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***National, regional and local employment policies in Australia***

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## **1. Introduction**

This paper examines the Australian experience in tackling the problem of entrenched unemployment and underutilisation in the past few decades. The persistence of regional unemployment disparities is well documented (Webster, 2000; Mitchell and Carlson, 2003; Trendle, 2004). Regional growth in Australia has been divergent and “there had been no trend towards long-run equilibrium growth for all regions” (Garlick, Taylor and Plummer, 2007: 9).

The paper is organised as follows. Section 2 traces the development of ALMP in Australia. The shift to neo-liberal economic policies has been reflected in employment policy through a shift from the view that unemployment is a systemic problem requiring a collective solution, to the idea that unemployment is due to individual failings in regard to skills, abilities or motivation. Early responses to higher unemployment included job creation schemes and subsequently, training courses to increase the employability of the unemployed. More recently these have been replaced with a regime that focuses on forcing the unemployed to comply with ‘responsibilities’ including Work for the Dole, an approach enforced by the CES, Job Network and Centrelink as discussed in Section 3.

Section 4 outlines Australian regional policy developments in relation to the federal, state and territory governments. Concluding remarks follow.

## **2. The Australian experience with ALMP**

Australian expenditure on ALMP as a proportion of GDP has varied over time and remained in the lower half of OECD countries in 2005. Expenditure increased to 0.84 per cent of GDP in 1995 and then declined to reach 0.45 per cent in 2005 (see Cook (2008a), Table 1). Over the past 30 years job creation, wage subsidies, formal training and job search assistance have assumed different levels of importance and have been supplemented with programmes to enhance employability, including jobsearch programmes and unpaid work.

### **2.1 The growth of labour market programmes**

The McMahon government introduced the Non-Metropolitan Unemployment Relief Scheme, a job creation programme in 1972 and which was extended that year through the Metropolitan Unemployment Relief Scheme as the 1972 election loomed. The incoming Whitlam Government responded to high unemployment by launching the job creation Regional Employment Development Scheme (REDS) in 1974, providing grants to States, local government and community groups to generate temporary, labour intensive jobs that were socially useful (Stretton and Chapman, 1990; Howe, 2001). Originally the jobs targeted regions of high unemployment but targeting was dropped as unemployment escalated in 1975.

This short-lived programme provided employment opportunities to 81,000 people or 30 per cent of the number of people unemployed in 1975 and finished in 1976 (Stretton and Chapman, 1990). To foster skill development, the National Apprentice Assistance Scheme (NAAS) provided subsidies to employers of apprentices from January 1973 (NAAS became the Commonwealth Rebate for Apprentice Full-time Training (CRAFT) in 1977). The National Employment and Training (NEAT) Scheme was introduced in 1975 to provide opportunities for non-trade on-the-job and formal training (Committee of Inquiry into Labour Market Programs, 1985). Structural Adjustment Assistance was introduced to assist workers affected by the tariff reductions in 1973 while the Relocation Assistance Scheme (RAS) provided assistance for relocation to take up employment (Committee of Inquiry into Labour Market Programs, 1985).

The incoming Fraser Coalition government eschewed public sector job creation schemes and shifted the focus to tackling the problem of youth unemployment. Wage subsidies to private sector employers were provided through the Special Youth Employment Training Program (SYETP) from 1976. SYETP was initially targeted at youth under 18 who had been unemployed for 4 months, in the preceding 8 months (Stretton and Chapman, 1990). The subsidy lasted 4 months and employers were required to detail the on the job training that would be provided. However, there was no requirement for ongoing employment.

Over time there were changes to eligibility and subsidy rates for SYETP. In 1978 the flat rate subsidy was reduced from \$67 per week (which often amounted to a 100 per cent subsidy) to \$45 per week and this reduced take-up substantially. By the early 1980s eligibility for standard SYETP was extended to 15 to 24 year olds who had been unemployed for at least 4 months in the past year with age-related subsidies for 17 weeks and an extended SYETP for youth unemployed 8 months in the past year provided subsidies for 34 weeks with higher subsidy rates for the first 17 weeks (Committee of Inquiry into Labour Market Programs, 1985). State and Commonwealth Government departments and instrumentalities were also eligible for SYETP. The Community Youth Support Scheme (CYSS) was also introduced in 1976 to foster community based responses to youth unemployment and enhance employability of young people.

In addition to employment subsidies, skill formation for youth was addressed to improve school to work transitions. Trade training was encouraged by the expansion of subsidies to employers of apprentices from 1977 under the Commonwealth Rebate for Apprentice Full-Time Training (CRAFT) that provided rebates to employers for release of apprentices to attend formal trade training (Committee of Inquiry into Labour Market Programs, 1985). Non-trade, formal training for youth was provided by the Educational Programs for Unemployed Youth (EPUY). The Kirby Inquiry (Committee of Inquiry into Labour Market Programs, 1985) confirmed the extent to which programmes were concentrated on assistance to youth in the early 1980s, pointing out that 59 per cent of programme approvals in 1983-84 were for teenagers and another 25 per cent were for those aged 20 to 24 years.

During the term of the Fraser government, a number of programmes were introduced for disadvantaged job seekers. Aboriginal jobseekers were eligible for the National Employment Strategy for Aboriginals, which provided work experience, and the Community Employment Development Program (CDEP) provided an opportunity for Aboriginal communities to organise meaningful work of community benefit in return for welfare payments. From 1980 disadvantaged groups could address training needs through the Special Training Program for Aboriginal people, the Special Training Program for Disabled and the Special Training programme for Special Needs Job Seekers.

Rapidly rising unemployment as a consequence of recession and drought in 1982, combined with growing desperation regarding the impending election in 1983, provoked a reconsideration of job creation schemes and a shift from youth to long-term unemployment as the policy priority. The Wage Pause Program (WPP) was introduced in 1983 with a 12 month freeze on public sector wages in an attempt to simultaneously tackle unemployment and inflation (Stretton and Chapman, 1990; Howe, 2001). In 1983 wage subsidies were extended to adults over 25 years through the Adult Wages Subsidy Scheme (AWSS). AWSS was designed to assist long-term unemployed to compete in the labour market. Standard AWSS eligibility required unemployment of 8 months in the past year (Committee of Inquiry into Labour Market Programs, 1985). The wage subsidy lasted 34 weeks with a higher rate payable for the first 17 weeks. Extended AWSS provided a subsidy for one year and applied to those unemployed for one year or more.

Although Structural Adjustment Assistance was discontinued in 1976, the Fraser Government introduced the Labour Adjustment Training Arrangements (LATA) in 1982 to address structural imbalances in the labour market. LATA provided a training allowance to workers retrenched from designated industries. Similarly, the Special Assistance Program (SAP) and the Disabled Apprentice Wage Subsidy Scheme (DAWS) were introduced in the early 1980s to stimulate demand for apprentices. SAP provided subsidies to employers to retain apprentices at risk of retrenchment or for employment of unemployed apprentices, or to assist out-of-trade apprentices to complete the formal trade component (Committee of Inquiry into Labour Market Programs, 1985). DAWS commenced in 1983 and provided subsidies for employers who trained disabled apprentices and included financial assistance for workplace modifications.

## 2.2 ALMP under Labor

In March 1983 the Hawke government assumed office, pledging to tackling unemployment as the “most important single goal of our fiscal policy”, and the delivery of sustainable economic recovery, “fairly shared by the whole community” (Hawke, 1983). The WPP was superseded by the Community Employment Program (CEP) which provided temporary employment at award rates for the LTU and disadvantaged jobseekers for period of 3 to 9 months (Stretton and Chapman, 1990; Howe, 2001). CEP targeted the long-term unemployed, indigenous Australians, migrants with non-English speaking backgrounds and people with disabilities. Positions were to be additional, pay the relevant award wage and provide equal opportunities for women (Howe, 2001).

However, the commitment to providing employment opportunities was short-lived as the government embraced neo-liberal policies and 3 interrelated factors instigated a major transformation in ALMP in the second half of the 1980s. Prime Minister Hawke’s fiscal policy ‘trilogy’ announcement during the 1984 election campaign committed the government to reduce the budget deficit and not increase outlays or revenue as a proportion of GDP (Castles, 1989; Mitchell, 1999). Two inquiries instigated by the government adopted strategies that privileged ‘activating’ the unemployed and economically inactive through supply-side measures aimed at increasing ‘employability’ and forged closer links between income support and ALMPs. These ‘activation’ policies were previously advocated by the OECD and *Australia Reconstructed* (ACTU and TDC, 1987), to encourage maximum labour market participation for the unemployed, and reintegration of other groups into the labour market.

The report of the *Kirby Inquiry into Labour Market Programs* published in 1985 criticised the existing suite of programmes as too numerous and complex and suggested a shift in emphasis from Job Creation to training (Committee on Employment Opportunities, 1993). The review also recommended individually tailored assistance and an objective of increasing long-term employment and earnings prospects (Stretton and Chapman, 1990). The third major development in this period was the *Social Security Review* (SSR) that dominated employment policy and social security developments in the late 1980s and early 1990s. The SSR focused almost exclusively on supply side strategies to maximise employability, recommending income support restructuring, including renaming programmes to highlight “their active purposes and objectives” (Cass, 1988: 290). While the SSR recommended improvements such as increasing the level of benefit payments, indexation, increasing payments for children and rent assistance, fiscal constraints “either displaced or diluted” these reforms (Cass, 1994: 16).

Tariff reductions by the Hawke Government resulted in concentrated job losses in the textile, clothing and footwear (TCF) and the passenger motor vehicle (PMV) industry. Labour Adjustment Packages, TCF LAP and PMV LAP operated to enhance re-employment

outcomes through a range of labour market programmes including formal training, further education, relocation assistance, and wage subsidies.

Formal training programmes to enhance vocational skills assumed greater importance following the Social Security Review and the Kirby Report. The centrepiece of the new ALMP regime was to be the Australian Traineeship System (ATS) that provided combined work experience with accredited training opportunities for youth at reduced training wages (Committee on Employment Opportunities, 1993). ATS commenced in 1985 and was expected to provide 75,000 jobs in the first year of operation (Committee on Employment Opportunities, 1993) but employers were slow to respond despite extensive advertising and a high priority afforded to marketing by the CES. Annual ATS placements remained under 10,000 until 1987-88 and did not exceed 75,000 until 1997-98 when they reached 94,200, after the introduction of New Apprenticeships (NCVER, 2000).

A feature of the post Kirby period was the amalgamation of programmes and increased targeting to the LTU and disadvantaged. CEP was discontinued in 1987-88. The Jobstart wage subsidy subsumed the SYETP and the AWSS. Initially eligibility was restricted to those unemployed for 6 of the previous 9 months, or members of groups considered to be disadvantaged in the labour market including, people with disabilities, Aboriginal and Torres Strait Islanders (ATSI) and sole parents. Eligibility criteria and subsidy rates varied over time and with unemployment duration. In 1993 the maximum subsidy was \$230 per week for 20 weeks for those unemployed in excess of 2 years (Committee on Employment Opportunities, 1993). Skillshare was established in 1989 to provide counselling, placement services and training courses for the LTU and disadvantaged.

The New Enterprise Incentive Scheme (NEIS) commenced as a pilot programme in 1985 and was subsequently implemented nationally (Howe, 2001). The scheme encouraged the unemployed to establish businesses by providing the equivalent of unemployment benefit for a period of one year and after preparation of a business plan and demonstration of viability of the business proposal.

The Adult Training Program (ATP) and Youth Training Program (YTP) were amalgamated into Jobtrain in 1988-89. Under Jobtrain, short formal training courses were provided for LTU and disadvantaged jobseekers under contract with training providers including TAFE, community organisations and private training operators (Stromback and Dockery, 2000). Over time administration became more decentralised with local CES staff participating in the development of tender specifications to address local labour market conditions as well as having input into assessment of tenders. Job search training and Job Clubs began in the late 1980s and as part of the activation policies. Job Clubs ran for 3 weeks and provided participants with training in resume preparation, jobsearch, interview skills and facilities to actively search for work.

The concept of reciprocal obligation for receipt of unemployment benefits decreed compliance with an activity test including increasing participation through training and accepting part-time and casual work (Cass, 1986). In return society was to provide an adequate level of income support and training programmes (Cass, 1986; 1988). Implementation of 'activation' commenced with the introduction of Jobsearch Allowance (JSA) in January 1988 to replace unemployment benefit for youth under 18, and replacement of the work test with the activity test after 6 months unemployment.

The introduction of the Newstart programme in February 1989 was promoted as an attempt to overcome long-term unemployment, which had grown from 28 to 37 per cent between 1983 and 1989, despite the creation of 1.5 million jobs (Dawkins and Duncan, 1989: 36). The Newstart strategy envisaged 40,000 joint CES / DSS interviews annually for long-term

unemployed jobseekers aged between 21 and 54, to identify employment barriers, training needs, develop jobseeking strategies, and review benefit entitlement. An integral component was the doubling of Labour Market Programme training places from 25,000 to 50,000 per annum. Newstart interviews were extended to include long-term unemployed 18 to 20 year olds in 1990. Newstart commenced shortly before the labour market deteriorated in the 1991 recession so that in the first year of operation, far from reducing the ranks of the long-term unemployed, the number of Newstart allowance (NSA) recipients soared from 164,300 to 322,300 (DSS, 1992).

The Active Employment Strategy replaced Unemployment Benefit with Jobsearch Allowance (JSA) and Newstart allowance in July 1991. To avoid confusion, the Newstart programme introduced in 1989 was referred to as 'old' Newstart and the 1991 changes were referred to as 'new' Newstart. JSA applied to those unemployed less than one year (and all persons under 18), and NSA to the long-term unemployed. NSA re-branded the long-term unemployed as 'jobseekers', and emphasised activation by mandating that they enter a formal Newstart activity agreement with the CES, specifying jobsearch and training activities. Failure to comply with any aspect of the activity agreement constituted a breach of the activity test and could result in withdrawal of payments.

The second major thrust of the Social Security Review was the re-integration of working age people into the labour force, an objective subsequently pursued more aggressively by the Keating and Howard governments. The initial Newstart strategy (in 1989) encouraged spouses of beneficiaries to enter the labour market. In September 1990 spouses under the age of 21 were required to qualify for benefit in their own right. In 1987 eligibility to Widow pensions was tightened closing access to non-work tested benefit for many women with little or no recent work experience who transferred to unemployment benefits, "increasing recorded unemployment without necessarily improving the job chances of this group" (Cass, 1988: 145).

Voluntary programmes were implemented to assist sole parents and people with disabilities. The Jobs Education and Training (JET) programme commenced in March 1989 to assist sole parents address barriers to workforce participation by providing specialised assistance through DSS, CES and the Department of Community Services and Health (later the Department of Health, Housing and Community Services), to access education, training, employment and childcare, and thus "reduce outlays on sole parent pension by increasing the participation of sole parent pensioners in the paid labour force" (DSS, DEET and DHHCS, 1992: 67).

Similar measures were subsequently introduced for people with disabilities with the introduction of the Disability Reform Package (hereafter DRP) in November 1991. Disability Panels consisting of officers from DSS, CES and the Department of Health, Housing and Community Services (HHCS) were established to develop individualised return to work plans and facilitate access to rehabilitation, education, training, and employment services. An additional 7000 LMP places and 4500 CRS places were made available.

In the early 1990s the major ALMPs in Australia included: the wage subsidy programme Jobstart; vocational training programmes Jobtrain and Skillshare; job creation programmes, Jobskills and the Landcare and Environment Action Program (LEAP); and job search assistance through the CES and programmes such as Job Clubs (Stromback and Dockery, 2000). Jobskills was a job creation programme introduced in 1992 for LTU people aged 21 and over, that combined work experience with off-the-job training for approximately 40 per cent of the time (DEET, 1995a). Participants were paid a training wage that was set at \$280 until October 1993 when it was increased to \$300 (CESAC, 1994). LEAP provided 26 weeks of work experience and training in landcare and environment projects that were of public

benefit for 15 to 20 year olds who were paid a training allowance of \$125 per week for those aged 15 to 17 and \$150 for 18 to 20 year olds (DEET, 1995a; DEET, 1997).

Implementation of recommendations of the 1994 employment white paper, Working Nation continued the agenda of the SSR and significantly changed income support arrangements and employment assistance in Australia as well as introducing new ALMPs to address the dire unemployment situation. Billed as an affirmation of the principle that “every Australian has a right to a job” (Keating, 1994: 30) and recognition that “[u]nemployment, particularly long-term, is inherently unfair” (Keating, 1994: 2), Working Nation promised economic recovery through policies to foster industry and regional development, microeconomic reform, and education and training opportunities designed to significantly enhance the skill level of the workforce. While the White Paper emphasised economic growth as a precondition for employment growth, it also argued that growth alone could not guarantee employment for the long-term unemployed. The principle of ‘reciprocal obligation’ was enshrined in the 1995 Job Compact guarantee of a minimum 6 months employment for those unemployed more than 18 months, formalising the obligations of the government and the unemployed (Keating, 1994: 9).

