

**POLICY DISCUSSION PAPER NUMBER 9**

**Voice, Choice and Contract: Customer Focus in Programs for Unemployed People**

**DEPARTMENT OF SOCIAL SECURITY**

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**VOICE, CHOICE AND CONTRACT:  
CUSTOMER FOCUS IN PROGRAMS  
FOR UNEMPLOYED PEOPLE**

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December 1997

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## EXECUTIVE SUMMARY

### INTRODUCTION

Increasingly, recipients of government benefits and services are called customers rather than clients. In this paper I argue that we can treat them as customers genuinely by doing three things. First, we can allow people *voice* to help define their needs and express their opinions about the products and services they receive. Second, we can give them *choice* by giving them a range of options and the capacity to choose. Third, we can define clearly the *contract* between the customer and the community that determines the terms under which help is given.

#### Defining customer focus

There is more to being a customer than simply receiving a product or service, however well designed it might be. Turning clients into customers implies some transfer of power from public authority to the individual, who acquires more control over his or her circumstances but is also required to take greater responsibility for self-help. The notion of contract emphasises the exchange at the heart of the customer/provider relationship.

Policies and programs designed to meet the needs of a group do not necessarily recognise the variety of needs of individuals within the group. A truly customer-focused program must be sensitive to individual needs and be flexible enough to meet them.

There is continual tension between the principle of meeting individual needs and the desire to standardise entitlements and processes as much as possible. The challenge for policymakers is to design programs in which entitlements are transparent and equitable, but flexible and responsive enough to meet individual needs. For unemployed people, customer focus cannot simply provide voice and choice, but must contain a strong element of contract. However, allowing voice and choice permits the terms of the contract to be better tailored to the individual's needs and circumstances. This strengthens the contract and makes it more enforceable.

#### Defining customer needs

The needs of unemployed people fall into two main categories. *Material* needs are met by income support in the short term and in the longer term by help to return to work. *Psychological* needs (e.g., maintenance of self-esteem) can be met if unemployed people are treated with respect and enabled to develop personal relationships with service providers. The belief that one is engaged in meaningful activity is also important.

Unemployed people who feel that their material and psychological needs are being met are

more likely to be optimistic about their future, which can lead to more sustained and effective job search and improved compliance with income support requirements.

Other key stakeholders (governments and the community at large) judge the performance of public programs on their equity, effectiveness and efficiency. Adequate safeguards against fraud are therefore essential. Effective public programs must find an appropriate balance between meeting the needs of customers and the expectations of the community in a number of key areas- striving for employment results, providing targeted labour market assistance and defining and administering customers' obligations.

### **The employment objective**

Employment is what unemployed people want, and the community expects, of income support programs. Their primary objective is for recipients to have adequate incomes, including those obtained independently of the programs. The new competitive employment-placement market, to be introduced in Australia in December 1997, will place renewed emphasis on achieving employment for the unemployed.

Two key concepts, *self-sufficiency* and *contribution*, can inform the way we think about and formulate employment objectives, the former in recognition of the importance of paid work, and the latter in acknowledgment of the fact that paid work is not the only form of participation in society.

Defining employment objectives entirely in terms of paid work is problematic when there are not enough jobs to go around. Recognising other forms of socially useful activity takes us away from a narrow preoccupation with paid work or the lack of it.

A broader definition of the employment objective, encompassing the twin goals of self-sufficiency and contribution, would permit a more inclusive treatment of customer diversity. It would place an explicit value on people's contribution to the community, rather than simply compensating them for their lack of work.

### **Targeting labour market assistance**

The primary purpose of labour market assistance is to help unemployed people return to work more quickly and/or reduce the probability of returning to income support.

its effectiveness can be judged by its effect on individuals, the labour market and the economy as a whole. Although studies have shown positive results for individuals, there is little strong evidence in support of broader effects.

Labour market assistance that does not improve people's chances of getting jobs might be judged a waste of their time and the taxpayers' money. Most people who enter labour market programs in Australia are not in unsubsidised employment three months after completion of their placements. The cost-effectiveness of different interventions varies widely. When

measured in terms of the net cost of each positive post-program employment result, job search training programs are the most cost-effective.

There is a trade-off between getting people into jobs as quickly as possible and investing in skills training to enable them to achieve better and possibly more durable employment. The best approach might be to aim for a mixture of training and work experience, combined with job search help and other support services. Studies show that the closer the training is to the workplace the better.

