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The Role of Further Education and Training in Welfare to Work Policies

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Overview

The focus of this paper is the training and education needs of jobless Australians with limited education and skills: *more than half those jobless people affected by the Welfare to Work policy have Year 10 qualifications or less, including more than 60 per cent of jobless Parenting Payment recipients and people with disabilities.* This greatly disadvantages them in the jobs market. The Australian Industry Group estimates that 86 per cent of occupations require a post-secondary qualification.¹ On average, possession of at least Year 12 qualifications or their equivalent increases the probability of employment by around 30 per cent and reduces the risk of unemployment by about 60 per cent.²

ACOSS therefore welcomes the Government's announcement in its *Skills for the Future* package that *Work Skills Vouchers* of up to \$3,000 will be offered to jobless people with less than Year 12 qualifications, to improve their literacy and basic education and to secure vocational qualifications. This should assist low skilled jobless workers to secure future employment, given that most new jobs in the next decade are likely to be skilled jobs requiring qualifications.³

However, it will be difficult for many jobless income support recipients to take advantage of the Work Skills Vouchers and other training opportunities unless the *Welfare to Work* policy is adjusted to encourage participation in education and training. The *Welfare to Work* policy emphasises moving people rapidly into jobs, often at the expense of upgrading their skills. Instead of giving priority to either rapid job entry or skills development, *Welfare to Work* policies should respond in a flexible way to the circumstances of each jobseeker. Many need training as well as help with job search, and the policy should accommodate this.

ACOSS recommends the following adjustments to *Welfare to Work* arrangements to improve access to further education and training.

Remove payment anomalies

Anomalies between income support payments that result in lower levels of income support for full time adult students than for pensioners or unemployed people should be removed. People with disabilities and single parents who receive pension payments are paid the same whether studying or looking for jobs. In addition, they receive a \$31 per week Pensioner Education Supplement (PES) to help with the cost of textbooks and other costs of training.

However, many of those affected by last year's *Welfare to Work* changes receive Newstart Allowance instead of pensions. If they study full time for over a year they are likely to have to transfer to Austudy Payment, in which case their overall level of income support is up to \$93 per week less than Newstart Allowance. They will not be paid the PES unless they already received it prior to transferring from a pension payment, and could lose the pensioner concession cards they receive on Newstart Allowance.

Over time, Austudy Payment should be merged with Newstart Allowance for unemployed adults (at the higher Newstart Allowance rate), as has already been done with the Youth Allowance for young unemployed people and students.⁴

¹ AI Group 2006, Ai Group New National Skills Fund Initiative, 18 September 2006.

² Marks & Ainley 1999, *School achievement and labour market outcomes*. ANU Centre for Economic Policy Research Discussion paper 408.

³ Shah & Burke 2005, *Labour mobility*. Centre for the Economics of Education, Monash University

⁴ This would affect approximately 30,000 recipients and cost approximately \$150 million per year when fully implemented.

Extend child care fee relief

Similarly, JET child care assistance, which typically reduces child care 'gap fees' for a low income parent with two children in before and after school care by at least \$25 per week, should no longer be withdrawn from income support recipients studying full time for 12 months or more.

More flexible activity requirements

Participation in approved part time education or training should be accepted as substantially meeting the activity requirements for people with disabilities and parents, since these groups are often unable to undertake full time activity due to their disabilities and caring responsibilities. For example, they should not be compelled to abandon courses that have been approved by their employment service provider in favour of casual or short term job offers.

Combine training with employment assistance

Job Network providers should be encouraged to invest more in suitable further education and training for disadvantaged job seekers than the current average of just three days' training at an average cost of \$287⁵. This should be achieved by increasing the overall level of funding to providers for this and other purposes through the Job Seeker Account for disadvantaged clients, and by extending the 'outcome fees' currently paid to providers when young unemployed people complete an educational course to include adults lacking Year 12 qualifications.

The Government should trial employment assistance programs that combine paid employment experience in a mainstream work setting with accredited training. The evidence suggests that these combinations usually work better for disadvantaged job seekers than classroom training.