Working Nation initiatives were underpinned by a massive funding injection for ALMPs. Additional jobs for Job Compact clients were provided through a revamped suite of ALMPs classified as WorkStart, including Jobstart, Jobskills, LEAP, New Work Opportunities (NWO), the Community Action Program (CAP), and the National Training Wage (NTW) (DEET, 1997). The primary focus was to be private sector employment, facilitated by subsidies for up to 39 weeks under Jobstart (Daniels, O'Neill and Winter, 1994). Subsidies for those unemployed 18 to 36 months consisted of \$200 per week for 13 weeks, followed by \$100 for 26 weeks with a \$500 bonus if employees were retained for 13 weeks after the subsidy expired (DEET, 1997). Similarly subsidies for those unemployed in excess of 36 months commenced at \$230 for the first 13 weeks, then \$115 for 26 weeks with a \$500 bonus for continued employment of at least 13 weeks. Jobstart placements were to be supplemented by existing and new programmes. Jobstart placements constituted only one-third of JC placements rather than the projected 70 per cent because of insufficient demand and employer reluctance to employ the LTU (Vanstone, 1996). For example, in 1994-95 189,700 JobStart places were allocated at a projected cost of \$458.700 million but there were only 95,212 commencements and expenditure totalling \$217.6 million (DEET, 1997; O'Neill, 1997).

Implementation of Working Nation from 1994 involved an increase in the numbers of places available for existing Workstart programmes such as Jobskills and LEAP and the introduction of new programmes. New Work Opportunities provided 26 weeks work experience for Job Compact clients in projects of value to the community. In contrast to earlier job creation schemes NWO sponsors could include the private sector as well as local community groups, councils, semi-commercial groups and unions (DEET, 1997). The National Training Wage (NTW) was similar to ATS in that it provided subsidised jobs in the private sector that combined work experience and accredited training. Positions were usually for 1 year and subsidies varied with length of unemployment, while wages varied according to level of education, the time since leaving school and the skill level of the job (DEET, 1997).

The Community Action Program (CAP) was a voluntary work experience programme, similar to the earlier Volunteer Youth Program, available for anyone on a Department of Social Security benefit who had been registered with the CES for 6 months or more or was assessed as being at high risk of LTU (DEET, 1997). Participants remained on benefit while engaging in work related activities on a part-time basis for 15 to 20 hours per week for 26 weeks and received a supplement of \$30 per week for expenses. Only 998 of the allocated 3,000 placed

were filled in 1994-95 (DEET, 1995b; DEET, 1997). Jobskills expenditure more than doubled; from \$144.4 million for 13,380 places in 1992-93 to \$273.1 million for 27,400 placements in 1995-96 (CESAC, 1994; O'Neill, 1998). Similarly, in 1995-96 LEAP provided 13,500 positions for \$88.8 million, 49,400 NWO placements cost \$498.3 million and NTW expenditure of \$62.5 million supported 33,000 jobs (O'Neill, 1998).

### 2.3 After Working Nation

While employability and compliance objectives assumed increasing importance under ALP governments, they became virtually the only policy of the Howard government after most labour market programmes were abolished in the 1996 budget. Expenditure on labour market programmes declined from \$1987 million in 1995-96 to \$1177 million in 1996-97 and the number of programme participants fell from 703,700 to only 416,400 (O'Neill, 1998). NEIS was retained and in 1998 the New Apprenticeship System was set up incorporating traditional apprenticeships and traineeships (NCVER, 2007).

Mutual Obligation (MO) replaced reciprocal obligation “based on the principle that participants supported financially by the community should actively improve their work skills and give something back to the community that supports them” (DEWR, 2006b). Work for the Dole (WfD) became the centrepiece of MO as it evolved to be the primary means of satisfying mutual obligation. The stated objectives of WfD are to provide:

...work experience opportunities to develop the work habits and self-esteem of long-term unemployed people, the provision of services and facilities of value to local communities, and ongoing community support for those who are looking for work (DEWR, 2005).

WfD has similarities with the voluntary CAP programme but is a punitive Workfare programme designed to further stigmatise and discipline the unemployed by mandating participation in unpaid work experience. In contrast to the entitlement aspect of the former Jobtrain and Skillshare programmes, WfD participants must now ‘earn’ entitlement to meagre training credits to access skills training.

Initial MO and WfD requirements applied to youth but progressively expanded to incorporate most unemployed groups. Commencing in September 1997, WfD required 18 to 24 year olds, unemployed for 6 months or longer to ‘work’ on community projects. MO began for 18 to 24 year olds in July 1998, requiring those on Newstart or Youth Allowance to combine jobsearch with another activity such as part-time employment, voluntary work, education or training, literacy and numeracy training, WfD, Job Search Training, Intensive Assistance, Green Corps, relocation and intensive job search. WfD was extended to include other groups of the unemployed: from April 1999 it applied to Year 12 school leavers after 3 months; from July 1999, 25 to 34 year olds were subject to MO.

The McClure Report endorsed MO compulsion for the unemployed and recommended that it be extended to include other jobless income recipients of workforce age (Reference Group on Welfare Reform, 2000: 62). In 2003 MO applied to all unemployed after 6 months and from July 2006 WfD became the default MO activity for Newstart recipients aged 40 to 49, people with disabilities assessed as capable of working between 15 and 29 hours per week and principal carer parents. In addition, very long-term unemployed, jobseekers assessed as having a pattern of work avoidance are now required to complete 10 months WfD per year and this was extended to all very long-term unemployed in July 2007. In recognition of the severe barriers to employment faced by the very long-term unemployed a new wage subsidy, Wage Assist, was introduced from 1 July 2006. Wage Assist provides a payment of \$2,300

after completion of 13 weeks and \$2,300 after 26 weeks (DEWR, 2007b). For 2006-07 there were 3,000 places allocated but by March 2007 there had been only 386 commencements of which only 28 had completed 13 weeks of subsidised employment (Senate Employment Workplace Relations and Education Legislation Committee, 2007).

In contrast to the voluntary JET programme for Parenting Payment recipients, implementation of the McClure Report recommendations introduced compulsory participation requirements. The September 2003 Australians Working Together package required parents whose youngest child was over 6 years to attend an annual planning interview, while participation in part-time employment, education or training for 150 hours over 26 weeks (around 6 hours per week) was mandated for those whose youngest child was 13 or older.

'Welfare to Work' commenced in July 2006. It restricted access to Parenting Payment and introduced part-time work and MO requirements for some Parenting Payment recipients. Existing Parenting Payment Single (PPS) recipients will continue to receive PPs until the youngest child is 16, but were subject to participation requirements from 1 July 2007 or when their youngest child turned 7, whichever was the later. Since July 2006 single parents claiming income support have been eligible for PPs only if they have a child under 8 and they must seek part-time employment of 15 or more hours per week when their youngest child turns 6. Those not eligible for PPs will qualify for NSA. Partnered parents now only receive Parenting Payments until their youngest child is 6.

The McClure review recommendation that the work capacity threshold for DSP eligibility decreased from 30 hours per week to 15 provided an opportunity for the disabled to be 'redefined' and disappear into the ranks of the unemployed. Since 1 July 2006, people with disabilities assessed as capable of working 15 to 29 hours per week at award wages, within a 2 year period are not eligible for DSP. They apply for an alternative benefit, usually NSA, are required to seek part-time employment and are subject to MO provisions.

Recent developments in ALMP and other programmes have included new wage subsidy programmes. From 1999 Wage Assistance provided subsidies to employers of Indigenous workers. Subsidies of up to \$4,400 were available for full-time employment and up to \$2,200 for part-time employment of at least 15 hours per week (Australian Government, 2007b). The Wage Subsidy Scheme (WSS) offers subsidies of up to \$1,500 for employment of people with disabilities who are registered with a Disability Employment Network provider. Wage Assist commenced in July 2006 and provided for wage subsidies to be made available for very long-term unemployed job seekers (VLTU). Employers could obtain \$2,300 after 13 weeks and another payment of \$2,300 after 26 weeks employment.

In 2007, new wage subsidy programmes were announced. The Working on Country programme provides employment opportunities in environmental protection for indigenous jobseekers in regional and remote areas. The programme provides funding of \$47.6 million over 4 years for projects on Indigenous-held lands for activities such as identifying and conserving threatened species, wetlands, or heritage areas or the eradication of pests or weeds (Department of the Environment and Water Resources, 2007).

Mature aged apprentices aged over 30 attract a subsidy of \$150 per week for the first year and \$100 per week for the second year. In addition, employers of apprentices over 45 years may attract a Mature Aged Worker Commencement Incentive of \$750 and an equivalent amount upon completion of the apprenticeship. Employers of apprentices in rural and regional areas also qualify for a commencement payment of \$1000 for apprenticeships in national skills areas such as automotive, community services, electrotechnology and engineering, furnishing and construction and information technology. (Australian Government, 2007c). Subsidies of

\$500 per week are available for hospital nursing schools for the first 3 months of training of enrolled nurses as well as a \$1,500 commencement bonus and a \$2,500 completion bonus.

Several other programmes provide assistance. There are 2 programmes that co-ordinate voluntary work. Community Work can be undertaken by job seekers to satisfy MO and also allows them to obtain Training Credit. Green Corps volunteers aged 17-20 receive training while working on environmental and heritage projects. Two programmes provide support to people who are not job ready. The Job, Placement, Employment and Training (JPET) programme assists young people 15-21 who are homeless or at risk of becoming homeless. The focus of the programme is to assist clients overcome problems like drug and alcohol dependency, sexual abuse, violence, behavioural problems, or low educational achievement so that they can re-engage in study or employment. Similarly, the Personal Support Programme provides up to 2 years support and assistance for people on income support with major issues such as homelessness, mental illness, drug and alcohol problems, social isolation or domestic violence.

## 2.4 State government labour market programmes

While the majority of labour market programmes in Australia are implemented by the Commonwealth Government, these have been supplemented by a variety of state government programmes to encourage employment. They have included wage subsidies, payroll tax concessions and exemptions from workers compensation premiums for particular groups.

Many programmes attempt to lift apprenticeship and traineeship take up rates through assistance to employers and apprentices. In NSW apprentices benefit from travel concessions in the first 3 years, as well as travel and accommodation assistance to attend formal training more than 120 kilometres away. They also qualify for a \$100 rebate on car registration and a \$200 'Gear Up' allowance to assist with the purchase of clothing and equipment. Queensland provides mentors to provide culturally appropriate support to Aboriginal apprentices, trainees and vocational students. The South Australian government also provides assists indigenous youth to obtain apprenticeships in the private sector and supports them to complete training. The Northern Territory Jobs Plan 3 set a target of obtaining 10,000 apprenticeship positions over 4 years with a focus on indigenous job seekers especially in rural and remote locations. A grant of \$300 for all apprentices and trainees and \$1,000 for those in areas of skill shortage assists with the cost of workgear (DEET, 2008).

NSW employers receive a workers compensation exemption for apprentices and payroll tax exemptions for apprentices and trainees. In Queensland, employers qualify for Strategic Employment Development Program incentive payments of \$2,000 if they employ apprentices in trades suffering skill shortages, while Youth Training Incentives provides wage subsidies of up to \$4,000 for employers of school-based apprentices and trainees in rural and remote areas. Traineeships are encouraged through the First Start Program that offers wage subsidies of \$14,000 to the non-for-profit sector and up to \$10,000 for local government and Aboriginal and Torres Strait Islander Councils (Queensland Government Department of Employment and Industrial Relations, 2007b).

Victoria provides subsidies of \$9,000 for traineeships and \$15,000 for apprenticeships to local governments and gives preference to youth who have not completed high school, indigenous youth and those who live in Neighbourhood Renewal Areas. The Northern Territory Employer Incentive Scheme provides wage subsidies of \$4,000 for apprentices and trainees in areas of skill shortage and \$2,000 for employing disadvantaged job seekers (DEET, 2008). The Western Australian government provides payroll tax exemptions for employers of

apprentices and trainees and funds the vocational training component (Department of Education and Training, 2007).

Several states operate training programmes to enhance skills of the unemployed or people returning to the workforce. Victoria assists parents returning to the workforce through a grant of up to \$1,000 for training under the Returning to Earning programme (Office of Training and Tertiary Education, 2008). The Queensland government has provided training assistance through Training in Communities since 2005 (Department of Education Training and the Arts, 2008). The programme funds community organisations to provide training and associated assistance disadvantaged job seekers. Pre-employment training is provided to parents and carers returning to the workforce through the Back to Work: Parents and Carers programme, while the Get Set for Work programme provides training and employment assistance to youth aged 15-17.

In South Australia regions prepare Employment and Skill Formation Plans and operate training programmes in child care, aged care and pre-employment (Department of Further Education Employment Science and Technology, 2008). 'Abilities for All' is a training programme for people with disabilities that commenced in South Australia in 2006. The programme is a partnership between TAFE SA and the disability sector, and provides training in hospitality, viticulture, horticulture and office administration (Department of Further Education Employment Science and Technology, 2008). Other training assistance includes provision of literacy and numeracy training and training credits of up to \$1,200 to for parents returning to the labour market (Department of Further Education Employment Science and Technology, 2008). The Northern Territory programme Build Skills assists people to up-skill or re-skill to overcome skill shortages. The process involves submissions by peak industry bodies and, if accepted, funding is provided to a Registered Training Organisation to assess existing skill levels and provide further training (Department of Employment Education and Training (DEET), 2008).

In NSW the Corporate Partners for Change partnership between the government, unions, employers and registered training organisations provides free pre-vocational training for disadvantaged job seekers from Western Sydney (Department of Premier and Cabinet, 2008). Training courses are developed in conjunction with employers, students are recruited and receive pre-vocational training followed by work experience and graduates have an opportunity to attend interviews with employers. The programme targets areas of skill shortage such as child care, aged care, disability work, electrical trades, hospitality, business administration, manufacturing and retail.

There are some programmes to assist workers affected by major retrenchments. In Victoria, workers are assisted to access free vocational training for up to 80 hours under the Skill Up Program (Office of Training and Tertiary Education, 2008). The Labour Market Adjustment Program involves negotiating alternative employment or training for workers affected by major retrenchments in South Australia. Queensland operated the Worker Assistance Program between 1999 and 2007 to provide career planning, skill recognition, vocational training, relocation assistance and wage subsidies to facilitate employment outcomes for retrenched workers (Queensland Government Department of Employment and Industrial Relations, 2007a).

### Breaking the Unemployment Cycle' in Queensland

'Breaking the Unemployment Cycle' commenced in Queensland in 1998 with a \$283 million commitment to create 24,500 jobs over 4 years and reduce unemployment to 5 per cent (Queensland Government Department of Employment and Industrial Relations, 2007a). The programme was finally phased out in 2007 and the government claimed that it had helped to create in excess of 124,000 jobs. The programme involved local community partnerships of community groups, unions, local government, members of state parliament and government departments. The strategy constituted an attempt to coordinate policies to combat unemployment and incorporate bottom-up as well as top-down elements with a strong focus on community consultation for some elements. Table 1 shows the programmes that were included in the strategy which varied over time.

There were 3 major components of the strategy. The government sought to increase future levels of skilled labour available to industry through increasing intakes of apprentices and trainees by providing subsidies in the public and community sectors through the Public Sector Employment programme, and in the private sector through the Private Sector Employment Program. In addition, opportunities for indigenous youth were increased as a consequence of the Indigenous Employment Policy that mandated minimum employment levels for government funded construction projects in remote areas and stipulated that employment include structured training. Similarly, a Structured Training Policy carried requirements for 10 per cent structured training on all state government funded construction projects.

Secondly, job seekers were assisted by a range of programmes delivered by community organisations. The Community Employment Assistance Program (later Back to Work and then Community Jobs Plan-Employment Assistance) used community groups to provide a range of employment preparation and job search assistance. Early school leavers were assisted by Get Set for Work and other disadvantaged groups were assisted by the Prisoner Post Release Program and the Back to Work: Parents and Carers Program.