Training is unlikely to be effective unless unemployed people are motivated to invest in their own futures. Many unemployed people do not themselves assign high priority to training, which suggests that a largely voluntary approach is appropriate, at least with regard to vocational training. However, more emphasis could be given to training in job search techniques and basic skills (e.g., literacy and numeracy).

### **Activity testing and compliance**

If unemployed people are active in looking for work and/or doing other things to improve their employability, they will increase their prospects of returning to work. To qualify for unemployment payments, people must show that they are looking actively for work or undertaking other approved activities (the activity test). This is a concrete expression of the social contract between the community and the unemployed person.

There is a number of divergent views of the purpose of the activity test. On balance, the prevailing view is that it is a tool of compliance and control. However, there is an alternative, more positive view-that its primary purpose is to help unemployed people back to work by providing a guide to activities seen as useful for achieving this goal. This view emphasises the test's helping role rather than its power to prescribe behaviour.

Voluntary compliance is preferable to enforced compliance. The key intention should be that people comply with the activity test willingly because they understand the benefits of doing so. Although some people comply for fear of detection, perceptions of fairness are also important. Activity requirements are likely to be seen as fair if they take account of the individual's circumstances.

The threat of sanctions might help to motivate compliance but, if sanctions are too severe, income support staff might be reluctant to impose them and the community might perceive them as punitive. A more customer-focused approach to activity requirements should lessen the need for sanctions by improving voluntary compliance. Customers with a personal stake in the terms of the income support contract (having negotiated them in the first place) can be expected to take greater responsibility for adhering to them.

### **Delivery issues**

Programs for the unemployed in Australia have suffered a degree of fragmentation-income support and labour market assistance are delivered by different Commonwealth Government

departments-but the Government is now reforming the way they will be delivered. In future, the more intensive forms of labour market assistance will be delivered by a variety of public, private and community-sector employment-service providers, operating in a competitive market. The remaining employment service functions will be combined with the delivery of income support under the responsibility of a single Commonwealth agency (Centrelink).

Primary administration of the activity test will be done by Centrelink. This will place renewed emphasis on the importance of active job search for most customers but increase recognition that some people require a more flexible approach to defining obligations.

The delivery of customer-focused assistance requires a move away from the traditional assembly-line or 'one-size-fits-all' approach. Work is under way in the Department of Social Security and Centrelink to re-engineer the various processes for dealing with unemployed people. This has the potential to free considerable staff resources from time-consuming paperwork to permit a greater concentration on meeting individual customers' needs.

## **Conclusion**

We can give our customers an effective voice by encouraging and helping them to articulate realistic employment goals and develop pathways to achieving them. Customer focus requires that these goals be in harmony with individual needs, aspirations and capacities and the realities of labour markets.

The process of defining employment goals provides opportunities for choice. Although the range of choices will be constrained by community views, there is scope to increase customers' choice in both the definition of, and the pathways to, employment goals. After all, employment goals may be reached by a variety of pathways.

The processes of defining and negotiating the customer contract give considerable scope to improve customer focus. The income support contract provides for a clear statement of reciprocal commitments and obligations. Ideally, these should be negotiated and agreed on the basis of their applicability to agreed employment goals.

Giving people more power to influence their own future involves requiring them also to take more responsibility for that future. The most positive and durable results are likely when customers work in full partnership with public, private and community-sector providers.



## 1. INTRODUCTION

Recipients of government benefits and services in Australia have been regarded historically as clients, not customers. However, there is an increasing tendency, within government and the bureaucracy and outside it, to regard them as customers rather than clients.

In this paper, I suggest that we can treat the recipients of government assistance as genuine customers by doing three things. We can allow them *voice*, to help define their needs and express their opinions about the quality of product and service they receive and would like to receive. We can give them *choice* by expanding both the options available and their capacity to choose between those options. We can define clearly the *contract* between customer and the community by developing and maintaining a dialogue about respective expectations and clarifying the obligations of customer and provider.

I ask how existing Australian programs of assistance for unemployed people<sup>1</sup> can become more customer-focused. The paper begins with a brief exploration of the concept of customer focus (Section 2). This is followed by a summary of the needs of unemployed people and associated community expectations (Section 3).

In Sections 4 to 6 I examine three key aspects of current programs. The first is the programs' objectives, especially the prominence they give to achieving employment results. The second is how we target labour market assistance and the third the obligations placed on unemployed people under the activity test. The paper concludes with the implications for income support delivery of concentrating more on the needs of individual customers.