Better access to Work Skills Vouchers

In order to ensure that the Work Skills Vouchers are used effectively to improve people's career prospects and that jobless people have access to them:

- Half of the Work Skills Vouchers should be earmarked for use by jobless adults in the target group.⁶
- Work Skills Vouchers should be strongly marketed, including through local community organisations, and career counselling should be available to people targeted for Work Skills Vouchers, to improve both their take up and effective use.
- Governments should also raise their investment in the Vocational Education and Training system to close the growing gap between demand for courses and the resources available to colleges.

Australian and international evidence shows that policies to assist jobless people into employment are more likely to be effective if they invest in the education and skills of disadvantaged job seekers. The changes proposed by ACOSS would help achieve this.

⁵ Courses financed through the Job Seeker Account for Customised Assistance recipients. See DEWR 2006, Job Network best practice.

⁶ Presently approximately 40per cent of expenditure on the vouchers is nominally allocated to courses for jobless people.

A changing labour market

Over the last 30 years, high skilled jobs have grown strongly, while employment in many low skilled manual occupations has declined. The Productivity Commission estimated that in 2000, over half of all jobs required post school qualifications, compared with less than 40 per cent of jobs twenty years previously.⁷ The Australian Industry Group estimates that 86 per cent of occupations now require a post-secondary qualification.⁸

Most of the growth in low skilled employment has been confined to part time or casual work. For example, all of the net growth in low skilled work over the 1990s was in casual or part time jobs⁹. Over the last 25 years full time employment rose by 35 per cent while part time jobs increased by 190 per cent. Australia has one of the highest rates of part time and casual employment in the OECD.¹⁰

The growing divide between higher-skilled full time employment and lower-skilled part time or casual jobs means that many jobless people have access to part time work but find it difficult to take the next step up the jobs ladder towards more secure full time employment. Recent research on transitions from casual employment by the Productivity Commission found that 27 per cent of previously unemployed people who obtained a casual job moved up to permanent employment in the following 12 months. However, almost half remained casual employees and another 27 per cent fell back into joblessness. People with disabilities and people with low education levels were especially vulnerable on this score.¹¹

People with post school qualifications are more likely to progress from joblessness to ongoing employment. For example, the probability that people who lose or leave a job will still be out of work a year later is about one third higher for people without post school qualifications than for those with trade qualifications.¹²

DEWR (The Department of Employment and Workplace Relations) estimates that over the next five years, there will be a shortfall of 195,000 workers due to population ageing. This presents an opportunity for jobless people to obtain secure employment. To take full advantage of this opportunity, they need help to upgrade their skills.¹³

Profile of jobless people affected by Welfare to Work

By 2007, the jobless Australians 'targeted' by the *Welfare to Work* policy will include approximately:

- 38,000 new applicants for income support who have disabilities but are assessed as able to work part time;
- 285,000 parents whose youngest child is 6-7 years or over;
- 50,000 Newstart or Youth Allowance recipients who reach two years on these payments (among the 214,000 people in all who have received these payments for 2 years or more);

⁷ Productivity Commission 2002, *Skill and Australia's productivity surge*.

⁸ AIGroup 2006, Ai Group New National Skills Fund Initiative, 18 September 2006. Estimates derived from research by Queensland Department of Employment and Training, and from ABS Census Population and Housing 2001

⁹ Borland et al 2001, *Work rich work poor*, Victoria University.

¹⁰ ABS Labour force data; OECD *Employment Outlook*.

¹¹ Productivity Commission 2006, *The role of non traditional work in the Australian labour market*.

¹² Shah & Burke 2005, *Labour mobility*, CCET, Monash University.

¹³ DEWR 2005, *Workforce tomorrow*.