Table 1 Breaking the Unemployment Cycle Programmes

Phase I: October 1998 to February 2001	Phase II: February 2001 to January 2004	Phase III: February 2004 to June 2007
<b>Community Jobs Plan</b> <ul style="list-style-type: none"> <li>Six months employment in community projects</li> </ul>		<b>Community Jobs Plan – Work placement</b> <ul style="list-style-type: none"> <li>Total jobs created by June 2007 was 17,850</li> </ul>
<b>Community Employment Assistance Program</b> <ul style="list-style-type: none"> <li>Planning and training for employment</li> <li>Community providers-Skills assessment, literacy and numeracy training, life skills, resumes, job applications, vocational training plan</li> </ul>	<b>Back to Work</b> <ul style="list-style-type: none"> <li>Job search and IT training for unemployed people over 45. Started July 2001 then Community Jobs Plan-Employment Assistance Program July 2004</li> <li>Assisted 3,669 people and created 456 jobs</li> </ul>	<b>Community Jobs Plan – Employment Assistance</b> <ul style="list-style-type: none"> <li>Total number of people assisted by community Employment Assistance and Community jobs Plan – Employment Assistance 39,815</li> <li>Total jobs 18,383</li> </ul>
<b>Public Sector Employment Program</b> <ul style="list-style-type: none"> <li>Apprenticeships/traineeships-state/local govt.</li> <li>Subsidies of up to \$16,000</li> <li>From Jan 2003 had to be additional</li> <li>Became First Start in 2004</li> </ul>		<b>First Start</b> <ul style="list-style-type: none"> <li>Apprenticeships and traineeships in public sector and not-for-profits for disadvantaged job seekers</li> <li>Total jobs created for both programmes: 962 apprenticeships and 21,757 traineeships</li> </ul>
<b>Private Sector Employment Program</b> <ul style="list-style-type: none"> <li>Subsidies for employing additional apprentices and trainees in areas of skill shortage</li> <li>Ran 1998-99 to 2003-04; payments to 12,633 employers; 24,894 extra apprentices and trainees</li> </ul>		<b>Strategic Employment Development Program</b> <ul style="list-style-type: none"> <li>Could be geographically or industry based</li> <li>Employers could get subsidy of \$2,000 for apprentices in skill shortage industries</li> <li>Operated 2 years to 2005-06 and created 14,595 jobs</li> </ul>
<b>Indigenous Employment Policy</b> <ul style="list-style-type: none"> <li>Indigenous people in remote communities</li> <li>Build skills and qualifications and gain work experience</li> <li>State funded construction work must employ locals for at least 20 per cent of hours and provide structured training –apprenticeship or traineeship</li> </ul>		<b>Indigenous Employment Program</b> <ul style="list-style-type: none"> <li>State funded construction work must employ locals for at least 20 per cent of hours and provide structured training –apprenticeship or traineeship</li> <li>745 jobs from the 20 per cent policy</li> <li>Indigenous training support and mentoring</li> <li>Regionalised employment and training strategies</li> </ul>
<b>Community Training Partnerships</b> <ul style="list-style-type: none"> <li>Nationally accredited training</li> <li>Communities could purchase training to meet skill needs for industry</li> <li>Flexible delivery –could be in local community or outside normal hours</li> <li>Commenced in 2000 and became Training in Communities Program in 2005</li> </ul>		<b>Training in Communities Program</b> <ul style="list-style-type: none"> <li>Commenced 2005 for disadvantaged job seekers</li> <li>Language, literacy and numeracy skills</li> <li>Community strategies- skills linked to community or regional economic activity</li> <li>Industry strategies- to address training needs of existing workers in specific industries</li> <li>By June 2007 9,499 participants; 2,059 jobs</li> </ul>
<b>Housing Industry Trade Training Plus Program</b> <ul style="list-style-type: none"> <li>Training additional first year apprentices and trainees in building and construction</li> <li>Ran 6 years 1998-99 to 2003-04; 1,822 jobs</li> </ul>		

<p><b>Worker Assistance Program</b></p> <ul style="list-style-type: none"> <li>▪ Assistance to retrenched workers-career planning, skill recognition, vocational training, relocation assistance, wage subsidies</li> <li>▪ Operated 1999-2007; assisted 5462 people</li> </ul>		
<p><b>Structured Training Policy</b></p> <ul style="list-style-type: none"> <li>▪ 10 per cent of hours on govt. construction projects have to be structured training</li> <li>▪ Assisted 9,890 apprentices, trainees and cadets</li> <li>▪ 2,500 workers accessed upskilling</li> </ul>		
	<p><b>Get Set for Work</b></p> <ul style="list-style-type: none"> <li>▪ Specialised employment and training assistance and wage subsidy -15-24 year old early school leavers-in high youth unemployment areas</li> <li>▪ Up to \$10,000 per person: \$6,000 for intensive assistance and \$4,000 wage subsidy</li> <li>▪ Assisted 952 early school leavers-349 jobs</li> </ul>	<p><b>Get Set for Work II</b></p> <ul style="list-style-type: none"> <li>▪ Pathways to further learning or employment for 15-17 year olds</li> <li>▪ Formal education, life skills, vocational education, literacy and numeracy</li> <li>▪ By June 2007 5,013 people had been assisted</li> <li>▪ 1,641 had gained employment</li> </ul>
	<p><b>Youth for the Environment and Local Communities</b></p> <ul style="list-style-type: none"> <li>▪ Up to \$16,000 for public or community sector for each additional 15-24 year old employed in environmental, horticulture or waste management</li> <li>▪ Operated for 2 years and created 1,197 jobs</li> </ul>	
	<p><b>Experience Pays</b></p> <ul style="list-style-type: none"> <li>▪ Wage subsidies \$4000-LTU job seekers over 45</li> <li>▪ In 2002 eligibility - 6 months unemployment</li> <li>▪ 810 participants gained employment</li> </ul>	
	<p><b>Start Up</b></p> <ul style="list-style-type: none"> <li>▪ \$300 grant to apprentices and trainees in skill shortage industries for tools and equipment</li> <li>▪ Assisted 1,965 participants</li> </ul>	
		<p><b>Prisoner Post Release Program</b></p> <ul style="list-style-type: none"> <li>▪ Various projects- marketable skills, self-esteem</li> <li>▪ Assisted 7,935 participants; 988 jobs to June 2007</li> </ul>
		<p><b>Back to Work: Parents and Carers Program</b></p> <ul style="list-style-type: none"> <li>▪ Employment/training- parents/carers</li> <li>▪ Job search, job placement, financial assistance for child care etc... and post placement support for 3 months</li> <li>▪ By June 2007 1,889 people assisted; 787 jobs</li> </ul>

Source: (Queensland Government Department of Employment and Industrial Relations, 2007a)

The third major component of the strategy was an attempt to increase the demand for labour. Experience Pays provided for subsidies to private sector employers of up to \$4,000. A major programme in the strategy was the Community Jobs Plan, a job creation programme that provided work for the long-term unemployed for a period of 6 months in jobs that contributed to community infrastructure and services. Positions were provided by community organisations and local government, and funded by the state government. The programme was implemented from 1998 by establishing a peak body, the Jobs Planning Council and 13 regional Community Jobs Priorities Committees (Queensland Government Department of Employment and Industrial Relations, 2007a). The Jobs Planning Council was chaired by the Employment Minister and included representatives from government departments. The Council was responsible for establishing target groups, strategies and methods and information dissemination about the strategy to government departments. It also undertook community consultations in order to allow local communities to communicate their ideas on local priorities.

The Community Jobs Priorities Committees played a pivotal role in implementation. The committees consisted of members of the community, government departments and employers and therefore represented the local community and were ideally placed to determine priorities for the community. Local community groups developed applications for funding in conjunction with the local Department of Employment, Training and Industrial Relations and submitted them to the Community Jobs Priorities Committee for consideration. The Committee evaluated all submissions, prioritised them and submitted to final list of recommendations to the central office of the Department. By June 2007 the Community Jobs Plan had created 17,850 jobs.

### **3. The Public Employment Service in Australia: from the CES to Job Network**

This section traces the changing role of the CES in Australia in the 10 years prior to its demise and examines the extent to which its privatised replacement, the Job Network has delivered an efficient, effective employment and training service to improve labour market functioning and meet the changing skill requirements of Australian employers. This assessment incorporates evidence from secondary sources and the findings from focus groups conducted with Job Network staff in 2007.

#### **3.1 The demise of the CES**

The Commonwealth Employment Service (CES) was established in 1946 by the Re-establishment and Employment ACT 1945 and was responsible for the provision of employment services in Australia until it was disbanded in 1998. The functions of the CES were then split between Centrelink and the privatised Job Network.

The role of the CES changed significantly over the final half of its 6 decades of existence. This section outlines important changes in the operation of the CES as they relate to the delivery of employment services and the dramatic increase in the role of enforcing the conditionality of benefit receipt, first for the unemployed, then for other welfare recipients of working age.

In addition to the provision of employment and training services, the CES traditionally advised the Department of Social Security if unemployment beneficiaries failed the work test that required them to be actively seeking and willing to accept suitable work. With the restructure of unemployment benefits in 1991 “the onus was placed clearly on the job seeker to find work through active jobsearch backed by assistance to prevent long-term

unemployment” (Department of Families Community Services and Indigenous Affairs, 2006). Unemployment benefit was replaced by 2 new benefits, Job Search Allowance and Newstart Allowance, and the introduction of the Activity Test brought a much greater policing role for the CES. Unemployed persons under 18 or those over 18 who had been unemployed less than 12 months qualified for Job Search Allowance. Those over 18 who had been unemployed for 12 months were required to apply for Newstart Allowance which entailed entering a Newstart Activity Agreement, a contractual agreement that detailed activities that the unemployed person would undertake to secure employment or enhance employability.

The Activity Test incorporated the work test requirements and added new obligations to undertake additional work-related activities including participation in vocational training or labour market programmes likely to improve employment prospects, and to attend or contact the CES when requested. In addition, Newstart Allowance recipients were required to take “reasonable steps to comply with a Newstart Activity Agreement” that included requirements relating to job search, paid work experience, labour market programmes, “measures designed to eliminate or reduce any disadvantage the person had in the labour market (but not so as to compel the person to work in return for receiving payment)”, or an activity such as unpaid voluntary work (Department of Families Community Services and Indigenous Affairs, 2006). Non-payment periods could be imposed for breaches of the Activity Test with the CES assuming the decision-making function that previously resided with the Department of Social Security.

Implementation of the Working Nation reforms (outlined in the previous section) was accompanied by an ambitious plan to introduce competition through contestable market competition by contracting case management to private and non-profit organisations in addition to the public sector agency Employment Assistance Australia (EAA). The Employment Services Regulatory Authority was established under the Employment Services Act 1994 to establish, regulate, promote competition and evaluate the case management system (DEETYA, 1996a). Case management for 1994-95 was expected to be provided for 500,000 jobseekers, with 10 per cent allocated to contracted case managers (Department of Employment Education and Training (DEET), 1995b). The intention to increase the proportion in contracted case management to 30 to 40 per cent over time was more than met by 1996-97 when CCMs provided case management to 126,000 of the total case management population of 256,000 (DEETYA, 1997).

Contemporaneous with the increase in private provision of case management was the elimination of most labour market programmes by the incoming Howard government in the 1996-97 budget (see Section 2.3). Over the decade of the 1990s integrated employment services that delivered traditional labour market intermediation and assistance to disadvantaged groups through labour market programmes, were jettisoned in favour of specialisation under the case management model that dedicated resources to the administration, regulation and policing of the activities of the long-term and disadvantaged jobseekers. The responsibility for securing employment shifted firmly in the direction of individual jobseekers, irrespective of prevailing labour market conditions and with a declining commitment on the part of government to provide meaningful assistance.

### 3.2 The Job Network

The privatisation push that commenced under the Keating government was extended by the Howard government, with the introduction of the privatised Job Network to replace the CES in 1998, with some functions of the CES also transferred to Centrelink. It was claimed that the contestable market model for employment services would provide several benefits (DEWR, 2002; PC, 2002). It would address structural weaknesses in the system by introducing a

purchaser-provider split and restrict the government's involvement to purchasing employment services that were delivered on a competitive basis. The existence of a range of providers in a geographical area would provide job seekers with choice. The competitive nature of the system would provide greater efficiency for taxpayers. Most importantly, delivery of services tailored to the needs of individual job seekers would enhance effectiveness and efficiency and achieve sustainable employment outcomes. This was to be facilitated by innovative and flexible approaches that were not possible under the previous bureaucratic system (DEWR, 2002). In 2005-06 there were 113 Job Network organisations with around 10,000 staff at 1,154 sites across Australia who received \$1,250 million for employment services in 2005-06.

The initial Job Network contract included private and community providers along with Employment National as the public sector provider and assistance consisted on Job Matching, Job Search Training and Intensive Assistance. (DEWR, 2002). Contrasting the universal nature of CES, the Job Network initially restricted services to those on income support but this restriction was later lifted by a contract variation. In addition to the aim of quality improvements the Job Network also assisted the government to reduce expenditure on labour market assistance and entry level training from \$3.7 billion in each of the years 1994-95 and 1995-96, to \$5.4 billion over the 4 years 1996-97 to 1999-2000 (DEWR, 2002).

In contrast to the promise of increased choice for job seekers, the first contract period was characterised by an automated referral process implemented by Centrelink that provided no choice of Job Network agency in cases where job seekers nominated a provider that had no places available or if they failed to nominate a provider within 10 days which was the usual situation. Choice was further constrained by limitations on movement between providers and caps on the number of job seekers that could be assisted by each Job Network provider during the contract period.

The Job Network has undergone several changes in the 10 years since its establishment as successive contracts have attempted to rectify serious inadequacies in service delivery, transparency and accountability and to stamp out unacceptable practices. The government introduced a major reform package in 1999, less than 12 months after Job Network commenced, to boost funding to struggling providers. Providers found that payments for job matching were inadequate and many providers subsidised job matching by using Intensive Assistance funds, thereby reducing services to disadvantaged job seekers (Dockery, 1999). The second contract round modified the 'black box' approach of awarding contracts and paying for outcomes without any specification of services to be provided to the unemployed (OECD, 2001). DEWR attempted to ensure minimum service standards through the Employment and Related Services Code of Practice that outlines how providers will deliver services to clients. In addition, service guarantees provide clients with information on the types of services they can expect (DEWR, 2007a).

Under the third employment services contract (ESC3) that commenced in July 2003 the government introduced the Active Participation Model (APM) which included Job Search Support and Intensive Support that increases the intensity of activities required as the length of unemployment increases (ANAO, 2005b). In contrast to the earlier contracts, under ES3 job seekers would remain with the one Job Network provider for the entire period of unemployment and assistance provided would be measured against minimum service standards contained in the Service Guarantee and Employment Services Code of Practice. The APM was an integral component of the implementation of the recommendations of the McClure report, especially the extension of MO to parents and people with disabilities. Job Network staff were required to meet clients face-to-face at least fortnightly.

According to the Australian National Audit Office (ANAO, 2007) evaluations of the Job Network prior to 2003 concluded that the Job Network did not provide sufficient funds for services to assist job seekers. In what amounted to an admission of the failure of the earlier system of requiring providers to use general funds to pay for training for job seekers, ESC3 introduced a dedicated Jobseeker Account that was credited with an amount according to the job seeker classification when job seekers were referred to the Job Network. Accumulated monies in the notional account can be used by the Job Network to pay for training or other assistance for job seekers, but there is no guarantee that any individual job seeker will be approved for assistance.

Over the various contract rounds the competitive model has been significantly modified. In ESC1 contracts were equally shared by public, private and non-profit organisations. In ESC2 the public sector lost the majority of its business and contracts were divided between private and non-profit organisations. In both these rounds competition was based on price and quality. However, ESC3 marked a withdrawal from the competitive model with only around 40 per cent of contracts open to tenders. In July 2006 ESC3 was extended. The government also fixed contract prices and limited competition to quality of service which was measured by DEWR star ratings for providers.

### 3.3 View from the coalface: Report on focus groups with Job Network staff

This section discusses findings from focus groups of Job Network staff conducted in late 2007. The findings are considered in conjunction with findings from other research and official reviews of Job Network. In order to gauge staff perceptions regarding the performance of Job Network, a number of focus groups were conducted with staff from non-profit Job Network agencies in late 2007. In total, 25 staff from a number of DEWR Labour Market Regions participated in 3 focus groups designed to cover a range of labour markets conditions. Melbourne was selected to represent major metropolitan areas, with participants drawn from various parts of the metropolitan area, including the Inner East, North West, West, Inner East and South East. In NSW one focus group was conducted in the Hunter and North DEWR Labour Market Region with participants representing various locations throughout the Hunter and Lower Hunter. The final focus group included participants from Keepit, North East and Orana regions of Western NSW.

The characteristics of the focus group participants are not necessarily representative of Job Network staff due to the fact that participants were not randomly chosen for the focus groups. Organisations were requested to forward the invitation to participate to staff who were either operational, or knowledgeable about operational issues. Table 2 summarises the characteristics of focus group participants in comparison to the characteristics of participants in the Job Network Frontline Staff Survey conducted in 2005 (A C Neilson, 2005). Overall, the focus groups contained a higher percentage of males, were older, more experienced and had higher educational qualifications than the Frontline Survey participants.

Around two-thirds of the focus group participants worked between 25 and 40 hours per week and one-third worked in excess of 40 hours. One-fifth had previously worked with the CES or Skillshare, while several others nominated previous experience with community organisations. More than half the participants had worked in the Job Network for more than 5 years (59 per cent). Only 9 per cent had worked in the Job Network for less than 2 years compared to 37 per cent of participants in the Frontline Staff Survey. More than half had worked for only 1 Job Network agency, 23 per cent had worked with 2 agencies and less 19 per cent had worked with more than two agencies.

The majority of the focus group participants had acquired relevant formal qualifications. The most common type of formal training completed included Certificate IV in Training and Assessment, Certificate IV or Diploma in Frontline Management, and Certificate IV in Employment Services. Other qualifications included Graduate Diploma in Case Management, Business, Human Resource Management or certificate courses in Administration.