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<sup>1</sup>Until mid-1997 such programs were delivered by two different government departments. The Department of Social Security delivered income support and the Department of Employment, Education, Training and Youth Affairs labour-market assistance. Although the paper has been written from the perspective of this division of responsibilities, it remains applicable to the integrated service-delivery arrangements that have been established in 1997. Under these arrangements, all DSS and some DEETYA programs and services are delivered now through a new integrated service-delivery agency, Centrelink.

## 2. DEFINING CUSTOMER FOCUS

In private enterprise, high-quality customer service and effective customer focus are seen as essential to continued viability and growth. There is a burgeoning literature about their importance in ensuring business success in highly competitive markets.

Public-sector agencies, too, are assessed increasingly on these criteria. Governments and the community are keen to ensure that public services deliver 'value for money'. At the same time, many consumers of government services (or their representatives) are demanding services that are more accessible and more appropriate to their needs. Too often, public bureaucracies have been seen as adopting the 'one-size-fits-all' approach in program design and delivery (Twomey 1993:53, Sedgwick 1995:2).

This section of the paper deals with three key questions:

- *What do we mean when we use the term 'customer' to describe the recipients of government services?*
- *What do we mean by 'customer focus'?*
- *How can this concept be applied to programs to help unemployed people?*

### **From client to customer**

Historically, recipients of income support and related government services have been regarded as clients rather than customers, but many, if not most, Australian government agencies, including the Department of Social Security, prefer the latter term now. What, then, might be the difference between clients and customers and what implications might this have for the customer/provider relationship?

The term *client* originated in old Roman times—a plebeian dependent on the protection of a patron. This broadened to include someone seeking professional advice and, more recently, a recipient of welfare benefits or services. It might be, therefore, that the term *client* still carries a flavour of dependency and/or passivity.

A *customer*, on the other hand, is simply one who buys goods from another, or a user of services. This implies a potentially more equal relationship between customer and provider. Customers also have more choice about the product or service they are buying. In theory at least, the customer is always right, knows what he or she wants and will take his or her custom elsewhere if not satisfied.

It is perhaps difficult to see social security recipients and users of other government services as customers in this sense. In many instances, they are not buying anything and even if they were they would not be able to take their custom elsewhere, because government is often a monopoly provider. The power relationship between an unemployed person and DSS, for

example, is clearly not equal, since DSS has the power to withdraw the unemployed person's primary source of income.

However, even within such constraints, the use of the term *customer* can still offer a fresh perspective on the relationship between DSS and the people it serves. The Australian National Audit Office described this recently as 'reflect[ing] a sense of partnership and mutual respect rather than a dependency relationship' (ANAO 1996:4-5). I would add to this the sense that the customer is offered an active role in the relationship, rather than being merely a passive recipient of state support.

The title of this paper refers to three concepts-*voice*, *choice* and *contract*. The first two are borrowed from the first principle of the US National Performance Review's recipe for reinventing government-'give customers a voice and a choice. Find out what people need by asking them what they want' (Gore 1993, quoted in Travers 1995:347). They reflect a view that the more we can involve individuals in determining the precise shape of their entitlements, the better we can meet their needs and the more effective our programs will be.

However, there is more to being a customer than simply receiving a product or service, however well tailored to one's circumstances. Turning clients into customers implies some transfer of power from public authority to the individual. Increasing customers' power gives them more control over their circumstances, but requires also that they take greater responsibility for those circumstances. Through this process we may enhance our customers' capacity to help themselves.

The notion of *contract* emphasises the exchange at the heart of a customer/provider relationship. It is the fact of exchange, as opposed to passive receipt, that gives a customer some power in that relationship. The lack of overt exchange in many income support programs might help explain why entitlements that are not seen to be earned or deserved can be a source of stigma or the subject of community discontent. There is ample evidence that some income support recipients are ashamed to receive, and some taxpayers resent paying, 'something for nothing'. Work-for-benefit schemes are as likely to be suggested by unemployed people as by members of the general public.

### **What do we mean by customer focus?**

Customer focus is a concept that can be applied at either the global or the individual level. At the global level, it is concerned with ascertaining the needs and views of customers as a group, rather than as individuals, and using this information to formulate appropriate policies and procedures. In this paper, however, I am concerned primarily with the application of customer focus to meeting the needs of customers as individuals.