- 110,000 mature age unemployed people.¹⁴

On average, people in these 'target groups' have very low levels of formal educational qualifications compared to the overall workforce. Only 25 per cent of the overall workforce has Year 10 or less, compared with:

- 63 per cent for people with disabilities,
- 72 per cent for jobless Parenting Payment recipients (including 70 per cent of jobless single parents on parenting payment),
- 43 per cent for mature age Newstart Allowance recipients,
- 64 per cent for very long-term unemployed Newstart Allowance recipients.¹⁵

Overall, of those jobless income support recipients affected by the *Welfare to Work* policy, more than half have Year 10 qualifications or lower. This low level of formal education substantially reduces their job prospects. Possession of a Year 12 qualification is estimated to reduce the average risk of unemployment by 60 per cent.¹⁶

Limited educational qualifications and vocational skills are likely to be a major reason for the low full time job outcomes recorded for people drawn from the above groups who participated in the Job Network last year. Of particular concern are those job seekers classified at that time as long-term unemployed (over 12 months) or 'highly disadvantaged', who received Customised Assistance. Overall just 17 per cent were in a full time job three months later and 29 per cent had a part time job. Some of these jobs did not pay enough to remove the need for social security payments, so 62 per cent were still on benefits. Moreover, these are employment outcomes just 13 weeks after Customised Assistance and they include casual jobs. Many would have returned to income support afterwards. Outcomes for those categories of Customised Assistance clients that most closely resemble the *Welfare to Work* target groups were:

- unemployed over two years: 16 per cent employed full time (and 29 per cent part time),
- people with disabilities: 13 per cent employed full time (and 27 per cent part time),
- single parents: 18 per cent employed full time (and 34 per cent part time),
- mature age: 12 per cent employed full time (and 28 per cent part time).¹⁷

Employment outcomes for people with disabilities and parents affected by the *Welfare to Work* changes today are likely to be lower than indicated above, because they are drawn from a more disadvantaged group of income support recipients. Many single parents in the Job Network back in 2006 were voluntary participants (who usually achieve better job outcomes) and those people with disabilities in Customised Assistance at that time generally had less severe disabilities (for example, they were assessed as able to work 30 hours per week or more) than those placed on Newstart Allowance now as a result of the *Welfare to Work* changes.

¹⁴ Sources: responses to Senate Estimates questions.

¹⁵ ABS 2003, *Disability ageing and carers survey* (refers to people with disabilities with specific limitations or restrictions); .ABS *Education and Work – May 2005*. ABS-6227.0. Persons aged 20-64 years; FaCS (2002), *Welfare reform pilots: Characteristics and participation patterns of three disadvantaged groups*; ABS (2003), *Disability, Ageing and Carers survey*, ABS 4430: People with disabilities refers to people with 'specific restrictions'.

¹⁶ Approximately 60 per cent of these groups of jobless income support recipients have Year 10 qualifications or less. See Marks & Ainley 1999, *School achievement and labour market outcomes*. ANU Centre for Economic Policy Research Discussion paper 408.

¹⁷ Source: DEWR 2006, *Labour market assistance outcomes for year ending March 2006*.

Previous research by DEWR suggests that most of those who obtain jobs within 12 months after Job Network assistance remain in low paid part time and casual employment. The average weekly wage for those in full time jobs was just \$475.¹⁸

Significantly, former Job Network clients who have post school qualifications are about 50 per cent more likely to get a full time job within three months, and about 25 per cent more likely to get a part time job, than those who have Year 10 or less.¹⁹

This underscores the benefits of further education and training for these disadvantaged job seekers. Many people within the *Welfare to Work* target groups are keen to pursue further education and training. Of participants in *Welfare to Work* 'pilot' programs in 2001, around 40 per cent expressed interest in specific courses, but of these generally less than 10 per cent actually participated in education or training. The most important reason given for non-participation, by over 30 per cent of those surveyed, was the cost of training.²⁰

Overall participation in further education and training among income support recipients is low. Of approximately two million workforce age income support recipients, only about 150,000 are substantially engaged in non-school education or training.²¹

A survey by DEST estimated that in 2004, the average cost of a semester of study at TAFE was \$730 for full time study or \$397 for part time study. This included course fees, materials, and transport costs, but because it was an average figure, it underestimated child care costs for those who had children. It is understandable that the cost of training poses a major barrier for people on income support payments such as the single adult rate of Newstart Allowance, which is just \$211 per week.