Table 2 Characteristics of Job Network staff

	Frontline survey %	Focus groups %
<b>Gender</b>		
Male	33	48
Female (difference due to more management people)	67	52
<b>Age group</b>		
18-24	10	0
25-39	41	36
40-54	41	60
55-64	8	4
<b>Employment status</b>		
Permanent	99	100
Casual	1	0
<b>Duration of employment in JN</b>		
Less than 2 years	37	9
2-5	33	32
5 years or more	25	59
<b>How many different JN agencies they worked with</b>		
1	62	59
2	26	23
More than 2	11	19
<b>Highest qualification</b>		
Less than year 12	15	0
Year 12	15	14
Certificate	27	23
Diploma	13	23
Degree	19	18
Post-graduate	12	23

Half the focus group participants were involved in intensive assistance, 25 per cent were involved in vacancy servicing and job placement activities and less than 5 per cent were engaged in the delivery of job search training. In total, 62 per cent of participants performed another function either in addition to or instead of these functions. Around 20 per cent of participants were non-operational managers and one person was a full-time trainer.

#### *Interaction with DEWR: Administrivia and compliance lock*

Issues that must be addressed as part of the process of outsourcing service provision are accountability and fraud prevention. While focus group participants were cognisant of this necessity they identified the role of DEWR as a major limitation on the effectiveness of the Job Network and the ability to deliver quality employment services to job seekers. One focus group summed this up as ‘administrivia’ and ‘compliance lock’. One participant explained how DEWRs’ oversight had negated the original intention of fostering innovation and variety in the Job Network, commenting:

*So Job Network now, if you go into a Job Network ... they look the same, they smell the same, they act the same.*

These comments accord with comments by Centacare Australia in 2006:

*Job seekers are frequently met by a “one size fits all” service from providers, focusing on “quick fix” and process orientated solutions (such as “outcome buying”) which*

*often result in a mismatch between a job seeker and a job. Job seekers are increasingly obliged to accept second rate positions because of the participation reporting powers of Job Network members. Individual service appropriate to needs is becoming less frequent and second rate placement more frequent (Murray, 2006: 54, cited in Quirk et al., 2006).*

Focus group participants agreed that contract supervision was extremely time consuming and eroded time available to spend with job seekers and marketing services to employers. This assessment reinforced the finding from the Job Network Frontline Staff survey where 80 per cent of staff indicated that the administrative burden was excessive (A C Neilson, 2005). One participant explained the impact administration and compliance procedures have on client interaction:

*If I'm a Job Network person sitting down [with] my client who I'm actually here to try to assist to get her a job, as I sit down to have this discussion ... the first thing that is clearly in my mind is not what have I got to do ... to actually assist and help her to get her into a job. The first thing is I've got to do the administrivia before I can do anything because that is what I'm measured against.... And then when I start getting through all that and I start thinking with [the client] the first and next thing is, is before I can actually do the job that I'm supposed to do, I've got this whole compliance regime that is actually just being belted at me. From things that I can do, things that I can't do; things that I can say, things that I can't say, this whole compliance issue and every decision that I make with [the client] is actually subject to review by compliance. And then once I've done the administrivia, once I've got over the compliance, I can say to [the client] "How can I help you?"*

In another focus group a participant expressed similar sentiments, complaining that that administration robbed her of thinking time:

*To think about what sort of options could I be offering him, what sort of stuff could I do, you know, how do I actually find that motivating thing. That's what I would love, lots more thinking time.*

Another staff member explained in detail how the DEWR contract monitoring system impacted on the use of staff resources at the local level

*Well there is the monitoring. It takes a huge amount of time. So they might say they want to look at these 10 files and so they look at the 10 files and you've spent this amount of money on a client for a course and yes the client did the course. You know and they did this, this and this. But if you forgot to put a line in your notes to say why you put them in the course they might take the money back.... There's nothing else wrong and you got the person into a job but they take that money back and they've made you and your compliance person in your organisation spent hours, and hours and hours, actually preparing the file and then explaining why you did what you did wrong ...And they tie up all these organisational resources with that sort of petty stuff...and their own resources.*

The second major issue relating to DEWR expectations was the role of the Job Network as a policing agency to ensure that job seekers complied with activity requirements. Onerous requirements for the unemployed and more recently other welfare recipients of working age, have accelerated since the inception of the Job Network. Job Network staff have a contractual obligation to monitor and report on job seekers compliance efforts and report failures to Centrelink. Serious breaches include voluntary unemployment, failing to accept a suitable job, or failing to participate satisfactorily in Full-time Work for the Dole.

The role of policing the unemployed was enthusiastically embraced by the Job Network. Between 1997/98 and 2000/01 breach penalties imposed increased from 12,718 to 346,078 (Commonwealth Ombudsman, 2002). Publication of severe hardship endured by unemployed people who were breached and a major investigation by the Australian Council of Social Service (ACOSS, 2000) resulted in modifications to the system that reduced the number of penalties imposed. During the first 6 months of operation of Welfare to Work, there were 86,761 participation failures including almost 2,000 cases where payments were stopped for 8 weeks. The Commonwealth Ombudsman (2007) expressed concern about Centrelink's implementation of the new breaching regime that left clients without income; the practice of withholding payment prior to a decision being taken, failure to notify clients that payments will be stopped, waiting for a decision to be made prior to providing Financial Case Management, and unacceptable delays in decision making. The dual role of providing employment assistance and policing activities of clients presents significant issues regarding maintaining effective ongoing relationships with clients.

Several focus group participants expressed internal conflict about enforcing all obligations and submitting participation reports to Centrelink in instances where job seekers had failed to comply. One participant related an incident that occurred the day before the focus group, demonstrating that the 'system' provided little room for discretionary action even in the most extreme circumstances.

*Well we had one woman run out yesterday and said "I'm going home to kill myself"... Her job capacity assessment says that she should not be in Job Network but the system says that she has to be referred for Work for the Dole. So her work for the Dole provider has breached her even though they knew that they had these problems.... So the woman has been breached and she has had a percentage of her income docked. And she's beside herself.*

Despite acknowledgement that the requirement to participate in Work for the Dole was incomprehensible, and the outcome was extremely detrimental to the client and, the client nevertheless suffered a financial penalty, no action was taken to reverse the decision. Many participants felt compelled to initial participation reports, indicating that they too were pawns of the system and powerless to act otherwise despite the fact that they sometimes felt that punishment was harsh, unjust and counterproductive. In some instances staff indicated that they harboured feelings of guilt after breaching clients:

*And that impacts on our souls, can I say. Because like I said before most of the people who join this industry ... do it because they really care about people.*

Staff indicated that they developed coping strategies to assuage feelings of guilt. One strategy was to attempt to ensure that Activity Agreements requirements were considered reasonable by the case manager and that they genuinely believed that the activities would be beneficial to the client. In these instances breaches could be considered justifiable because the client had acted against their own best interest and there was no reason why the client should not have been able to fulfil their obligation.

*The concern for me is, I'm happy to back up a solid plan where you're asking a person to do things that are genuinely going to help them get employment, but when you have a high turnover of staff in a compliance culture, you have people being asked to do unrealistic things and not being able to do it.*

Another issue that caused concern was that the compliance aspect caused a deterioration in the ongoing relationship with the client. The Job Network Frontline Staff Survey also identified similar concerns, with 61 per cent of staff indicating that they were increasingly

required to deal with angry or challenging clients (A C Neilson, 2005). The 'us and them' situation between staff and job seekers was identified as a major issue in one focus group. In order to placate clients and re-establish a working relationship with them, some staff admitted to shifting the blame by blaming Centrelink for initiating breaches.

The depth of resentment about the prioritisation of compliance was evident in comments such as:

*We are no longer employment officers we are compliance. DEWR wants us to make sure that we're breaching, we're doing this, they're looking for jobs, they're doing their job searching... A lot of us, like myself, joined the industry because I wanted to help people get jobs. That's not my job anymore. I don't help people get jobs. It's just making sure we're complying with everything DEWR wants us to do.*

*Each improvement they've brought in is all for compliance. The system actually doesn't help us to search for people's skills so that we can match them to jobs.*

Despite perceptions that DEWR expected the Job Network to comply with all contractual obligations and rigorously enforce job seeker compliance, participants expressed the view that DEWR also valued quality assistance to job seekers. The incompatibility of these objectives was attributed to the existence of different sections of the DEWR bureaucracy that failed to understand the consequences.

*Best practice is the models where you do the old things of reverse marketing clients, where you look at your product, find the employer ... When DEWR are talking about what they want us doing, they want us doing all that stuff because they know it works. They know that's sustainable outcomes, that's where you place your wage assist and yet they don't realise what they are putting on us is a model that makes us all compliance focussed.*

These perceptions reflect the findings of the Job Network Frontline Staff Survey that revealed almost two-thirds of respondents considered that ensuring people were actively looking for work was prioritised in the Job Network, 57 per cent nominated finding people a job that lasts 13 weeks, and 49 per cent identified finding a job that lasts 26 weeks as priorities (A C Neilson, 2005). In contrast, activities that could be interpreted as client-centred or tailoring services to client needs were seen as lower priorities. Twenty per cent or less felt that Job Network priorities included finding jobs that provide reasonable wages and conditions; finding work for people in their chosen area of work, improving self esteem, improving specific vocational skills, improving generic work skills, advising people about pathways to their chosen / preferred areas of work. Moreover, only 41 per cent of staff indicated that they were able to spend sufficient time with clients to be able to make a difference to outcomes for individuals.

#### Providing effective services to job seekers

The Job Network Frontline Staff Survey found that staff were generally satisfied that the Job Network was effective in its role as a labour market intermediary but expressed reservations about the ability to deliver effective services to disadvantaged jobseekers (A C Neilson, 2005). While 85 per cent of participants said the Job Network was good, very good or excellent at getting people into work, this percentage was significantly lower for disadvantaged groups (58 per cent), parenting payment recipients (49 per cent), Indigenous job seekers (45 per cent), mature aged job seekers (40 per cent), people with disabilities who are able to work (31 per cent), and people from non English speaking backgrounds (29 per cent).

The survey identified that employment barriers impacted on employment outcomes. Three-quarters of Job Network staff who participated in the survey identified poor job seeker attitudes and lack of motivation to work, as an issue while two-thirds nominated poor health, substance abuse or disadvantaged personal circumstances. Approximately half said that there was a perception of insufficient financial gain from moving off income support and into paid work, and a lack of suitable vacancies. In addition, staff identified systemic impediments to obtaining employment outcomes to clients, with half commenting on high levels of administration and over one-third felt they had insufficient time to adequately assist job seekers.

Focus groups engaged in a wide-ranging discussion about the issues Job Network staff faced in dealing with disadvantaged clients who made up a high proportion of caseloads. Several issues were identified including lack of motivation, poor soft skills considered essential to successful engagement in the workforce, transport problems, lack of vocational skills and training options. Participants were generally critical of the current suite of labour market programmes and assistance available to job seekers. Some were also critical of the dominant 'work first' approach.

There was a lively discussion in all focus groups about the attitude of job seekers to work and job seeking and the reasons why people remained unemployed. A minority view conformed to the 'dole bludger' stereotype: "They don't want to work but they want their benefits." However, these views were vigorously challenged by other participants who strenuously disagreed with the 'dole bludger' label and the discussion proceeded to focus on the complexity of the factors impacting on the unemployed:

*Whenever you ask a group of Job Network people we always think of the ones that play into the clichés, "they don't want to work", where most of the people I deal with.... We're still having to counsel people about not wearing caps to interviews and obvious things. I'm looking at people, these are people who are marginalised, they don't have support at home.... Really, I don't know, it still worries me that on some levels this is almost social problems.*

*...what impact that anger that a lot of times they harbour because they are not employed enough, or they don't have a real job, or they lose their motivation and ability to work after being unemployed for a period of time. I think the social impact is huge.*

*So you're looking at people who are 4 years or 10 years or 20 years [unemployed] and we're saying to them "we demand that you go into a full-time job", and then when they buckle ... I think we're unreasonable sometimes in our expectation and I don't think there is enough allowance for easing people back into a workforce.*

All focus groups identified significant negative consequences for clients living in communities with high and persistent levels of joblessness whether these were isolated rural areas or suburbs in major cities. One prominent issue was 'inter-generational' unemployment. Participants indicated that for many long-term unemployed clients, there were no members of their social network who were working, and thus, no positive role model to demonstrate the benefits of employment. Moreover, in these communities it was socially acceptable not to work or there could be peer pressure exerted to remain unemployed. Jobseekers were said to be frequently of the opinion that the costs of employment, especially in precarious and often casual jobs, outweighed the advantages. One participant from a rural area explained:

*Some of our staff run workshops where they can actually start with the disadvantages of having a job as well as the advantages. And that's really important because if*

*you've got a lot of generations of people who've never had a proper job then they've used all their survival strategies to actually work out how to survive when they're not employed and so they have a lot of stuff invested in not being employed because they can maintain those other activities that they've done in order to survive and its very, very difficult sometimes for people in that situation to actually see what a proper job could mean to them ... We can end up with a huge list of disadvantages and people really having to think and be prompted to see what the advantages are.*

Disadvantages included not being available to attend to family crises, to engage in children's activities at school or supervise children before and after school, or to participate in social activities with unemployed friends. To illustrate this point, one participant related a conversation with a jobseeker who said:

*I couldn't go to work today because my partner needed me home because the kids are sick...How could I be asked to work in favour of looking after the family.*

Another perspective on poor motivation concurred with the 'job snob' description popularised by Tony Abbott. One participant commented:

*Once upon a time people, the most important thing was to get a job. Now they're picky, picky, picky. What sort of job I want. It's not just any job like our labour force used to do, to get money which was the most important thing. They're very picky now what they want to do.*

This viewpoint was countered by participants who explained that there could be rational explanations for declining certain types of employment. In areas highly reliant on seasonal or casual employment, many job seekers survive through a combination of work and benefits. Job seekers in regular casual employment were often reluctant to relinquish that work (and part Newstart Allowance) to take up other employment that may prove to be precarious, and were particularly averse to the idea of going off benefits and then having to reapply.

Many participants who disagreed with the bludger image indicated that there simply were not enough jobs available. Participants from rural labour markets with few employment opportunities discussed the option of encouraging people to relocate to improve their employment prospects but were acutely aware that significant hardship, as one participant explained "*all the economic costs that that incurs and the disengagement from family and community as well*", made this a risky strategy in the face of uncertain gains.

Several barriers to employment were identified by focus group participants. In some instances participants indicated that most jobseekers left on their caseload were considered to be unemployable in the private sector because they lacked the vocational or soft skills necessary to sustain employment or lacked adequate transport. In relation to vocational skills, participants were in general agreement that training options through the Job Network were limited (see discussion below regarding the Jobseeker Account) and that employers abrogated responsibility for training and expected a skilled workforce to be delivered to them.

*When we were talking about training before the one thing different between now and 10, 15 years ago is employers will not train their staff. The emphasis is on us to supply this ready-made product to them and they won't accept anything less.*

Transport difficulties were identified as a major impediment to assisting clients into sustainable employment. Participants were able to recount specific instances where motivated job seekers with adequate skills, were unable to take up employment because they did not have private transport and public transport was not available at the necessary times. Even in highly populated areas, people commented: "There's no bus after 9 o'clock". Other

employment barriers included soft skills essential for employability such as personal hygiene, knowledge of appropriate dress and workplace behaviour.

A major topic of discussion in all focus groups related to people that Job Network staff considered were not employable due to illness or drug and alcohol addictions. In particular, the changing role of the Job Network in relation to DSP was recounted with exasperation. Staff explained that they had previously played an active role in assisting clients with disabilities to transfer to DSP which they considered the appropriate benefit. Since the Welfare to Work changed in 2006, these types of clients have returned to the Job Network with the expectation that they can and will be assisted into work.

*We are now getting disability pensioners in and telling them they have a requirement to look for certain hours of work. Two years ago we were actually assisting them to fill out their applications for disability pension, telling them they weren't fit to be in Job Network.*

Staff can send these clients for a Job Capacity Assessment but have found the process to be inadequate. Comments such as the following were enthusiastically affirmed by other participants:

*A lot of the clients they send us aren't JN ready so we have an option to send them for an assessment, a job capacity assessment... But they bounce back to us and say they can do 30 hours a week.*

*...gets 45 minutes to talk to the client ... They have to do a full assessment and write a report and say, and make recommendations for what should happen. So in theory it was a good idea that people, that we'd be able to refer people for an assessment but in fact its not a system that works well for the clients or us because the clients have to jump through all these hoops and go to these extra appointments and all that and there's problems if they don't turn up blah, blah, blah. But they're not getting a lot of benefit back. The restricted work capacity stuff is fabulous for some clients; it really, really is a good thing. But the system as a whole has got a lot of problems with it.*

The Personal Support Programme provides an alternative to the Job Network for up to 2 years for non-job ready clients such as the homeless or people with mental health, drug and alcohol or gambling problems (DEWR, 2007a). However, focus group participants were disappointed with the operationalisation of the programme due to restrictions on the number of placements and inadequate resources available to PSP workers. Restrictions on the number of available places meant that clients eligible for PSP went on a waiting list and reverted to Jobsearch Support in the meantime. During this time they were not offered effective assistance and Job Network staff could not access the Jobseeker Account. According to participants PSPs workers are required to have a monthly meeting with the client but the programme was undermined by the lack of resources available.