Policies and programs designed on the basis of the needs of a group do not necessarily accommodate the variety of needs of individuals within the group. Arguably, many government programs are quite well attuned to the needs of groups-or, perhaps more precisely, of their average members. However, customers are not groups and many are decidedly not average; they are individuals, each with his or her own constellation of needs

and circumstances. A truly customer-focused program must be sensitive to those individual needs and be sufficiently flexible to take account of them.

A purely individual customer focus would imply infinitely variable entitlements to government assistance, that could be finely tuned to meet any number of permutations of need. Clearly, such a system would be neither administratively nor politically feasible. Some codification of entitlements is likely always to be necessary to provide for reasonable consistency of treatment and accommodate community notions of equity.

The approach to satisfying individual needs can vary according to the nature of the product or service. For example, there is little scope in existing social-security programs to determine each customer's needs on an entirely individual basis. To do so would involve detailed and intrusive questioning about individual circumstances and value judgments about what items should be included in a definition of need. This would probably be unacceptable to many customers and to the community at large. Ensuring consistency of treatment throughout the country would be next to impossible.

However, the income support system still strives to meet individual needs. It does this through a complex system of complementary entitlements, intended to take into account variations in broad categories of circumstances. The basic rates of pension or allowance reflect an assumption that the minimum income required for food, clothing and a proportion of housing costs does not vary between individuals, except insofar as married people enjoy certain economies that single people might not. Other circumstances (the presence of children, high rents etc) are seen to call for extra help, which is provided by a variety of add-ons. Thus the total amount of assistance varies considerably between individuals, but those with similar profiles of need have similar maximum entitlements.

Equitable provision of government goods and services according to need requires a commitment to achieving equitable results, which might require unequal inputs. There is an inevitable tension between this principle and the desire to standardise entitlements and processes as much as possible.

In one sense, notions of fairness may be seen to be served by treating everyone the same. Program recipients can know what they can expect to get and that they will be treated in similar fashion to others within their designated group. However, to paraphrase the third report of the US National Performance Review (Gore 1995:18), certainty too easily becomes inflexibility and fairness too easily becomes unresponsiveness.

The traditional way of making allowance for variations in need has been to create new programs and subprograms specially for each newly identified group. However, this increases complexity without allowing for differences in need between individuals within each group, which might be just as great as between groups. It is therefore antithetical to an individual customer focus.

The challenge for policymakers and implementers is to design programs in which entitlements are transparent and equitable but flexible and responsive enough to satisfy the needs of individual customers.

**A customer focus for unemployed people**

In Australia there is one crucial difference between the help given to unemployed people and that given to other groups judged to be in need: unemployment payment recipients are required to look for work and to accept offers of suitable work and/or training. This is known as the activity test. It reflects a community expectation that only the 'genuinely unemployed' will receive payment.

This public expectation means that, for unemployed people, the concept of customer focus cannot be simply about providing for voice and choice, but must contain a strong element of contract. It is less a matter of hearing what the customer wants and acting on it, than of engaging in a dialogue about respective expectations.

However, it would be a mistake to view the concepts of voice and choice, on the one hand, and contract, on the other, as mutually exclusive. If, as a result of allowing unemployed people a degree of voice and choice, income support conditions are better tailored to their individual needs and circumstances, this strengthens the income support contract and makes it more enforceable. An unemployed person who is explicitly involved in defining the precise terms under which he or she receives income support can be expected to take greater personal responsibility for ensuring that those terms are met.

### **3. DEFINING CUSTOMER NEEDS**

In order to develop greater customer focus in programs of assistance for the unemployed, we need an appreciation of the needs of unemployed customers. The views and expectations of government and the public, as the other key stakeholders in those programs, are also important.

#### **What do unemployed customers need?**

In his 1994 report on the re-engineering of employment services, Twomey (1994:22) suggested that the needs of unemployed people fall into two main categories-maintaining or increasing their incomes (satisfying their material needs) and maintaining their self-esteem.

Their material needs are satisfied by income support and help in returning to paid work. Income support is clearly crucial in the short to medium term but the only real route to improved living standards for most is paid work.

Their primary psychological need is to maintain their self-esteem. This is more likely if they feel that they are being treated with respect, are encouraged to establish personal relationships with the social security people they deal with and believe they are engaged in meaningful activity.

Customer-satisfaction surveys by DSS (1995) and the Department of Employment, Education and Training (1993) have shown that a significant minority of unemployed people report negative treatment by staff. For example, although 70 per cent of unemployment payment recipients surveyed in 1995 reported that DSS staff who served them were polite, fewer than 60 per cent felt that they were helpful and fewer than half thought them easy to understand, informative or able to spend enough time with them (DSS 1995 Attachment B1:8).