Effectiveness of education and training in improving their job prospects

There has been much debate here and overseas over the effectiveness of training programs for jobless people in the past 30 years. Employment policy in Australia and elsewhere shifted from favouring investment in short training programs in the 1980s, towards assisting them directly into low skilled jobs or work experience programs in the 1990s. This emphasis on assisting jobseekers directly into jobs at the earliest opportunity – a 'work first' approach - characterises the Government's *Welfare to Work* strategy announced last year.

In Australia and elsewhere, this policy shift was influenced by the findings of evaluations of short vocational training programs for disadvantaged job seekers (typically three months' training or less), such as JOBTRAIN in Australia and those provided under the GAIN program in California. These evaluations found that the impact of short term training of this kind on their employment prospects was modest (generally improving short term job prospects by around 5 per cent or less). A fair summary of the early evaluations was that: "*they have produced modest positive effects on employment and earnings for adult men and women that are roughly commensurate with the modest*

¹⁸ These data are for 2004. Source: DEWR 2004, *The sustainability of outcomes*. EPPB Report 1/2004.

¹⁹ DEWR 2006, *ibid*

²⁰ Participants included jobless parents, mature age unemployed people, and long term unemployed people. Source: FaCS (2002), *Welfare reform pilots: Characteristics and participation patterns of three disadvantaged groups*.

²¹ This includes recipients of Austudy Payment and Abstudy, Pensioner Education Supplements, and those Newstart Allowance recipients whose main activity was 'training'. Source: Responses to Senate Estimates questions; DEWR 2006, *Labour market payments*.

amounts of resources expended on them.²² That is, a major weakness of most of these programs was the short duration and low intensity of training offered.

However, there were three important caveats to these findings: that the evaluations may have measured employment impacts too soon after training to properly gauge its effectiveness; that training programs did seem to benefit certain groups including single parents; and that programs that combined employment experience and training (such as the former JobSkills program in Australia) appeared to be relatively effective.

Subsequent program evaluations have highlighted these issues. For example, recent assessments of the longer term impact of the GAIN program in California suggest that providers that offered training as well as job search assistance achieved similar or better outcomes than those without training, though the differences were small. More recent European program evaluations generally reported more positive returns from training programs, especially those that combined work experience in mainstream jobs and training. For example, an official evaluation of the main on the job training program for long term unemployed people in Denmark estimated that it boosted short term employment prospects by 25 per cent. The Longer Occupational Training (LOT) program in the UK, which offers more substantial courses than many previous programs, was found to boost employment prospects by 7 per cent after 12 months.²³

Experienced program evaluators such as the US Manpower Development Research Corporation (MDRC) now conclude that 'mixed programs' that tailor assistance to the needs of each job seeker, especially those which combine work experience and training, are more effective than intensive job search on its own: Nearly two decades of highly credible research using random assignment methods demonstrates that neither [work first] nor [education and training] approaches alone work best to increase welfare recipients' employment and earnings and reduce their welfare receipt. Instead, the most effective strategy is to employ a combination of the two – a 'mixed' approach.²⁴

Therefore, Job Network and other employment assistance providers should have access to the resources they need to offer subsidised employment experience in mainstream jobs, vocational training, basic education, or combinations of these, to the most disadvantaged job seekers. As we argue below, they lack the resources and the financial incentive to offer help of this kind.

Labour market programs aim to assist people into jobs in the short to medium term. The evidence presented in this paper shows that inadequate qualifications and skills are also likely to restrict their future access to stable, reasonably paid employment – especially full time jobs, since most of the growth in full time employment over the past 15 years has been in jobs that require more than high school qualifications. More investment in 'second chance' education and training is also vital to strengthen workforce participation and labour productivity in the face of population ageing. The OECD estimates that across wealthy countries, a 10 per cent increase in time spent in adult education or training leads to an average increase in workforce participation of 0.4 per cent, and an average decrease in the chances of being unemployed of 0.2 per cent.²⁵

²² Friedlander, cited in Machin 2006, *Social disadvantage and education experiences*, OECD Social and Employment Working Paper No32. See also DEETYA 1997, *The net impact of labour market programs*; Martin 1998, *What works among active labour market programs*, in RBA 1998, *Unemployment and the Australian labour market*.