*We've got a large proportion of ...assessed as eligible for PSP support but there's no actual PSP programme because it's a capped programmes ....[no places available] come back to JN until PSP becomes available and we arrange ....*

*But once they have been made PSP eligible and they drop back to us on the waiting list we can't access the jobseeker account to do anything with them because they are back to jobsearch support. So we can't spend money to help them and the personal support programme doesn't [have] funding to do much.*

The skills, knowledge, and dedication of staff have been acknowledged as critical to the delivery of high quality employment services. However, DEWRSB (2001b: 8) noted:

[W]hile Job Network members recognise that investment in ongoing staff training and development may impact on performance, these activities, generally, do not appear to be a high priority.

In 2 focus groups there was general agreement that training and support for Job Network staff was totally inadequate. Participants were particularly concerned that the increasing proportion of jobseekers with serious employment barriers dictated the need for highly skilled employment consultants and access to specialists such as psychologists, but these were not usually available. Some indicated that the restricted Job Network funding model precluded the types of services that were provided nationally in the CES era, while high levels of staff turnover meant that many Job Network staff were relatively inexperienced and ill equipped to deal with jobseekers with complex problems. Indicative comments included:

*The makeup of that group that the JN is now dealing with has totally changed ... People with mental illness, disabilities, where discrimination is obviously much more of a real issue and to try and work with them...but there's no-one, no qualified people to actually find someone a job..... There's no professional support.*

*For individual staff I think a lot of us would prefer to have professional supervision with working with our clients....We'd like to be able to say "I need back-up, expert back-up". I worked with an organisation that did have a full-time occupational psychologist and that was fabulous because you could get that sort of back-up. But in smaller offices and in rural areas you don't get it.*

*I was initially trained in administration and helping people get jobs... I have no drug and alcohol training. The amount of drug addicts that I see is unbelievable and I have no training in helping these highly disadvantaged people that are seen as job-ready. Anger management-the amount of times I've been threatened to be punched by a client is unbelievable.*

The third focus group was less homogeneous in relation to their perception of the quality of training they received. While some indicated that there were training deficits, others expressed a view that their employer provided a comprehensive training package.

The majority view that staff are ill equipped to deal with very disadvantaged job seekers echoes the findings of earlier research with staff of non-profit Job Network providers, where staff expressed concern that job seekers were not able to access specialist assistance such as support for people with disabilities, interpreters or culturally sensitive services when required (Eardley, Abello and Macdonald, 2001).

The final factor raised by participants that had a negative impact on the quality and quantity of service provided to job seekers, was the commercial and competitive nature of the Job Network model. All participants were acutely aware of the fact that provision of employment services to the unemployed is, first and foremost, a business, and the most important client is the government and its representative, DEWR. This reality was explained with a great deal of feeling and justified somewhat apologetically:

*Job Networks haven't effectively had any increase in our funding. For years the amount that we get per client hasn't gone up ... and as the clients become more and more difficult, requiring much more investment in time and effort from the consultants; but there's actually a disincentive to work with a number of these clients because we're not paid to do it.*

*Our survival depends on our outcomes and so we will take whatever outcomes that we can grab. But that's because we're pushed because our KPIs say that's what you've got to do.... So, you know, we're driven a lot by what the government is asking us to do and at the end of the day we've got to look after ourselves. I mean, as a manager, the lives and livelihoods of every person working under my directorship or whatever you want to call it, depends on us getting those outcomes set by the government which quite frankly are unreasonable and they're not social outcomes they are economic outcomes and they are not addressing the triple bottom line at all.*

In total, the picture painted by participants was that as the economy continued to grow, a growing percentage of job seekers remaining unemployed had severe employment barriers or were in need of extensive assistance including professional interventions that were not possible in the Job Network due to funding constraints and the commercial interests of providers. There are few labour market programmes to refer clients to, and the work first approach in combination with insufficient funding severely restricts training opportunities for clients, consigning many to continuing unemployment or transitions between short-term employment and unemployment.

### 3.4 Has the Job Network delivered?

While the justification of the contestable market model was that it would deliver superior efficiency, innovation and choice there were a priori concerns that received insufficient attention in the design phase of the system. The Productivity Commission (Productivity Commission, 2002) noted that in the delivery of complex services such as employment assistance, there are many essential components of services that cannot adequately be measured by outcomes. Importantly, the use of price competition is likely to have a detrimental impact on the quality of service when providers are reliant on outcome payments to maintain financial viability in an environment where it is not possible to make accurate predictions regarding the quantum of outcomes that will be achieved. In order to ensure adequate service levels to the most disadvantaged, the system must provide sufficient financial incentives to ensure that businesses concerned with the bottom line are prepared to devote resources to those for whom employment outcomes are the least likely. Moreover, the Productivity Commission pointed out that Job Network client's choice was severely constrained. This section demonstrates that these issues have not been addressed comprehensively either in the initial Job Network design or through restructuring undertaken when major deficiencies have become evident.

It is necessary to evaluate the performance of Job Network in terms of the principles and objectives outlined above. The first principle of the Job Network is: A focus on outcomes that would provide better quality services and more sustainable employment outcomes. Comparisons of performance in the pre- and post-Job Network climate are complicated by differences in labour market conditions, client characteristics and programmes available to those working in employment service delivery. The initial DEWRSB net impact study (DEWRSB, 2001a) found that the Job Network produced off-benefit results that were comparable to those achieved by the Working Nation programmes, but that Job Network was significantly less expensive. For example, the net impact of Intensive Assistance, defined as the proportion of people who went off benefits, was 10 per cent, which was comparable to the average net impact of the Working Nation programmes. However, there was considerable variation in the performance of Working Nation. New Work Opportunities participants were 5 per cent more likely to go off benefits than non participants, Skillshare only 1 per cent, while Jobtrain participants fared 1 per cent worse than non participants. In contrast, Jobskills participants achieved a net impact of 14 per cent and Jobstart achieved a massive 31 per cent

net impact. Jobclubs produced a net impact of 4 per cent, which is very similar to the replacement programme, Job Search Training (3 per cent).

In addition to consideration of the net impact of programmes, it is necessary to acknowledge qualitative differences in the characteristics of jobseekers. While the report does not indicate the length of time people had been unemployed, it provided duration of benefit receipt which serves as a proxy measure. The proportion of long-term unemployed Intensive Assistance participants was considerably lower (59.9 per cent) than for any of the Working Nation programmes with the exception of Skillshare (57.9 per cent) which would indicate that the Intensive Assistance clients should have been more employable given the inverse relationship between length of unemployment and probability of obtaining employment. Almost all the Jobskills and New Work Opportunities participants were long-term unemployed (95.8 and 92.3 per cent respectively). Moreover, while there were 41.8 per cent of Intensive Assistance clients who had been unemployed for 2 years or longer, these clients comprised over 60 per cent of Jobskills participants. Almost three-quarters of NWO commencements had been unemployed more than 2 years and over 40 per cent had unemployment spells in excess or four years (DEETYA, 1996b; DEWR, 2001a).

An evaluation of sustainability of employment considered the longer-term employment status of participants who were employed 3 months after exit from programmes (DEWR, 2004). Twelve months after participation, 57 per cent of Work for the Dole participants were still employed, as were 63 per cent of Job Search Training participants. Around 65 per cent of Intensive Assistance participants for whom an outcome payment had been made were still employed in the same job 15 months after exit.

The most recent evaluation of the net impact of the current suite of labour market programmes compared outcomes for participants 12 months after commencement with matched control groups who had not participated in programmes in the preceding 6 months (DEWR, 2006a). In February 2005 the net impact of WfD was 7.3 per cent compared to 8.2 per cent for Mutual Obligation, 10.1 per cent for Customised Assistance and 11.2 for Job Search Training (DEWR, 2006a). Job Search Training was most beneficial for NESB clients, prime aged adults, 25 to 44 years old, job seekers with trade qualifications and VLTU job seekers (DEWR, 2006a). Customised Assistance was particularly helpful for PWD and trades qualified jobseekers, while WfD proved most successful for indigenous job seekers and those with a degree (DEWR, 2006a).

Sustainability of outcomes was one of the reasons for abandoning the Working Nation programmes that were accused of churning the unemployed between programme participation and periods of unemployment. Recent data suggests that employment outcomes are not being sustained. Within the Job Network, long-term outcomes are defined as placements of Intensive Support clients, disadvantaged job seekers and those registered for more than 3 months in jobs that last at least 13 weeks. Of the 645,500 placements recorded by the Job Network in 2006-07, there were only 186,400 long-term outcomes for Intensive Support job seekers (Australian Government, 2007a). Table 3 shows total placements and long-term placements for various groups of Intensive Support clients in 2006-07. The fact that less than one-third of placements for these groups lasts for 3 months indicates that the Job Network is not providing sustainable employment for disadvantaged groups.

Table 3 Placements for disadvantaged groups, 2006-07

	Total Placements	Long-term Placements	Long-term placements (% of Total Placements)
Indigenous	50,129	14,591	29.1
Parenting Payment	53,014	20,685	39.0
CALD	84,207	27,614	32.8
Mature Aged (50+)	78,240	25,825	33.0
PWD	49,018	14,495	29.6

Source: (DEWR, 2007a)

Client choice of provider was promoted as a major advance for consumers of employment services who would be able to make informed choices based on the range of services provided by individual Job Network providers and therefore drive innovation and excellence as providers vied for customers. It is important to note at the outset that ‘consumers’ are severely constrained due to MO requirements and interaction of the unemployed with Job Network agencies is largely predetermined by the government which is the primary client of the Job Network. In the first contract round automated referral processes severely limited client choice of provider (PC, 2002). More recently the Australian National Audit Office (ANAO,2005a) concluded that job seekers did not have informed choice of provider because they were not given appropriate information at Centrelink seminars, were required to choose a provider prior to attending the seminar or were not invited to attend a seminar.

The quality of services provided by Job Network members has been found to be deficient in numerous ways. Perverse financial incentives have been blamed for ‘creaming’ or concentrating on providing services to those considered most likely to gain an employment outcome while ‘parking’ or failing to provide services to the most disadvantaged. The Productivity Commission (PC, 2002: xxxii-xxxiii) commented:

The providers often then direct their services to job seekers who are likely to be responsive to their interventions. They may park those with either insurmountable or high barriers to work who have low likelihoods of achieving payable outcomes.... Parking may mean that the net effect of participating in Intensive Assistance is negative for some job seekers.

While intensive support customised assistance is a major product delivered by the Job Network an ANAO investigation found that there was reason to believe that services were inadequate and that DEWR was not able to ensure that they were being delivered (ANAO, 2005a). The report noted that the design of the Job Network means that DEWR does not directly determine the services delivered to job seekers. Decisions regarding assistance for individuals remains the province of Job Network members subject to the Employment Services Code of practice and the Job Network Service Guarantee. The ANAO examined the levels of contact with clients and found that they rarely conformed to service standards echoing finding from an earlier DEWRSB survey of intensive assistance clients in 1999 that found that around one-quarter had met with their case manager only once or twice and only 38 per cent had ever been referred to a job (OECD, 2001; ANAO, 2005a). Similarly, there was limited documentation of employment barriers (ANAO, 2005a) and very few providers were addressing underlying barriers to employment by referring clients to counselling, training or other assistance (OECD, 2001). Despite the fact that individualised assistance was one of the primary justifications for Job Network from the outset, the ANAO report found that there was very limited customisation of services (ANAO, 2005a). Moreover, the report

pointed out that variations in the use of the Jobseeker Account meant that some job seekers received “considerably less assistance than others” (ANAO, 2005a: 139).

The objective of delivering individually tailored assistance and greater choice for consumers is not attainable in a system where the Job Network’s primary client is the government rather than the user of the service. Evidence from implementation of the Job Network indicates that the competitive model failed and the government was required to make several major changes. The tendering process resulted in major disruptions to provision of services to job seekers due to the diversion of resources to the tendering ‘process’ and uncertainty regarding future contracts. While the Job Network was promoted as a dynamic, innovative system that would provide individualised service rather than the bureaucratic one size fits all CES model, the reality has been far removed from the promise. Evidence from various reviews, staff surveys and the focus groups conducted as part of this research, demonstrate that the system has become increasingly bureaucratic over time, there is little evidence of innovative, individualised assistance, financial incentives encourage reduced services to the most disadvantaged and clients have few ‘rights’ to services or training opportunities which are largely determined by providers.

#### **4. Regional and local policies in Australia**

Labour market policies have been developed at the national level to attack high levels of unemployment since the economic crisis in the mid 1970s (see Section 2). To a lesser extent State governments have implemented labour market programmes to supplement national programmes, especially for disadvantaged groups with high levels of unemployment, such as youth. In addition, regional programmes have been introduced to accelerate economic development and generate employment.

This section outlines regional policies in Australia. The federal structure of governance in Australia has impacted on regional economic development policies. Vertical fiscal imbalance, whereby the Commonwealth government has primary responsibility for raising taxes while state governments shoulder responsibility for programme delivery, has affected the provision of services such as health and education, along with facilitation of regional economic development. Dating back to colonial days, state governments played an active role in promoting economic development and provision of infrastructure. The attitude of Commonwealth governments has vacillated from abrogation of any responsibility to active participation in top-down decentralisation policies and more recently policies that stress bottom-up, self development approaches. Local governments are financially constrained in undertaking local economic development, are very small in terms of geographical area and / or population and are not politically autonomous. In contrast to local authorities in other countries, Australian local governments are responsible for a smaller range of services that have traditionally centred around development of physical infrastructure and waste services. However, in recent years local government has expanded its role to include a broader range of community services (Worthington and Dollery, 2000).

##### **4.1 Commonwealth regional policies**

In the immediate post-war period, the Curtin and Chifley Labor governments envisaged an active partnership with state governments to foster regional development. However, the incoming Menzies Coalition government in 1949 decided not to proceed with an integrated approach, and it was not until the election of the Whitlam government in 1972 that the Commonwealth government again took an active role in regional development through the establishment of the Department of Urban and Regional Development and the Cities Commission. Decentralisation policies concentrated on establishing regional growth centres

such as Albury-Wodonga, Bathurst-Orange, Macarthur, and Eden-Monaro (Bureau of Industry Economics, 1985). To ameliorate the impact of the 25 per cent tariff reduction in 1974 the government introduced the Special Assistance to Non-metropolitan Areas scheme, while the Regional Employment Development (RED) job creation scheme provided temporary employment to reduce the impact of unemployment.

According to Rainnie and Grant (2004) Commonwealth governments adopted a minimalist approach to regional policy from the mid 1970s. The Fraser government reduced funding to Albury-Wodonga. The Hawke government limited active regional policy to the Country Centres Project (CCP) that commenced in 1986-87 to areas suffering from structural change in rural and other industries. CCP funded community consultation and feasibility studies for small-scale self-help projects in partnership with the private sector in a small number of locations (Wilkinson, 2003). Taylor and Garlick (1989) claim that the CCP demonstrated that local committees worked best and outcomes were longer-lasting when there were multiple representatives such as business, community groups, education institutions, unions and local agencies of government departments. Subsequently, the bottom-up approach to economic development was continued through the Regional Organisations of Councils.

Commonwealth involvement in regional development increased in the 1990s. Area Consultative Committees were established to advise the Department of Employment Education and Training on local training needs and to develop local employment strategies (Rainnie and Grant, 2004). In the aftermath of the recession, the Keating government announced a local capital works programme, providing grants to local governments for economic and social infrastructure programmes in areas with above average unemployment rates. The 1994 Working Nation white paper on employment expanded regional development policies. Job creation schemes such as Jobskills and New Work Opportunities provided temporary employment and stimulus to depressed regional areas. Adopting a New Regionalism approach, the government also committed \$150 million over 4 years to the Regional Development Program in 1994, designed to facilitate export-oriented regional development by addressing obstacles to competitiveness through Regional Development Organisations consisting of local partnerships of business, unions, local government, and education and training representatives (Wilkinson, 2003; Rainnie and Grant, 2004; Beer et al., 2005).

The incoming Howard Coalition government scrapped the Regional Development Program in 1996 declaring that regional development was the province of state governments. However, the government subsequently introduced the Regional Australia Strategy in 1999, which has been interpreted as a political response to discontent in regional areas and the electoral success of Pauline Hansen's One Nation Party in the 1998 Queensland election, and independents in the NSW election in 1999 (Wilkinson, 2003; Rainnie and Grant, 2004; Beer et al., 2005). The Commonwealth has addressed skill shortages in 14 industries through the National Skills Shortages Strategy (formerly the National Skills Initiative). In addition to strategies developed at the industry level, there have been regional pilots in Townsville, the Hunter and the Illawarra conducted in partnership with industry, educational institutions and local communities to examine existing and potential skill needs and develop strategies to meet those needs (Department of Education Employment and Workplace Relations, 2007).

