilities of vulnerable people (including job readiness training, for jobseekers with limited previous work experience...
3. Linking education and training to demand, including a focus on positions that offer the real prospect of on-going employment.
4. Fostering business and community partnerships, and support existing partnerships to deliver pathways to employment, including on-going post-placement support.’

(See also Victorian Council of Social Services, 2015, p.3, 13-14; and BSL, 2015, pp.15-17).

Evidence from evaluations of international and Australian employment programs supports this approach to program design (see for example, Martin, 1998, Heckman et al., 1999, and Borland, 2014). For example, a comprehensive review of research on Swedish programs by Calmfors et al. (2001, p.92) concluded that ‘...subsidised employment programmes work better the closer they are to a regular employment relation’; and another review of Swedish programs by Sianesi (2008, p.370) similarly found that ‘...the more similar to a regular job, the more effective a program is for its participants’.

The local partnership model that we are identifying as best-practice differs from the usual type of public sector job creation program - where a government or employment agency prescribes a uniform set of services or activities to be provided to jobseekers and where job placements are government-funded short-term positions in the community sector.

5. Other issues regarding the implementation of best-practice employment programs

Describing the best-practice elements of an employment program for jobseekers with high levels of disadvantage is in many ways the easy part of policy making. The major challenge is to work out how these elements of best-practice can be combined and implemented in an actual program. In this section, therefore, we discuss several main issues that would arise in implementing this type of program.

5.1 Should program participation be compulsory?

Suppose that the government has decided that a specific group (such as Indigenous adults who live in regional areas and are out of work) could benefit from participation in an employment program. Should it then seek to have everyone in that group participate in the employment program, or should participation to some degree to be voluntary?

At one end of the spectrum it would be possible to require all members of the specific group to participate in an employment program. In this case service providers would enter into contracts that required them to supply the employment program to that group. At the other end of the spectrum, participation in the employment program would be voluntary, but it could be indicated by the government that service providers that are able to commit to provide the program to a specific population group would have priority in funding.

A difference in coverage between these approaches is likely to arise due to selection effects. A compulsory program has the strength that it provides assistance to all members of the relevant population group, whereas contracting with organisations to provide employment programs to members of the population group who participate voluntarily is likely to result in the least disadvantaged members of the group choosing or being chosen to participate in the program. However, there may be difficulties in implementing a compulsory employment program. First, there may be no means for a government (especially at State-level) to enforce participation. Second, it may be difficult to identify members of the specific population groups. For some groups these difficulties might be overcome – for example, for State justice system clients; but for other groups such as disengaged young people this may not be possible. For population groups where it is not possible to require universal coverage an option may be to require organisations bidding to supply employment programs to indicate how they will seek to engage with more disadvantaged members of the population group, and make payments to the organisation dependent on the success of this engagement.

5.2 How to make sure that a joined up set of services is provided?

All four elements of the best practice employment program will generally need to be present for participation to have an impact on outcomes for the most disadvantaged jobseekers and those in the most distressed local labour markets. Hence the issue arises of whether service providers should be required to supply the full set of four elements, or whether they should be allowed to provide a subset of the elements (for example, language training as part of job readiness training).

On the one hand, supplying the full set of best-practice elements leads to an integrated service for jobseekers, and would address the issues with the current system of an imbalance in the provision of the separate elements and a difficulty of moving between the four elements. On the other hand, the requirement to provide comprehensive services could exclude organisations with high levels of expertise in addressing specific sets of issues for jobseekers. Some options might be to: (i) Specify a preference for service providers able to provide joined-up service provision encompassing all four best-practice elements– which might, for example, encourage organisations with expertise in a subset of the elements to develop partnerships; and (ii) Give preference to organisations seeking funding to supply a subset of elements which have as an outcome measure moving jobseekers who participate in their service to the next stage of employment preparation (for example, an organisation which seeks to make jobseekers job ready has the responsibility to place those

jobseekers with an employment placement service since that is the outcome on which they are paid).

5.3 What is the best way to develop partnerships with employers?

A critical component of a best-practice employment program for disadvantaged jobseekers is a job placement. This requires the cooperation of employers, many of whom are already involved with work experience and internship schemes. Hence it seems important to seek to create job placements associated with government funded employment programs in a way that imposes the least burden on employers. One option would be a 'one-stop shop' which would coordinate contact by organisations providing employment programs for employers in each region. This would have the advantage of establishing a single point of contact with employers, making for a coordinated and straightforward approach to seeking job placements. However, it may be difficult to enforce such an arrangement, and it may mean the loss of some of the benefits associated with the development of close relationships between an organisation providing employment programs and employers providing job placements to the participants (such as, for example, between Brotherhood of St Laurence and ANZ Bank). Another option may be to create the scope for a coordinated approach in a region by allocating funding for an Employment Facilitator who would broker job placements and could be nominated by employers in that region as their preferred point of contact. However, this would be an optional method for service providers wanting to find job placements and employers willing to offer placements, and would also allow separate arrangements between organisations providing employment programs and employers where that is preferred. Critical to the choice in providing such coordinated employer support will be an assessment of the particular industries and average firm size in a region, together with the level of networking between employers already in place.