²³ Stromback et al 2000, *Labour market programs and labour market outcomes*, Melbourne Institute Discussion Paper; Hotz et al 2000, *The long term gains from GAIN*, NBER Working Paper 807; Meagher & Evans 1998, *Evaluation of active labour market programs for the long term unemployed*, ILO Employment and training Papers No16; Masden 2002, *The Danish model of 'flexicurity'* Conference paper, *Interactions between labour market and social protection*, Brussels May 2002. Anderson et al 2004, *Work based learning for adults, an evaluation of labour market effects*. UK Dept of Work and Pensions.

²⁴ MDRC 2005, *What is the best way to move welfare recipients into work?*

²⁵ OECD 2004, *Employment Outlook*.

Therefore, improving skills and qualifications of low skilled workers is an important national objective in its own right, whether or not it immediately improves people's job prospects. As the Prime Minister argues:

*We need to improve the basic skills of our workforce. About 3.5 million Australians between 25 and 64 are without Year 12 or equivalent qualifications. Many adults lack essential literacy skills. Traditionally, our education and training institutions have focussed on new entrants to the labour market. In the 21st century, we must redesign them to also close the gap between the skills-rich and the skills-poor in the adult workforce.*²⁶

A key challenge, then, is to integrate policies and programs that improve people's employment prospects in the medium term (for example 6 months) with those designed to improve their skills so that they can fully participate in a rapidly changing labour market in future. It is probably not feasible to design a single program for jobless income support recipients that combines these objectives. The two objectives often pull in different directions. For example, programs that offer classroom based training to improve basic education may not improve people's job prospects in the short term, and may reduce them for a while due to the time spent in training. On the other hand, there is little doubt that many disadvantaged job seekers would benefit over the longer term from these programs.

Therefore, employment assistance programs should continue to focus primarily on assisting job seekers to secure employment in the medium term – for example, within 6 to 12 months. They should continue to be rewarded for 'education and training outcomes' (completion of approved courses considered likely to improve future job prospects). But in addition to employment assistance, a separate system of public support for continuous skills development for people disadvantaged in the labour market – including income support recipients - is needed.

Skills for the Future

The *Skills for the Future* package announced by the Prime Minister in October 2006 helps fill a major gap in public support for 'second chance' education and training. Its centrepiece is a system of up to 30,000 Work Skills Vouchers for people 25 years or over who lack Year 12 qualifications to purchase basic education or vocational training worth up to \$3,000. This is an important and welcome initiative.

As the program is capped at 30,000 vouchers, those in the following 'priority groups' are more likely to gain access: unskilled workers, income support recipients facing activity requirements in the next two years, unemployed jobseekers participating in programs such as Job Network, and people who are currently not in the labour force but wish to enter it in the near future. It is not clear at the time of writing whether all members of the *Welfare to Work* 'target groups' will be given priority under these guidelines. This is important for equity reasons, and to ensure maximum take-up of the vouchers among those income support recipients who can most benefit. Equal priority should be given to jobless people and low skilled employees in the allocation of the 30,000 vouchers.

Career counselling for both jobless people and low skilled workers is also needed to inform people about how best to use vouchers to improve their career prospects. This would help ensure that both jobseekers and the Government get the best value out of every dollar spent on the vouchers. For example, the small *Career Planning Program*, which has 15,000 places annually, could be expanded and extended through a broader range of service providers including the Job Network.

If demand for the Work Skills Vouchers exceeds the annual cap of 30,000 this ceiling should be raised. If the vouchers are effective in improving basic education and vocational training for those

²⁶ Rt Hon Prime Minister John Howard, MP, Speech to AFR Skilling Australia conference. Sydney 18/9/06.

lacking Year 12 qualifications, this additional investment will reap fiscal dividends for Governments in future, as well as social dividends for the community.

For these reasons, in its *21st Century Skills* statement in 2003 the UK Government guaranteed access to adult training leading to at least a Level II qualification (equivalent to our Australian Qualifications Framework II level, or one level below a trade certificate)²⁷ for jobless people and low skilled workers lacking these qualifications. The UK Government also committed to the target of a 40 per cent reduction in the number of adults in the workforce without a Level II qualification by 2010. This commitment is supported by a national Work Based Learning for Adults (WBLA) program and a 'skills coaching' service for income support recipients.