The Regional Solutions Program was launched in 2000 to build stronger communities and increase access to services by funding the employment of people to coordinate the implementation of projects and improve the information flow from the government to the community (Wilkinson, 2003). The Regional Solutions Program provided up to \$5,000 for community planning and up to \$200,000 for strategic planning; up to \$100,000 to fund

community projects officers for 2 years; up to \$200,000 to implement community programmes and up to \$500,000 for community-oriented infrastructure (Anderson, 2007). The programme was integrated into the Regional Partnerships Programme in 2003, encompassing provision of opportunities for economic and social participation, improved access to services, and assistance with structural adjustment. Area Consultative Committees (ACCs) provide advice and assistance in the development of Regional Partnership proposals. Regional Partnerships require cash or in-kind contributions from applicants.

Regional Partnerships are also the vehicle for delivery of the Textiles Clothing and Footwear Community Adjustment Package and the Rural Medical Infrastructure Fund (RMIF) (DOTARS2006c). Applications under the Textiles Clothing and Footwear Community Adjustment Package are assessed in relation to the impact TCF industry change has had on the community and how the project addresses that impact. The RMIF provides funds to local government and local divisions of general practice to improve infrastructure and enhance recruitment and retention of general practitioners and other health professionals. Grants of up to \$400,000 are available for rural communities with populations under 10,000. RMIF provides funding of \$5 million per year for 3 years to June 2008.

The programme has funded community and sport and recreation centres, construction of accommodation for medical staff, and entrepreneurial ventures. Between 2003-04 and 2006-07 Regional Partnerships expenditure was \$327.9 million (The Auditor-General, 2007a). Of the 1413 projects considered during the 3 years to June 2006, 981 (72 per cent) projects were approved and 389 (28 per cent) rejected. In addition 34 projects were funded by the programme as a consequence of election promises by the Howard government in 2004 (The Auditor-General, 2007a).

A report by the Australian National Audit Office found that programme administration “had fallen short of an acceptable standard of public administration” (The Auditor-General, 2007a: 20). The Report noted that on 9 occasions, the Ministers had approved projects that had not been assessed by the department as required under the Programme Guidelines, and in some cases without an application having been lodged. The Report indicated that such practices create “an elevated risk of funding being approved for projects that either do not proceed as planned or which do not result in the anticipated outcomes and associated community benefits” (The Auditor-General, 2007b: 415).

In September 2007 the Minister for Transport and Regional Services announced the Growing Regions Programme to complement Regional Partnerships by providing funding for major projects requiring funding of \$1 million to \$3 million (The Auditor-General, 2007a). Regional Partnerships will be restricted to projects requiring funding of less than \$1 million and will be available for Enterprise Partnerships from private businesses and Community Partnerships for other applicants.

The Sustainable Regions Programme announced in 2001 is an example of local partnerships designed to develop bottom-up solutions to address major issues identified by the community in relation to social or economic change in depressed regions. A Sustainable Region Advisory Committee was established in each region and developed regional priorities through a community consultation process. Each of the original 8 regions could receive up to \$12 million funding: Atherton Tablelands and Wide Bay in Queensland; Far North East NSW and Campbelltown-Camden in NSW; Gippsland in Victoria; Playford-Salisbury in South Australia; Kimberley in Western Australia; and North West and West Coast Tasmania. Two new regions, Northern Rivers and North Coast NSW, and the Darling Matilda Way, were included in the Sustainable Regions Programme in 2005-06. The Sustainable Regions Programme funded projects serving a wide range of community needs including construction

of tourist information centres, cultural centres and education, training and research centres (DOTARS2006a).

The mid-term evaluation reported that in the 4 years to 2005, the programme had funded 202 projects valued at \$244.6 million, comprised of \$77.3 million government funding and \$167.3 million of partnership contributions (Analysis and Evaluation Section, 2006). Projects were designed to assist business capacity and competitiveness, improve community capacity, and service provision. Applicants included business, local government, community groups and regional organisations. Preliminary outcomes suggest that government funding commitment, local decision-making, flexibility and the ability to establish regional networks are the main strengths of the programme. However, the evaluation cautions that improved performance of administrative functions, meeting timeframes and meeting financial accountability requirements should be improved.

A number of programmes provide assistance at the individual or firm level in rural areas. The Rural Industries Research and Development Corporation provides funding and support for research and development in all areas of production, processing, transporting or marketing agricultural products. The Food Chain Program provides matching funding up to \$200,000 for development and implementation of innovative approaches to food chain management and uses these as industry role models. Food Processing in Regional Australia grants of up to \$200,000 to small and medium farm businesses and food processors are available on a matching basis for projects such as on-farm or regionally-based processing that value-add to food produced in rural and regional Australia. The New Industries Development Program (NIDP) provides assistance to commercialise agribusiness products, services and technologies. Under NIDP, Pilot Commercialisation Projects attract matched grants of up to \$50,000 to \$100,000, while in-Market Experience Scholarships for managers to gain experience in business management and new markets can attract up to \$30,000. Also Higher Bandwidth Incentive Scheme providers get incentive payments to provide higher bandwidth in regional Australia that is comparable to metropolitan areas.

Labour market skill enhancement in rural and regional Australia is addressed through the Young People in Rural Industries Program, and Rural and Regional New Apprenticeships, whereby employers in non-metro areas who take on an apprentice or trainee in an occupation in demand qualify for an incentive payment of \$1,100. In addition, the New Apprenticeships Innovation Incentive provides \$1,200 for New Apprenticeships in aeroskills, telecommunications, laboratory operations, information technology and electrotechnology.

Regional employment is also influenced by Commonwealth grants to local governments. This is discussed in Section 4.3.

#### Other economic development and employment programmes

In addition to specific regional policies the Commonwealth has provided assistance to specific industries, or to enhance innovation and exports, or attract investment to Australia. Encouraging innovation to enhance international competitiveness has been the centrepiece of Australian government strategies. The 1997 Investing for Growth package provided \$1.26 billion over 4 years; the 2001 Backing Australia's Ability initiative provided \$3 billion over 5 years and a further \$5.3 billion over 7 years from 2004-05 under the Backing Australia's Ability – Building Our Future through Science and Technology (DEST, 2006). The Innovation Investment Fund provided \$220.7 million between 1997-98 and 2011-12 for commercialisation of innovations (Department of Industry Tourism and Resources, 2004). The Industry Innovation Program (R&D Start) provided grants and loans up to \$664 million in the 5 years to 2006-07 to foster cooperation in R&D and commercialisation (Department of

Industry Tourism and Resources, 2004). Commercialisation was the focus of the Commercialising Emerging Technologies (COMET) Program that provided support for companies and individuals to develop innovative products in the form of assistance with raising capital, licensing, and establishing joint ventures or strategic alliances.

Other initiatives support innovation and commercialisation include the Innovation Access Program which assisted Australian firms to access global research and technologies; the National Innovation Awareness Strategy, the Innovation Investment Fund and encouragement of increased private sector collaboration with public sector research agencies through the Competitive Pre-Seed Fund. The Small Business Entrepreneurship Program (SBEP) provides grants to foster entrepreneurship through mentoring and skills development for small business. Commercial Ready provides around \$200 million per annum in grants to SMEs to support innovation and commercialisation. R&D tax concessions have been available since 1985 to encourage R&D investment and totalled \$1775 million for the 4 years to 2005-06 (Department of Industry Tourism and Resources, 2004).

In addition, specific industries have been targeted to encourage innovation. Biotechnology Australia was established in 1999 and manages the National Biotechnology Strategy that commenced in 2000 with \$117 million funding from 2001 to 2008 (Biotechnology Australia, 2007). The Biotechnology Innovation Fund provides grants for commercialisation of biotechnology ventures. The Pharmaceutical Industry Investment program (PIIP) ran from 1999 to 2004 to stimulate high quality R&D in pharmaceuticals. Assistance to the automotive industry through the Automotive Competitiveness and Investment Scheme (ACIS) totalled \$2.8 billion between 2001 and 2005 and another \$4.2 billion is projected for 2005 to 2015 (Department of Industry Tourism and Resources, 2004).

The Automotive Competitiveness and Investment Scheme Motor Vehicle Producer Research and Development Scheme will provide \$150 million in R&D assistance between 2006 and 2010 (DEST, 2006). In 2003 the Australian government announced \$747 million assistance to the TCF industry for an extension of the Strategic Investment Program to encourage new investment and innovation; duty concessions through the Expanded Overseas assembly Provisions Scheme; and the Corporate Wear Program (Department of Industry Tourism and Resources, 2004). The TCF Small Business Program provides grants up to \$500,000 to improve the business enterprise culture encouraging creativity, flexibility and development of growth strategies.

Another avenue of federal government support is export assistance. The Export Market Development Grants Scheme reimburses 50 per cent of SME export promotion expenses up to \$150,000. Austrade and TradeStart provide assistance to exporters such as counselling, information on markets, trade displays and assessment of export potential. The Australian Technology Showcase has been marketing Australian technologies internationally since 1997 with support from the Commonwealth and state governments. The Showcase provides a national website to promote Australian technology companies, seminars and networking events, assistance to locate joint venture partners and marketing. In addition, Invest Australia was established in 1997 to attract inward investment and provided \$44 million over the 4 years to 2005-06.

Specific programmes assist indigenous businesses. The Business Ready Program for Indigenous Tourism assists indigenous firms to develop the range of business skills necessary to run tourism businesses successfully through provision of funding for mentors to work with individual businesses.

## 4.2 State policies

Historically the primary responsibility for regional development resided with state governments. In the period prior to 1970 the major regional programmes were delivered by state governments in the form of tax concessions and financial incentives to create growth centres and facilitate decentralisation (Beer, Maude and Pritchard, 2003). In the postwar period the Queensland government provided financial assistance to new or expanding industries. From 1963 the government provided advances and guarantees to firms to purchase land for industrial use. In the late 1960s the government established Crown Industrial Estates in regional centres and provided financial assistance for industry located in non-metropolitan areas and housing assistance for skilled workers in decentralised areas as well as export freight incentives. In a bid to accelerate economic growth, the South Australian government provided loans to industry anywhere in the state from 1941. A regional focus commenced in 1958 when the government started building factories outside metro area for sale or lease. Then in 1971 loans were provided for industry to establish or extend business outside the metropolitan area. Growth centres were introduced from 1972 but the legislation was repealed in 1980.

In Western Australia, government loans and loan guarantees were provided to industry from the 1940s. From the 1970s there were a number of programmes for regional development. In 1970 the government commenced land purchases for industrial development outside the metropolitan area and the scheme was extended to the metropolitan area from 1976. Financial assistance equivalent to payroll tax was introduced in 1974. In addition to these measures, there was assistance in provision of infrastructure to complement and encourage development in regional areas. From 1973 the government assisted with housing provision in regional areas, and from 1978 there was an emphasis on provision of road power and other infrastructure to stimulate development in regional areas.

Assistance to Tasmanian industry in the post-war period included the purchase of land for industrial development, provision of loans and other financial assistance from 1954, and provision of financial relief to firms adversely affected by economic conditions from 1977.

However, state governments have moved away from decentralisation toward locally driven economic development since the early 1990s, concentrating on support services to business including providing advice, marketing regions, supporting community groups, establishing Business Enterprise Centres, promoting Main Street programmes and providing labour market training initiatives (Beer, Maude and Pritchard, 2003). Many firms have benefited from payroll tax rebates, assistance for business planning and marketing, research and development, export development and trade missions. Most governments provide businesses with support for networking and clustering initiatives, the uptake and diffusion of technology and fostering innovation.

### NSW

The Askin Coalition government passed the State Development and Country Industries Assistance Fund Act 1966 to assist the establishment and expansion of country industries, then restructured the regions in 1971 and established Regional Advisory Councils with representatives from local government, state government departments and citizens appointed by the minister. In 1974 the NSW government passed the Growth Centres Act to establish decentralisation centres in Albury-Wodonga and later Bathurst-Orange. Decentralisation was the main focus of regional policy and by 1974, 898 industries had been either established or expanded in 170 country centres, with around one-fifth relocating from Sydney, other states or overseas (Wilkinson, 2003).

The Wran Labor government continued decentralisation and forged more extensive regional development plans. In 1977 payroll reductions were granted to manufacturing or processing industries located outside the metropolitan area, while interest rate and rental subsidies and a loan guarantee scheme were introduced from 1983 and payroll tax rebates increased for firms providing additional employment. However, the proposal to decentralise public services recommended by the Andrews committee in the 1980 was shelved due to perceived budgetary constraints (Wilkinson, 2003).

Regional development incentives were wound back by the Greiner Coalition government in 1989 when automatic entitlement to relocation subsidies was replaced with individual case assessments under the Regional Business Development Scheme and payroll tax rebates were largely eliminated. Towards the end of the Greiner government and during the term of the Fahey government, a period that included the recession of the early 1990s, regional policy increased to an average expenditure of \$3.5 million per annum between 1989 and 1993. In addition to the existing Regional Business Development Scheme, a plethora of regional initiatives commenced in 1993. These included the Regional Business Infrastructure Program, Assistance Towards Business Establishment or Expansion at a Regional Site, Resources for Regional Development, the Main Street Program, and the Business Expansion Program.

The Carr Labor government expressed a commitment to regional development. Following a regional assessment the government issued a Rebuilding Country New South Wales statement in 1998. The government retained the Regional Business Development Scheme and Main Street programmes and the Regional Development Boards. In addition, the Regional Economic Transition Scheme provided assistance to firms investing in economically depressed areas, and the Country Centres Growth Strategy.

The NSW Department of State and Regional Development (Department of State and Regional Development, 2007) offers a number of programmes designed to facilitate economic development. The Regional Business Development Scheme provides financial and other assistance for businesses setting up or relocating to regional NSW from other locations in Australia or overseas. The New Market Expansion Program assists regional businesses to develop new markets. Assistance with development of marketing plans up to \$3,000 and implementation costs up to \$5,000 can be provided on a dollar for dollar basis. A range of activities can be funded including market research, e-commerce preparation and business promotion. The Payroll Tax Incentive Scheme commenced in July 2006 and provides a rebate of up to \$144,000 per annum for the first 3 years for businesses investing in areas with unemployment rates above the state average.

A number of schemes are available to regional communities. The Regional Economic Transition Scheme provides assistance to regions experiencing structural change in the form of infrastructure, retraining programmes and development of business initiatives by community organisations. In 2005-06 funding totalled \$1.65 million (DSRD, 2006). The Developing Regional Resources Program provides funding for community organisations, industry associations or groups of regional firms to undertake new business ventures. The Towns and Villages Futures Program and the Main Street Small Towns Program provide funding for economic development in small communities. Funding priorities relate to capacity building through workshops to identify potential projects, skills training for committee members, business research and marketing, strengthening local networks.

Over the past decade the NSW government has focussed strongly on 4 regions in the greater Sydney area, Western Sydney, the Central Coast, the Hunter and the Illawarra. The Office of Western Sydney opened in 1997 to provide policy advice to the state government on issues concerning the region and to assist in developing the region into one of the top 10 knowledge

and innovation regions internationally by 2010 (Smith, 2003). It was also charged with delivering environmental sustainability and social cohesion. The Regional Skills Development Committee was established to address the unemployment situation by identifying current and future skills needs and developing initiatives to meet these needs. The Western Sydney IT Cluster and the Western Sydney Biotechnology Cluster are being actively developed to accelerate growth in the region and generate employment.

Business Central Coast attempts to attract business to the Central Coast region and provides support to small business. The Hunter Advantage Economic Development Strategy aims to foster economic growth and diversify by establishing partnerships and networks to facilitate industry development and promote entrepreneurship and “co-ordinate the region’s transition to a successful global community” (Smith, 2003: 27). The Illawarra Regional Development Board develops and administers regional strategies with a major focus on attracting new businesses, facilitating expansion of existing businesses and employment and developing effective linkages between industry and the University of Wollongong. The Hunter Advantage Fund and the Illawarra Advantage Fund have been established to facilitate employment creation in regions undergoing industry change as a result of contraction of heavy industry and associated high levels of unemployment. The funds provide assistance with establishment and infrastructure costs as well as provision of payroll tax, land tax and stamp duty relief. In 2005-06 assistance totalled \$3 million for the Hunter and \$1.4 million for the Illawarra.

In addition to policies to stimulate employment growth in these areas, the government has also relocated public service jobs to the regions: the Police Assistance Line, Workcover and Long Service Payments corporation relocated to the Central Coast; the Police Traffic Infringement Processing Bureau and the Department of Mineral Resources moved to the Hunter; and the Department of Local Government and the Superannuation Administration Corporation relocated to the Illawarra (Smith, 2003).

The NSW government offers a range of programmes to facilitate economic development. A number of programmes provide advice and mentoring to business. Similarly, the Industry Capability Network is an import replacement service that identifies local suppliers. Exporters are assisted by a range of programmes including networks to assist firms locate and take advantage of export opportunities and participation in Trade Missions. Grants and subsidies granted by the government in 2005-06 included over \$62 million for Science and Medical Research and almost \$31 million for the Tourism industry (DSRD, 2006).

