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Rethinking employment assistance to strengthen social and economic participation

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Why we need substantial reform of employment assistance

1. The current model was designed for labour market conditions that no longer exist
2. Sustained economic growth has absorbed job seekers with competitive skills and prior work experience
3. Substantial untapped potential to improve workforce participation
4. Employment assistance is poorly designed for highly disadvantaged job seekers
5. Australia lags behind international best practice in human capital development

Limitations of the current system

- Service system is burdened with ever-increasing regulation and contractual obligations
- Disadvantaged and marginalised job seekers are frustrated by unproductive activation obligations and further marginalised by the penalties for non-compliance
- Clients with multiple barriers and greatest needs do not receive higher levels of resources
- Assistance is sequential, fragmented and inefficient
- The complex transactional payments structure limits flexibility, inhibits responsiveness and distorts provider behaviour
- The competitive quasi-market model has limited collaboration and partnership, stifling innovation

Labour market assistance outcomes

- selected data for disadvantaged job seekers

Labour market program	Employed full time %	Employed part-time %	Unemployed %	Education and training %	Job seeker exits (12mths to Mar 07)
ISca 1	18.4	28.0	39.6	13.3	186,436
ISca 2	11.9	28.8	48.8	11.5	81,652
WfD	13.5	17.2	59.2	10.8	95,368
PSP	6.3	10.7	39.4	7.3	28,150

* Outcomes are measured 3 months after exit from program.

Source: Department of Employment and Workplace Relations 2007, *Labour market assistance outcomes, year ending March 2007*, Issue 25.

A balanced approach to activation and opportunity

- Current extreme activation measures are not supported by evidence
- Most unemployed *are* motivated to gain work and build a better life
- Coercive and punitive approach further marginalizes disadvantaged jobseekers
- Disincentives and barriers to work need to be addressed
- Mixed model – building capabilities with a work focus - is better

Principles for strengthening employment assistance for the next decade

- Full assessment and effective engagement of disadvantaged job seekers
- Integrated support model of training, personal development and meaningful work experience
- Emphasis on sustainable outcomes through in-work support (retention and advancement)
- Refocus activation strategy towards investment in capabilities
- Ensure effective 'work pays' incentives

Integration with a social inclusion framework

- Important to complement reforms to employment assistance system with SI initiatives:
 - *Resolve structural barriers to employment*
 - *Build local capacity and infrastructure*
 - *Support business development leading to job opportunities*
- Regional framework needed to implement local priorities
- Strengthen local partnerships to align the unemployed to job pathways
- Business as partners - not just customers