Governments should also restore funding levels for the vocational education and training system, which have declined over the past decade. As a result, in 2004 there was an estimated national shortfall of 45,600 places in the VET system. Efficient investment in the VET system over the long term is likely to pay for itself through higher workforce participation and productivity.²⁸

Education and training in the Government's Welfare to Work policy

The *Welfare to Work* policy and associated changes to income support and employment assistance programs are intended to encourage rapid job entry. Instead of pension payments, many single parents with school age children and people with disabilities assessed as able to work part time will now receive lower unemployment payments (Newstart or Youth Allowance), and be required to seek part time employment. Activity requirements for mature age Newstart Allowance recipients and those unemployed for over 2 years have also been tightened.²⁹

There is a risk that the *Welfare to Work* policy, as presently designed, will reduce participation in further education and training among the target groups, especially parents and people with disabilities. There are four main reasons for this:

1 Financial disincentives for income support recipients

Prior to the 2006 *Welfare to Work* changes, single parents and people with disabilities generally received pension payments and could undertake part time or full time study without any reduction in income support. They also received up to \$31 per week in a Pensioner Education Supplement to help offset the costs of education such as fees, books and transport. Under the Government's *Welfare to Work* policy, many people with disabilities and single parents will receive Newstart Allowance instead of pensions. They will have to transfer to the lower Austudy Payment if they undertake full time study in an approved course for more than 12 months.

Single adults – including those with disabilities affected by the *Welfare to Work* policy - who transfer from Newstart Allowance to Austudy Payment (which they generally have to do to undertake a full time course lasting 12 months or more) lose \$93 per week if they were receiving Rent Assistance while on Newstart Allowance.³⁰ Single parents affected by the *Welfare to Work* policy who transfer from Newstart Allowance to Austudy Payment lose \$5 per week plus JET Child Care Assistance

²⁷ Examples of Australian Certificate II courses include Community Services (First Point of Contact), Customer Contact, Dry Cleaning Operations, Floor Covering and Finishing, Floristry, Nail Technology, Olive Processing, Roof Tiling (Housing), Sport (Coaching), Telecommunications Cabling, and Wool Handling (see www.skillsforthefuture.gov.au)

²⁸ IPART 2006, Review of the skills base in New South Wales; ANTA 2004, NCVER 2004, *Australian Vocational Education and Training Statistics: Financial information*; DEST 2005; *Data on VET funding from National Centre for Vocational Education Research*.

²⁹ ACOSS 2006, *Welfare to Work, effects and solutions*.

³⁰ They may receive a higher rate of Austudy Payment (but not Rent Assistance) if unemployed for 26 of the last 39 weeks at the time of transfer.

which is typically worth around \$25 per week (refer below). In addition, those who receive a pensioner concession card on Newstart Allowance will lose the card if they transfer to Austudy Payment.

The low payment rates for Austudy Payment appear to be having an effect on its take-up. The number of recipients in non-school courses plunged from around 48,000 in 1999 to an estimated 29,000 in 2005-06³¹:

2 Restrictions on child care subsidies

Child care subsidies under the JET child care scheme will generally cease once the parent studies full time for over 12 months. These subsidies, targeted to income support recipients undertaking employment or training, cover most of the gap fees charged by child care services after Child Care Benefit is paid. They are typically worth around \$25 per week for a parent with two children in before and after school care for five days a week.

3 Activity requirements that leave little scope for education and training

Job search takes priority over education and training in the new activity requirements. Although in theory Newstart Allowance recipients can combine part time employment or job search and part time education or training, in practice most people with disabilities and parents on Newstart will have difficulty juggling the two, due to their caring responsibilities and disabilities. Despite this, the activity requirements are not often lessened to make room for part time study. If they undertake a course, may still meet requirements to:

- actively seek a certain number of jobs each fortnight,
- accept a job offer for up to the required number of hours per week regardless of time spent in education or training,
- abandon the course in the event that the job prevents them from continuing, even if the job is casual or short term and they have almost completed the course.³²

Full time short courses can generally only be approved for people on Newstart Allowance where they have little chance of getting a job without more qualifications.