### Victoria

During the 1960s the Victorian government conducted investigations to identify regional areas suitable for economic development and decentralisation policies were implemented from the early 1970s. In 1970 the Industrial Development Fund was established to foster industrial development outside the metropolitan area. Full rebates on payroll and land taxes began in 1972 and 1973. Throughout the 1970s growth centres were promoted through the Victorian Development Corporation (VDC) and export promotion and marketing assistance commenced in 1979.

In 1999 the Kennett government released the *Rural and Regional Strategy* which emphasised the need for community leadership development to enable regional communities to manage rapid economic change (Rogers and Barker, 2000). Community leadership programmes established in Victoria under a variety of funding arrangements, and for varying time periods, sought to develop community leaders and build social capital through innovative approaches to understanding the challenges and opportunities facing regional communities and building

networks that include business and community representatives. The government also invested in infrastructure in an attempt to encourage industrial development in rural areas including expenditure under the Better Roads Fund. Upgraded water and sewerage treatment was credited with attracting food processing businesses and associated job creation.

Regional policy in Victoria is the responsibility of the Department of Innovation, Industry and Regional Development (DIIRD) which lists its objectives as investment attraction, trade development, developing innovative industries, regional development and marketing Victoria. Regional Development Victoria was established in 2003 to enhance economic development in regional and rural Victoria. The 2004 Economic statement indicated that the Bracks government provided \$2 billion funding for regional projects over the previous 5 years (Bracks and Brumby, 2004).

A number of programmes provide assistance to individual businesses and communities to stimulate economic development in regional areas (Business Victoria, 2006). Programmes to assist business include grants and information. The Regional Business Investment Ready Program provided \$250,000 assistance in 2005-06 to develop business skills and knowledge, and access to networks (DIIRD, 2006). Several programmes assist farmers and rural industries. The Rural Finance Corporation of Victoria provides loans to encourage growth and stability in rural industries. The Young farmers Finance Scheme provides loans for purchases of land, livestock and equipment at concessional interest rates. Other assistance to farmers includes development of milk harvesting plans, drought assistance, upgrading of local infrastructure, information and counselling.

The government actively sponsors the development of clusters and networks. The Regional Innovative Clusters Program is a 3 year, \$2.9 million programme designed to develop cooperation between business, universities and research organisations (DIIRD, 2006). In addition to grants to attend seminars, there are substantial grants to facilitate development of clusters; up to \$50,000 to identify and develop clusters; up to \$100,000 to develop existing clusters; and up to \$150,000 to enable existing clusters to develop a global focus. Similarly, Regional Joint Action Groups (RJAGs) encourage small and medium enterprises in the wine, tourism and food industries to cooperate on a regional basis. Grants of up to \$24,000 enable RJAGs to develop new markets, and promote the region as a tourist destination. The Agribusiness Development Project develops the export capabilities of regional agribusinesses through market analysis and linking businesses with markets through trade shows, and inward buyer visits.

Several programmes aim to enhance both economic and social development in local communities including grants up to \$250,000 under the Small Towns Development Fund and the Living Regions, Living Suburbs Program, with funding of \$10 million and \$3.3 million respectively in 2005-06 (DIIRD, 2006). Provincial councils and business groups also encourage support for local businesses through the Buy Locally Campaign. The Victorian government has also provided \$20 million to build new arts and cultural facilities in regional areas. Grants of up to \$40,000 and \$10,000 per event per annum, are available for key events and local events respectively. Assistance to develop tourism opportunities, including funds for rail, and walking tracks is provided through the Provincial Pathways Program. In addition to these measures, the government has engaged in a marketing campaign to encourage migration from Melbourne to regional areas and provided funding to tackle skill shortages through the Community Regional Industry Skills Program that provided over \$800,000 in 2005-06 (DIIRD, 2006).

In addition to specific regional programmes, the Energy Technology Innovation Strategy will have a major impact on regional areas such as the Latrobe Valley (DIIRD, 2005). The

Strategy provides funding of \$103.5 million over 5 years to maintain Victoria's competitiveness in the national electricity market and promote regional development through research and development, and investment in clean brown coal technology in power plants.

Other assistance is provided to attract inward investment, boost exports and foster innovation and knowledge industries. In 2005-06 assistance for investment attraction totalled \$36 million, business development grants reached almost \$10 million, and Science, Technology and Innovation Grants exceeded \$140 million (DIIRD, 2006) The Melbourne Centre for Financial Studies was established to promote Melbourne as a financial centre. The Melbourne Convention Centre Development is the centrepiece of a 10 Year Tourism and Events Strategy to attract major conventions to the city. The Small Business Grants Program provides grants of up to for business start-up or expansion.

Victoria runs a plethora of export programmes incorporating information, advice, access to trade fairs and business support, including Access America, Access China, Access Middle East and Balance Sheet Ready Program (Business Victoria, 2007). The First Step Exporter programme funds up to \$10,000 in matching grants for small to medium sized firms entering for research of offshore markets with a view to commencing export activity. The Next Step Exporter programme provides funding for expert advice and encourages groups of firms to collaborate to maximise market impact by providing grants of up to \$100,000 per annum for 3 years. The Opening Doors to Export Plan includes several industry-specific components to promote export capability. Current marketing campaigns include education, food and agriculture, biotechnology, information and communication technology, and automotive.

In addition to export marketing, Victoria fosters innovative and knowledge industries through the Science, Technology and Innovation (STI) infrastructure programmes. The Australian Synchrotron research facility was established in collaboration with other state governments, universities and research organisations and some financial assistance from the Commonwealth. Synchrotron is used in scientific research, including food technology, mining, manufacturing, and medical technology.

### Queensland

The major government economic development objectives of job creation, regional development and valuing the environment are the primary responsibility of the Department of State Development. Since the enunciation of the 1998 Smart State Strategy the government has targeted education, skills, knowledge and research and development initiatives to maximise growth opportunities, particularly in the global economy, and has developed a number of regional and state-wide programmes to assist in achieving this goal.

Implementation of the regional blueprint, Regional Queensland: an Economic Powerhouse established 6 regions as Centres of Enterprise throughout the state. The regions are Cairns and the Far North; Townsville and the North West; Mackay and Whitsunday; Fitzroy and Central West; Wide Bay Burnett; and, Darling Downs and South West. The programme centres on the development of regional partnerships including government, business and community representatives to develop regional strategies to take advantage of regional strengths and opportunities, attract new businesses and diversify into high value added industries (Department of Tourism Regional Development and Industry, 2008).

The Regional Business Development Scheme (RBDS) provides matching grants to regional businesses to identify and develop opportunities for economic development. The Regional Events Innovation Scheme (REIS) provides assistance for events that have potential for development to meet the requirements of the Queensland Events Regional Development

Program (QERDP). The Significant Regional Events Scheme (SRES) enables organisers of successful regional events to apply for up to \$50,000 funding per annum for 3 years.

Assistance is available under the Our Place, Our Future Funding Initiative to assist rural and remote communities to become more socially and economically sustainable by building leadership skills, planning, developing networks. Funding of up to \$20,000 is available for planning and engagement, and project specific funding is available for implementation of plans. Small businesses that have been affected by drought can qualify for an interest subsidy of up to 50 per cent up to a maximum of \$10,000 per annum for 2 years under the Small Business Emergency Assistance Scheme.

Other economic development policies apply at the state level. The Leadership and Management Program (LAMP) provides up to \$15,000 to business and industry groups, or clusters of firms to develop leadership and management skills, and up to \$5,000 for training needs analysis. Several programmes assist with development of technology and innovation. BioStart and teQstart investment funds assist with early commercialisation by providing up to \$250,000 on a co-investment basis with private equity or venture capital investors. The Innovation Start-Up Scheme (ISUS) provides assistance with commercialisation by providing grants of between \$50,000 and \$85,000 for prototype and product development and testing. The Innovation Building Fund supports construction of new research facilities and funding of major research equipment.

The International Trade Show Program provides assistance of up to \$5,000 for information and communications, and biotechnology firms to develop and expand export activities by participation in trade shows and international trade missions. The Queensland Industry Development Scheme operates through State Development Centres and provides financial assistance of \$5,000 to \$50,000 to obtain specialist advice and support, purchase data and market research information, and for travel and accommodation costs in an attempt to improve business performance and competitiveness. The Export Advisory Service runs awareness seminars and skills development workshops as well as providing export advice. The Small Business Accelerator Program provides up to \$2,500 in matched funding for comprehensive analysis of business operations, mentoring and specialist design of improvements to business systems.

There are a number of programmes targeted to particular groups who are under-represented in business. The Women in Business Coaching Scheme is available for businesswomen who can obtain up to \$15,000 in matched funding for a combination of individual and group coaching sessions with business coaches for a period of up to 6 months. The Indigenous Business Capacity Building Program builds knowledge and business skills in indigenous communities, assists participants to identify and develop business and employment projects, and the creation of partnerships or joint ventures between the private sector, government and indigenous organisations.

In addition to programmes to enhance business performance the Queensland government attempts to ensure quality training and attract skilled labour. The Queensland Skills Plan released in 2006 plans to restructure the training framework and increase the number of training places to ensure skilled workers for industry and incorporates a greater role for private provision (Department of Employment and Training, 2006).

### South Australia

South Australia's regional development policy is delivered by 12 Regional Development Boards (RDBs) under the auspices of Regional Development South Australia which seeks to facilitate balanced economic development and employment outcomes. RDBs are independent

entities funded by state and local government and pursue economic outcomes through the delivery of business, employment and skill formation strategies that are developed in consultation with business and the community.

The current Strategic Plan lists growing prosperity, fostering creativity and innovation, and building communities as objectives (Government of South Australia, 2007). The Plan is in the process of being regionalised and includes the objective of diversification of industry within regions and attract migration to regional areas (Government of South Australia, 2007). The Regional Development Infrastructure Fund provides grants or loans of up to 50 per cent of the cost of infrastructure such as energy, telecommunications, transport, waste water or water (Department of Trade and Economic Development, 2007). The Rural Town Development Fund assists communities with infrastructure that enhances the appearance of towns. The Community Builders programme is a partnership between the Local Government Association of South Australia, the Commonwealth Department of Family and Community Services and Indigenous Affairs and the South Australian Office of Regional Affairs that attempts to strengthen the social and economic capacity of rural and regional areas. Clusters of towns form a loose association, but each town pursues its own objectives with representatives from each town meeting to exchange ideas, discuss issues and learn about available resources at monthly workshops. The tailoring of employment solutions to local conditions is the objective of Regions at Work which operates through 17 local networks consisting of business, local community representatives, regional economic bodies and representatives from the 3 tiers of government (Department of Further Education Employment Science and Technology, 2008).

The government has added a regional focus to delivery of services by government departments through the establishment of 6 Regional Facilitation Groups. Regular meetings of various agencies in the region provide and opportunity to improve cooperation between government departments, improve efficiency and service delivery.

There are a number of programmes to assist business. The South Australian Young Entrepreneur Scheme assists young people aged 18-30 to develop and implement a business idea. Similarly, the Young Indigenous Entrepreneur Program assists young people 15-25 to establish a business through training, advice and mentoring. Owners of existing businesses can join the Business Owners Coaching Program which provides a regular forum to discuss issues and problems.

The government has established a Wine Innovation Cluster to assist the local wine industry to maintain its market position (Government of South Australia, 2007). In addition, the Australian Minerals and Science Research Institute has the task of promoting education, research and development in these sectors. Other notable research centres include the Centre for Innovation, the Mawson Institute for Advanced Manufacturing, the Australian Centre for Plant Functional Genomics. Workforce skills will be enhanced by new trade schools and the Mineral Resources and Heavy Engineering Skills Centre.

### Western Australia

The Western Australian Regional Development Policy, Regional Western Australia - A Better Place to Live was released in 2003, highlighting priority policy areas of economic growth, regional employment, health education, community safety and environment, and promising to implement the policy through effective partnerships with local communities (Government of Western Australia, 2003).

The Regional Investment Fund (RIF) operated 5 types of assistance from 2001, providing grants of \$100,000 to \$5,000,000 for capital projects in regional areas designed to attract inward investment, generate additional employment and improve service delivery. Projects

funded under RIF included assistance to the tourism, forestry and fishing industries, mainstreet redevelopments, transport and recreational facilities (Department of Local Government and Regional Development, 2007a).

The Western Australian Regional Initiatives Scheme (WARIS) provides grants of \$10,000 to \$250,000 for non-capital projects impacting on 2 or more regions in areas such as capacity building, environmental and natural resource management, and research on regional issues and opportunities. Projects approved in 2006-07 include funding for various festivals, cultural and arts activities, youth services, training needs analysis, and volunteering (Department of Local Government and Regional Development, 2006). The Regional Development Scheme (RDS) provides grants up to \$150,000, administered by the Regional Development Commission, for either capital or non-capital projects.

The Community Facilities Grants Program provides grants of \$2,000 to \$25,000 to fund capital works in regional areas. The Regional Headworks Program provides \$5,000 to \$200,000 for provision of essential services in regional areas to attract investment, provide additional employment and enhance the quality of life in regional areas. Applicants must indicate how the project will increase employment and provide other benefits (Department of Local Government and Regional Development, 2007b). The Outer Metropolitan Community Fund provides grants of between \$5,000 and \$50,000 for projects that enhance the amenity of small communities on the fringes of metropolitan areas. Priority is given to economic development and job creation, or projects that enhance lifestyle through increased access to services, technology, or environmental improvements.

The skills of workers in very remote areas are enhanced by the Future Skilling Outback WA Project that provides free basic IT training and support. The project is a joint state-Commonwealth initiative that is expected to train around 6,000 people (Department of Local Government and Regional Development, 2007a). The government also provides Local Government Youth Scholarships for local governments to provide a year's experience in a governance of community development role for young people living in areas with few employment opportunities (Department of Local Government and Regional Development, 2007b).

In addition to information, advice and trade missions the Department of Industry and Resources provides assistance through grants to exporters (Department of Industry and Resources, 2006). The Market Access and Development Scheme provides financial assistance for firms to build export capacity and engage in strategic market planning or market access activities. Industry Associations seeking to develop export opportunities can apply for grants under the Industry Association and Bilateral Business Organisation Development Scheme. The Innovation to Market programme assists in commercialisation of innovations by evaluating the potential of the innovation, assisting with the cost of a consultant to evaluate commercial viability and assisting with marketing.

### Tasmania

Partnership Agreements have been operating in Tasmania since 1999 to deliver outcomes identified by the community through state-local government partnerships (Local Government Office, 2006). There are 4 types of partnership agreement: bilateral agreements with individual councils; regional agreements with groups of councils; statewide agreements; and tripartite agreements that include the Commonwealth government. The agreements address local priorities in relation to economic development, tourism, culture and the arts, events, positive ageing and sport and recreation. The regional partnership with the Southern Tasmanian Councils typifies the development potential of the partnerships. Plans have been

developed for projects that address skills and labour availability, telecommunications, integrated transport, tourism and events promotion. Partnerships to Jobs is designed to facilitate development of sustainable employment for workless people and disadvantaged and long-term unemployed job seekers (Department of Economic Development, 2008). The programme provides training and work readiness training through community organisations. Applicants must demonstrate broad community support, a commitment to reduce unemployment and increase workforce participation and meet local needs.

Most policies to promote employment and economic development, operate at the whole of state level. Tasmania has a number of advice and information services for business. The Ideas2Market programme assists small business to commercialise ideas to generate business growth. The Enterprise Centres Program established a network of centres to general business advice while the Business Licence Information Service provides information on all licences required by local, state or federal regulations. Business Boosts develops management skills and voluntary mentors are available through Mentor Resources Tasmania. A profile of the economic environment and opportunities for investment in regional areas is contained in REDI Plans compiled from a business survey.

Financial assistance is provided to farmers and small business. The Young Farmers Interest Rebate scheme provides rebates of up to 3 per cent for loans to assist farmers under 40 years of age to enter the industry or expand their business. The Enterprise Growth Program provided matched grants up to \$10,000 for expert assistance and advice on business growth. Similarly, Administered Grants Programs were introduced to improve business competitiveness by assisting with strategic planning, marketing, supply chain issues and management skills.

Export assistance includes advice, facilitation of market access and other assistance through programmes such as the Export Marketing Assistance Scheme, the Inward Buyer Program, the Export Skills Development Program and Brand Tasmania. Tasmania is also actively promoted as a destination for international students for school or tertiary education.

Efforts to attract investment to the state include provision of project facilitation services and support for strategic alliances, networks and clusters. Screen Tasmania provides assistance to the film industry and promotes Tasmania as a production location for inward investment. Assistance includes production funding, financial support for early project development, mentoring for filmmakers, screenwriting workshops and the Goodwill Television and Film Studio.