5.4 How should programs be funded?

The method of funding employment programs involves three main decisions. The first step is to decide whether to fund providers to supply services to jobseekers or to fund jobseekers to buy services from providers. Given the difficulty of identifying populations who would receive funding, the higher cost of administering such a scheme and the relatively thin market for supply of employment programs, the approach of funding organisations is likely to be superior.

The second step is to decide on the structure of funding. One issue concerns the method by which the price for service provision will be determined. For example, a service provider could receive a

fixed price to provide employment programs to a designated group of jobseekers, or could bid in a reverse tender process for funds to supply employment programs. Given potential difficulties for a government to establish the cost of supplying employment assistance, and the greater flexibility that would come from allowing organisations to tender to supply services, it seems that the reverse tender model is preferable. A second issue relates to the degree of direction from government about what services are to be provided. One option would be for a government to specify the services that need to be supplied to jobseekers. An alternative is that service providers could indicate the percentage weight they would put on providing each of the four best-practice elements together with a justification for why that combination was considered optimal for the group of jobseekers to whom they would be providing assistance. This latter approach would allow service providers to use their expertise to suggest an optimal structure of employment programs for their intended participants. Similarly, a government could specify what activities would be expected to be undertaken within each element (such as specifying what might be considered the set of services necessary to make a jobseeker job ready), or service providers could state which (types of) services they would provide.

The third step is to choose which proposals made by service providers (and their employer partners) will receive funding. The overall criterion that should be used is benefit-cost. Allocating funding between proposals on the basis of the ratio of benefit to cost will maximise the value derived from the government spending. The measure of benefit could be calculated as a quantitative measure of value based on a points-system that assigns points reflecting the quality of each proposal on a set of specified criteria; or they could be assessed in a qualitative manner. With regard to the criteria that would be taken into account in calculating the benefit, promoting a major role for organisations with track records of providing high quality employment assistance at the local level is critical. Considine et al. (2015, p.43) discuss how procurement processes for employment programs that place too much emphasis on tender documents and not sufficient weight on track record are likely to favour ‘...wealthy organisations that could afford to invest more heavily in professional tender writing...’.

5.5 How much monitoring of employment programs should occur? What are the right outcome measures for judging the performance of service providers?

Recently the OECD (2015, pp.146-47) has highlighted the importance of regular monitoring and evaluation of employment programs. Monitoring of programs creates the opportunity for

performance-based funding; and for programs to be modified where it appears there are shortcomings in their operation.

Monitoring of programs (and performance-based funding) raises the question of what outcomes should be measured. The ultimate objective of employment programs is to improve employment outcomes for participants, so for programs that seek to provide job placements to jobseekers, it would be expected that the numbers and durations of job placements are important outcome measures. Some of the programs that are dealing with highly disadvantaged jobseekers may take time to get to the stage of providing job placements; that is, some programs may be targeted at improving job readiness. For these programs it may be desirable to establish intermediate outcome measures – such as work-related and work-facing experiences leading to employment (for example, engagement with employers through work experience programs or internships). Alternatively, for organisations providing services to jobseekers with the highest levels of disadvantage, the performance of service providers could be monitored, for example, through measuring improvements in their program participants on pre-determined alternative outcomes, such as housing stability, reduced substance use, or improved mental health. Continued funding could then be made dependent on the organisation adjusting its practices, if necessary, based on feedback on ways to improve performance.

The frequency and depth of monitoring would need to trade off the benefits of having better information on the performance of organisations supplying services with the opportunity cost of organisations needing to spend time on providing this information. One option might be to have a limited quarterly report on quantitative measures of performance, and a longer annual review that would incorporate qualitative information.

5.6 The importance of evaluation

Evaluation establishes the causal impact of an employment program and provides the basis for refining knowledge about best practice in program design. Not all employment programs will be amenable to evaluation (for example, due to problems in finding a counter-factual or control group); and evaluation is costly to undertake. Hence it would not be expected that detailed evaluation of program impact would be a universal feature of employment programs. Nevertheless, it is via program evaluations that knowledge of ‘what works’ is developed, and for that reason some commitment of funding to this activity is desirable. One option would be to specify the selection criteria in such a way that it allows for extra funding to support proposals in which a high-quality evaluation will be undertaken and communicated to stakeholders. This could be reinforced through

requirements that all funded programs provide regular feedback on what they have learned in their on-going dealings with both jobseekers and employers and what they have done to incorporate such learning in their operating systems.

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