These requirements are likely to discourage many parents with school age children from commencing further education and training.

4 Financial disincentives for Job Network providers

These barriers to education and training in the income support system are compounded by financial disincentives for Job Network providers to invest in further education and training. In theory, the fee structure for providers rewards them for both job and educational outcomes, and the Job Seeker Account for Customised Assistance clients gives them a ready source of funds to invest in on-or-off the job training.

In practice, providers are discouraged from doing so because:

³¹ Response to Senate Estimates question, 2005-06 Budget).

³² Failure to meet these requirements attracts penalties of up to eight weeks' loss of benefits. Under transitional arrangements, they will be able to continue courses commenced before July 2006. Parents whose youngest child is under 7 years will also be able to commence and complete longer full time courses. However, this option is not always – for example a parent might experience relationship breakdown, and apply for income support, *after* their youngest child reaches 7 years. Also, parents who share care of a child up to 50 percent of the time can be required to undertake full time employment.

- The funds available through the job seeker account (typically \$900 or \$1,350 for the first round of Customised Assistance) are too modest to finance substantial education or training (by contrast Work Skills Vouchers are up to \$3,000),
- The system is structured to encourage quick employment outcomes (especially jobs lasting 3 to 6 months), not the longer-term more secure job outcomes that might be obtained through investment in skills development.

Job Network outcome fees for education and training outcomes are tightly restricted:

- They are mainly confined to *jobseekers aged 15 to 20 years* (apart from indigenous people), which is inconsistent with the new policy emphasis on continuous skills development for adults,
- Payments for completion of *part time education and training* cannot be made unless the job seeker *also* obtains a part time job. This is impractical for most people with disabilities and parents,

They are generally only available for jobseekers over 20 years when they study full time for more than 12 months, which usually means the jobseeker must move onto a lesser study payment such as Austudy Payment.

Due to these financial disincentives, Job Network providers' use of Job Seeker Accounts for training is low and declining. Over the last three years, the proportion of job seeker account funds devoted to 'training' halved from 40 per cent to 20 per cent, and one third of the courses funded were job search training. Training courses funded through the accounts averaged just 3 days at an average cost of just \$287.³³

The *Welfare to Work* package includes an additional 12,300 vocational education and training places over three years for parents, mature age workers and people with disabilities within the target groups, at a cost of \$43 million. However in 2007-08, these places will be shared among approximately 285,000 parents and 110,000 mature age unemployed people. The 12,000 or so Work Skills Vouchers that are notionally available to jobless people each year should address some of the unmet need for training among income support recipients. However, only a small proportion of those affected by the *Welfare to Work* policy, most of whom lack Year 10 qualifications, will benefit from improved access to training under these schemes.

³³ DEWR 2006, *Job Network best practice*.

ACOSS and Welfare to Work

The Welfare to Work policy introduced in July 2006 intends to raise workforce participation among approximately 300,000 of Australia's one and a half million jobless income support recipients by introducing a new requirement for many people with disabilities and single parents to look for part time employment. The policy also intensifies existing activity requirements for around 200,000 long term and mature age unemployed people.³⁴

ACOSS supports policies to assist more jobless people into employment through participation in education and training but is concerned about reductions in income support payments in the Welfare to Work policy. Single parents who go onto Newstart Allowance or Austudy Payment instead of Parenting Payment as a result of the policy will receive between \$29 and \$60 per week less income support. Similarly, people with disabilities affected by the income support changes will receive between \$46 and \$164 per week less. We have also raised concerns about the new system of penalties for failure to meet participation requirements, especially the maximum penalty of loss of income support for 8 weeks.

ACOSS also calls for greater investment in employment assistance and training for those people affected by the Welfare to Work policy who are disadvantaged in the labour market. Unfortunately, only a minority of those affected by Welfare to Work will obtain employment quickly. For example, despite widespread shortages of labour, last year 40 per cent of people with disabilities and mature age job seekers on Newstart Allowance who completed Job Network Customised Assistance were in jobs three months later, and most of those jobs were part time. Most of those who remain out of work in a time of strong jobs growth are economically or socially disadvantaged. For example, many lack skills and qualifications or recent work experience, others have disabilities or face social barriers to work such as domestic violence.