Innovation and knowledge industries are supported through the Tasmanian Technopark Incubator Program that provides subsidised accommodation, business advice and mentoring, networking opportunities and financial assistance. The Tasmanian Innovations Program offers 3 levels of assistance. Early Stage Commercialisation Assistance of up to \$20,000 on a 2 for 1 dollar basis is available for costs associated with commercialising innovative products. A mentor can be funded on a 3 for 1 dollar basis up to \$20,000. Finally, further commercialisation assistance up to \$150,000 can be provided on a 2 for 1 dollar basis.

### State bidding wars

In Australia there is a long history of state competition to attract industry (Bureau of Industry Economics, 1985; Banks, 2002), that accelerated during the 1990s to reach around \$3.3 billion per annum by 2002 (Banks, 2002). Incentives offered included tax-breaks, tax holidays or discounts on charges for services such as electricity. Competition has occurred in a number of industries such as manufacturing and call centres and also major events such as the Grand Prix. Governments cite major economic and employment benefits that will accrue to the state

as a result of attracting major companies but according to the Productivity Commission, the benefits are often overstated, the costs understated or not understood, and the assistance is peripheral to firms locational decisions which are influenced more by a range of other factors so that the “provision of investment incentives might have little influence on a firms’ ultimate decision, wasting taxpayers money on firms who would have located in the jurisdiction without a subsidy” (2002: 6-7). Moreover, there is no guarantee that firms will continue to operate in a specific location or offer the same level of employment.

The Brown/Olsen Liberal government in South Australia provided about \$230 million in government assistance during the mid-1990s including specific assistance packages to lure firms to locate in South Australia. Assistance has been provided to Motorola, Bankers Trust and JP Morgan Investor Services. The combined assistance to Bankers Trust and Motorola for building premises was more than \$20-million. Motorola benefited from being named as the preferred supplier of the state government mobile radio network. This commitment was valued at \$60-million in 1996 but blew out to over \$100 million when the network failed to meet expectations. In a global round of job-cutting, Motorola cut about 120 jobs in South Australia. JP Morgan Investor Services was the beneficiary of a \$3.8 million financial assistance package and purpose-built premises estimated to cost the Olsen government about \$20 million, but has since announced that it would close down its Adelaide operations, leading to the loss of about 170 jobs. In 2000, the South Australian Government provided undisclosed incentives to attract Email to relocate from Victoria.

There has been competition between Victoria and South Australia for car industry developments. Over several years, South Australia has contributed to various Commonwealth initiated packages to retain Mitsubishi car plants. However, Mitsubishi has since closed its Australian operations. In 2000 Victoria was successful in a struggle against South Australia to secure a new Holden engine plant which was also the recipient of Commonwealth assistance. The Victorian government also outbid South Australia for the Grand Prix that had been held in Adelaide from 1985 to 1995 and the event has been held in Melbourne since 1996. The cost to taxpayers has escalated from \$1.7 million in 1996 to an estimated \$40 million in 2008. Similarly the cost to the ACT government of staging the V8 supercar event in 2001 was \$5 million which was more than double the benefit to the Territory (Banks, 2002).

Berri Fruit Juice used competition between the states to extract financial incentives to relocate. First the South Australian government persuaded Berri to relocate from Melbourne. Then in 2001, the Queensland Government lured the company’s export production operations from NSW and South Australia. In 1999, Queensland outbid other States to have Virgin Blue locate its headquarters in Brisbane while, on a smaller scale, the ACT Government announced that it had successfully attracted Impulse Airlines to base its (ill-fated) operations in Canberra. The Commonwealth and Queensland governments also provided incentives of \$300 million to Comalco for an alumina project in Gladstone which equalled \$750,000 per permanent job (Banks, 2002).

The growth of call centres in the 1990s also sparked fierce competition between states. In an environment where certain regions exhibited persistently high rates of unemployment after the 1990s recession, attracting call centres were seen by some as an effective strategy for dealing with pockets of high unemployment, particularly in regions with few other prospects. The Tasmanian government seeks to attract future call centres by promoting the existence of national and international companies with established call centres and emphasising the lower cost structure in Tasmania compared to the mainland; lower business establishment costs and labour costs. In many instances the government call centres were located in regional areas.

For example the Centrelink call centre in Launceston was expanded from 100 to 350 in 2007 to compensate for the closure of the Telstra call centre that employed 250 people.

The Productivity Commission concluded that competition between states will, at best, tip the balance in favour of one state but that, at the national level, benefits may be dissipated so that the only winners are foreign shareholders (Banks, 2002). Most importantly:

The bottom line is that governments expecting to reduce unemployment through selective assistance are likely to be disappointed. Aggregate employment is related principally to aggregate economic activity and regulation that affects the labour market directly, not industry assistance (Banks, 2002: 8).

#### 4.3 The role of local government

In contrast to the more comprehensive economic and social activities of local governments internationally, Australian local governments have traditionally played a limited role due to the division of responsibilities and revenue raising potential between the 3 levels of government in Australia. Local governments exhibit a high degree of diversity in terms of size, population, revenue raising capacity and the range of services they provide. Local government has traditionally been responsible for planning and building regulation and provision of basic services such as roads, waste removal, recreation and social services. In recent years responsibilities for community and social services have expanded in the areas of aged care, youth and child care services, health services, community housing and emergency accommodation, and a range of welfare services (PC, 2007).

The expansion of services provided by local government has been attributed to devolution of responsibility from other levels of government, cost shifting due to withdrawal of provision by other levels of government or increased community expectations (PC, 2007). In an attempt to address cost shifting, an agreement was negotiated in 2006 that governs the delivery and funding of services that local governments provide on behalf of other levels of government (PC, 2007). Local governments have also been increasingly involved in attempts to generate economic activity by promoting the area to prospective businesses. They are also major employers or responsible for significant employment opportunities for companies that provide services to local governments on a contract basis.

Local government activities are funded through rates and charges administered by individual local governments but regulated by state governments and grants from the federal government. During 2007-2008, local governments will receive a total of \$1.76 billion in grants from the federal government under the Local Government (Financial Assistance) Act 1995 (Department of Infrastructure Transport Regional Development and Local Government, 2007). The grants have 2 components; the general purpose component of over \$1.2 billion is distributed on a per capita basis, while the local roads component of over \$500 million is based on historical shares. Grants to local governments under the Roads to Recovery programme began in 2001 to assist with the backlog of work on local roads (DOTARS, 2006b). A review of the programme in 2003 found that it had generated employment and stimulated economic activity but that there was ongoing need for improvements to local roads (Department of Transport and Regional Services and the Local Government Association, 2003). Expenditure on the programme totalled \$1.05 billion in the 4 years to 2005-06. Funding of \$1.45 billion has been allocated over the 4 years to 2008-09, and the programme is now a component of the national transport infrastructure plan, AusLink (DOTARS2006b). The Black Spot Programme provides additional road funding for dangerous road locations, while the Strategic Regional Programme funds land transport programmes that support

regional growth or increase local social and economic opportunities (Department of Infrastructure Transport Regional Development and Local Government, 2007).

#### 4.4 Social entrepreneurship and other local employment strategies

The role of non-profit organisations has undergone significant change in the past few decades. Previously an auxiliary to market and public social service provision, non-profits are now an integral component operating on a commercial basis and increasingly taking over provision of social services on a contract basis for government, as the role of the public sector shrinks. Much of this transformation has been engineered by government decisions to reduce untied funding to non-profits and establish tighter control over what services are delivered and how. The 31,764 non-profits in June 1996 employed 579,367 people or 6.9 per cent of total employment and contributed around \$14.6 billion or 3 per cent to GDP (Novak, 2003). The non-profit sector provides a wide range of social services such as assistance to the poor, education, health, accommodation and care services.

Much of the growth in the sector in recent years is a result of government decisions to contract or outsource service provision in line with international trends towards a purchaser-provider split. The Job Network is an example of the shift from public sector employment service provision to mixed private and non-profit provision. Several large non-profit organisations are contracted to provide Job Network services including Mission Australia, the Salvation Army Employment Plus, Centacare Employment and Job Futures. Many non-profits are also involved in delivering other employment related services such as Work for the Dole and the Community Support Programme.

Another attempt by the Howard government to initiate social entrepreneurship endeavours was the launch of the Community Business Partnerships in 1999 that brought together business and community representatives to “develop and promote a culture of corporate and individual social responsibility” (The Prime Ministers' Community Business Partnership, 2000: 2). The partnerships may involve in-kind contributions of equipment or premises, staff making financial contributions, engaging in fund-raising activities, staff volunteering.

A recent innovation are ‘social enterprise hubs’ which are partnerships between local government, Social Ventures Australia and a corporate partner (Social Ventures Australia, 2007). The hubs facilitate development of social enterprises that provide employment by providing a range of services and assistance such as mentoring, pro bono services, training in management tools and business skills, promotion. The first social enterprise hub was established in Brisbane in 2006 and consists of a partnership between Social Ventures Australia, Brisbane City Council and PricewaterhouseCoopers. A second hub commenced in Parramatta in 2007 with Social Ventures Australia, Parramatta City Council and Allco Foundation as partners.

Sustainable Garden Service (SGS) joined the Brisbane hub in 2006. The social enterprise provides gardening services and employs and trains migrants and long-term unemployed people. The company has benefited from pro bono legal advice and the partnership arrangement with Brisbane City Council assisted the company to win 2 contracts for inner city parks and increase its workforce.

Place management initiatives have occurred in several public housing estates that are undergoing regeneration or demolition and rebuilding. The Redfern-Waterloo Authority was established in 2005 to provide a whole of government approach to the area to focus on job creation, delivery of community services, facilitate urban renewal, improve traffic management and engage in community consultation.

The Built Environment Plan aims to create up to 18,000 jobs and includes development of community health centres, affordable housing for Aboriginal residents and improvements to the town centre, railway station and pedestrian access. Major construction projects will include a requirement that contractors incorporate an Aboriginal Participation Plan to ensure that local residents have access to employment opportunities. One of the options considered to maximise economic development was declaring the area an enterprise zone to provide payroll tax concessions to SMEs (Redfern-Waterloo Authority, 2006). To facilitate access to employment, training or educational opportunities, the plan includes provision of additional child care places. The Redfern-Waterloo Authority is also establishing partnerships with major industries to ensure training and employment opportunities for local residents in the construction, hospitality, commercial cleaning, facilities management and transport industries.

Major redevelopments are also occurring in other public housing areas including Bonnyrigg in NSW; South-East Queensland, Townsville and Cairns in Queensland; Playford, Hawksbury Park and Westward in South Australia; Bridgewater-Gagebrook in Tasmania is undertaking major reconstruction of public housing estates to improve the standard of housing, local amenity and provide employment opportunities for local residents. In Victoria neighbourhood renewal initiatives using a place management approach have been credited with creating 4,600 jobs since 2001 through employment programmes and fostering the development of 33 social enterprises in neighbourhood renewal areas (Department of Human Services, 2007).

In conjunction with the Victorian Neighbourhood Renewal strategy, the Brotherhood of St Laurence implemented employment strategies for job seekers in the Fitzroy and Collingwood areas. The programmes included intensive personal support, pre-vocational training and work experience to enable on the job learning, placement in ongoing employment and a period of post-placement support to maximise job retention (Ziguras and Kleidon, 2005). Employment opportunities were increased by new state government policies such as the requirement that on-third of employees of cleaning contractors must be local residents.

Ziguras and Kleidon (2005) attribute the fact that around two-thirds of participants obtained paid employment to a combination of factors. These include strong linkages between training and job opportunities due to employment policies and the opportunity to participate in work experience. Further, they stress the benefits of a human capital rather than a work first approach, commenting that investments in training and experience that typically lasted between 6 and 12 months greatly increased the skills and confidence of participants. The gradual approach combined with post-placement support enabled participants to deal with major changes involved in moving from long-term unemployment into employment. Moreover, intensive personal support in concert with training and employment assistance enabled non-vocational barriers to be addressed progressively.

Another programme that was jointly operated by the Adult Multicultural Education centre (AMES) and the Brotherhood of St Laurence was an intermediate labour market approach involving establishment of a commercial cleaning business to provide training and employment for disadvantaged job seekers for 15 hours per week for 1 year. In addition to on-the-job training, participants completed the Certificate III in Asset Maintenance (Cleaning and Operations). The focus of the first 6 months is training and employment retention while the second 6 months focuses on placement in permanent employment in a similar fashion to the Step-UP job creation programme in the UK (see Cook (2008b)). Of the initial group of 12 trainees 11 completed the traineeship and obtained full-time employment.

Other initiatives have also contributed to community development through the provision of information and advice. The NSW government 'communitybuilders' website provides information on how to access funding and strengthen communities through inclusion,

improving safety, encouraging economic and employment development through business / community partnerships and place management (NSW Government, 2005).

## **5. Conclusion**

This paper has provided a broad outline of employment and regional development policies in Australia over the past few decades. This period is marked by the demise of full employment that was characteristic of the postwar period until the mid 1970s. In addition, deindustrialisation occurred as major manufacturing industries such as passenger motor vehicles, and textiles, clothing and footwear were exposed to international competition in a rapidly globalising economy. There have also been periods of prolonged drought that have affected the viability of rural industries as well as significant changes in relative prices for goods. These major transformations have impacted unevenly over the Australian geography producing pockets of high and entrenched unemployment and labour underutilisation. There are a number of trends that are discernable in regard to the trajectory of Australian policies.

Developments in ALMPs in Australia have mirrored international developments. In the mid 1970s the emphasis was on reducing unemployment through the demand-side strategy of direct public sector job creation and this strategy resurfaced in periods of very high unemployment in the 1980s and 1990s. Over time employment conditions attached to these jobs deteriorated. In contrast to earlier programmes such as REDS, WPP and CEP that included payment of award wages, programmes in the 1990s such as Jobskills and NWO paid a reduced 'training' wage. In retrospect, these programmes can be viewed as a transitional phase between genuine job creation and the current Workfare situation characterised by Work for the Dole. From the late 1970s demand-side labour market policies privileged wage subsidies to private sector rather than public sector job creation. Job creation programmes were initiated in times of very high unemployment following the recessions in the early 1980s and early 1990s but were short-lived. Subsidies were also intended to impact on the supply-side of the labour market by enhancing employability and to improve equity by improving employment outcomes for the long-term unemployed and disadvantaged groups.

From the 1980s the abandonment of the government commitment to full employment was evident in the shifting emphasis toward enhancing employability through increased commitment to vocational training programmes such as Jobtrain and Skillshare. With the shift to the Active Employment Strategy other 'inadequacies' of the unemployed were addressed through programmes to provide jobsearch skills, improve literacy and numeracy and provide soft job skills. In the last decade ALMPs have been restricted to 'employability' strategies that concentrate on unpaid work experience in the form of voluntary work and WfD which is designed to discipline workers to accept any employment. There has been very restricted access to training courses which must be 'earned' by WfD participation or funded by Job Network providers. Since the abandonment of Jobstart wage subsidies have been at the discretion of Job Network providers, with the exception of the Wage Assist programme that is restricted to the very long-term unemployed. The transformation of ALMPs could be categorised as a transition from full employment to employability and then Workfare.

Regional and local policies to stimulate economic and employment growth are implemented by all 3 levels of government to varying degrees, but Australian policies are notable for the lack of a coordinated national approach and attempts to shift responsibilities and costs. While Commonwealth involvement in regional development has fluctuated over time, state governments have provided the major impetus to regional policies. State governments have implemented a range of programmes designed to attract business, stimulate new business formation or expansion of existing businesses. Attempts to increase international competitiveness have included assistance with international marketing, trade fairs etc... States

have also offered inducements to business including payroll deductions, discounts on charges, or reductions in regulations. There is a long history of interstate rivalry, particularly in attempts at business attraction, that produced few results at the national level and, in many cases, only short-term gains at the state level.

There is widespread recognition that although local government is ideally placed to assess community needs, councils are financially constrained due to limited revenue raising abilities and the increasing burden of service provision due to reductions in services provided by other levels of government.

Major themes in the regional literature in Australia are: Australia lags behind North America and Europe in its commitment to regional development; regional Australia is vulnerable to economic shocks; and there is continued regional divergence of economic and employment performance. In contrast to Europe and the US, where regional policy has a strong focus on disadvantaged urban regions, regional policy in Australia has almost exclusively been restricted to regions outside metropolitan areas.

The major impetus for the development of localised initiatives has been the failure of national policies to address the major problems associated with unemployment over a prolonged period of time. Compounding the ineffectiveness of employment policy that has concentrated on supply-side solutions has been the preoccupation of governments with fiscal responsibility that is interpreted to mean that deficit budgets cannot be tolerated. Hence, there have been significant cuts in the financial resources devoted to public services by both federal and state governments and local government is financially constrained. Other policies, notably the contraction of public housing and restricted eligibility has further entrenched areas composed largely of people suffering extreme disadvantage and amplified social problems. In these circumstances the contribution of initiatives such as social enterprise to solving the unemployment problem can only be described as woefully inadequate.

In summary, regional policies implemented by the federal, state and local governments have generally been small scale and incapable of addressing the major problem of labour underutilisation that has persisted over the past 3 decades.

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