³⁴ This includes around 285,000 parents, 38,000 people with disabilities, 110,000 mature aged unemployed people, and 50,000 very long term unemployed people. Source: Responses to Senate Estimates questions.

Recommendations

Recommendation 1: Remove payment anomalies

Biases within the income support system against full time study should be removed by:

- ensuring that income support recipients, including parents and people with disabilities affected by the *Welfare to Work* policy, receive the same amount of basic income support whether they choose to find work or undertake study.
- making Rent Assistance available to Austudy Payment recipients as it is available to other jobless people.
- extending Pensioner Education Supplement and pensioner concessions to parents and people with disabilities affected by the *Welfare to Work* policy who receive Austudy Payment or Abstudy.
- over time, integrating Austudy Payment and Newstart Allowance into a single payment at Newstart Allowance rates with more flexible activity requirements that facilitate combinations of job search, training and study. Similarly, integrate Youth Allowance (other) and Youth Allowance (study) into a single payment type.

Recommendation 2: Extend child care fee relief

JET Subsidies for child care for full time adult students should be available to students on education payments as well as unemployment benefits. Subsidies should be approved on a rolling annual basis in the case of longer courses.

Recommendation 3: More flexible activity requirements

Activity requirements for principal carers (parents with school age children) and people with partial capacity to work (people with disabilities) in receipt of Newstart Allowance, Parenting Payment and Youth Allowance should be adjusted to enable them to undertake part time or full time education and training by:

- reducing the intensity of job search and other activity requirements to take account of time spent in approved education or training,
- easing requirements to undertake casual or short term employment while engaged in approved education or training.

Recommendation 4: Better access to Work Skills Vouchers

The Government should ensure that jobless Australians on income support can take up the offer of Work Skills Vouchers by:

- giving equal priority to existing employees and unemployed people;
- including in the priority target groups all unemployed job seekers on income support who are either actively seeking work, or who have activity requirements;
- implementing the other recommendations outlined above.

- A free career counselling scheme, delivered by a wide range of employment assistance providers and local community organisations, should be introduced for the target groups for Work Skills Vouchers in order to encourage widespread and effective participation in the scheme.³⁵
- If demand for the vouchers among Australians 25 years or over who lack Year 12 qualifications or equivalent exceeds the 30,000 per year budgeted, this ceiling should be raised.

Recommendation 5: Combine training with employment assistance

Job Network Outcome payments should be revised to improve incentives for Job Network providers to assist parents, people with disabilities and other unemployed people into study or training that is likely to improve their job prospects.

The age restriction (20 years or under) for Outcome payments should be removed for people lacking Year 12 qualifications.

Outcome payments for education and training should be available for full time study in approved courses whether the person receives Austudy or Abstudy Payment or not. This should be targeted to adults with less than year 12 qualifications including those with a part time activity requirement.

Intermediate payments should be extended to part time education and training outcomes achieved by people with part time participation requirements (people with disabilities or parents) regardless of whether they also obtain employment.

Recommendation 6:

Discretionary funding through the Job Seeker Account for long term unemployed and otherwise disadvantaged job seekers receiving Customised Assistance should be significantly increased, and the level of funds available in the 'second round' should be the same as that available in the first round.

Recommendation 7:

The Apprenticeship Access Program should be expanded and better marketed among jobless income support recipients.

Recommendation 8:

An employment assistance program offering a combination of paid employment experience and training should be piloted and evaluated.³⁶

Recommendation 9:

An experimental program to assess the benefits of 'jobs-first' and 'mixed' strategies of employment assistance for disadvantaged job seekers should be undertaken and carefully evaluated.

³⁵ This could be done by extending the current Career Planning Program through a wider range of outlets.

³⁶ One option to finance this program would be to combine funds from an expanded Wage Assist program for long term unemployed people with Work Skills Vouchers to fund the training.