Customer consultations by the Union Research Centre on Organisation and Technology (URCOT 1995) as part of the DSS Job Redesign Project showed also that unemployed people were the group least likely to rate DSS service satisfactory and that many felt that staff attitudes toward them were discriminatory or dismissive. However, they saw the movement in Australia toward greater case-management as a positive step, since it might promote regular contact with one person.

Unemployed people are likely to feel that they are engaged in meaningful activity if the obligations placed on them and the activities they are encouraged or required to undertake are either valued for their own sake or recognised as contributing to desired goals, principally employment. Thus, many unemployed people in Australia are not averse to the idea of working for their payments, because they see that by doing so they can contribute to the community. Conversely, many are skeptical about the value of undertaking training if it is unlikely to lead to a job.

It is highly probable that unemployed people's negative perceptions of service providers are influenced at least in part by their own negative feelings about themselves and their unemployment. These negative perceptions might lead to discouragement from job search or to non-compliance with eligibility requirements.

Conversely, unemployed people who feel that their material and psychological needs are being satisfied are more likely to feel optimistic. This positive attitude might lead to more sustained and effective job search and improved compliance.

### **Expectations of other stakeholders**

This brings us to the question of what other stakeholders want from programs for the unemployed. The primary stakeholders of concern here are governments and elected representatives, and through them the community at large. There are three key criteria by which the performance of public programs is usually judged: equity, effectiveness and efficiency.

Equity exists when a program treats individuals fairly, relative both to each other and to key groups outside the program. For example, the public might want to be sure that the help given satisfies varying levels of need; that the obligations placed on individuals make allowance for variations in their circumstances; and that recipients are not better off than people in full-time jobs.

Effectiveness can be thought of as the return on the public investment, measured by the extent to which programs achieve their stated objectives (which illustrates the importance of defining objectives clearly and ensuring that they satisfy both recipients' needs and the community's expectations). In programs for unemployed people, a primary measure of effectiveness (specifically defined or not) will always be the degree of success in helping people into employment.

Efficiency tends to be measured in financial terms-in simple terms, it involves increasing the quantity and/or quality of results for a given expenditure, or maintaining results with reduced expenditure.

Cost-effectiveness is where effectiveness and efficiency meet. In labour market assistance, it involves using public money to produce the largest possible net improvement in employment, so the money must be spent primarily on those who are unlikely to find their own way into employment-for whom dependency on income support could otherwise be prolonged.

Adequate safeguards against fraud are essential if efficiency and cost-effectiveness are to be maximised. This is of continuing community concern and can be alleviated by strategies devised to ensure that recipients comply with their obligations.

## **A balanced approach**

To make public programs truly effective, their administrators must find a balance between all these sometimes competing needs and expectations. It is not possible to concentrate entirely on getting the best possible result for every customer if, in the process, public accountability or fiscal responsibility is neglected.

However, safeguarding the system against fraud is not inconsistent with allowing customers more say in the conditions attached to their income-support entitlement; nor does some people's cheating justify treating all with suspicion. Walker (1993:183), commenting in a British context, draws an apposite analogy:

*Supermarkets do not make every customer feel like a shoplifter even though they do take stringent steps to prevent thieving. Similarly, there is no reason why a social security system cannot guard against the dishonesty of some people while still respecting all its beneficiaries.*

This, then, is the challenge for programs for the unemployed: to provide for the material and psychological needs of each customer while treating all with respect and ensuring that help is directed efficiently and effectively to those who should receive it.

There are points at which customers' needs and community expectations coincide. One is employment results; another, appropriately directed labour market assistance to enable customers to achieve them. The definition and administration of activity requirements presents its own challenges, because of its importance in maintaining the legitimacy of unemployment assistance programs. It is to these topics that I turn in the remainder of this paper.



#### **4. THE EMPLOYMENT OBJECTIVE**

Employment is what most unemployed people want and the community expects from programs for the unemployed, yet the OECD (1994, 1995) considers that many such programs give insufficient emphasis to helping people return to the labour market. This has always been a criticism of 'passive' programs but the OECD says it applies also to many 'active' ones. Improved Customer focus in the delivery of both income support and labour market assistance would emphasise the link between joblessness and the need for income support. This in turn would highlight the potential benefits to both customers and government of helping unemployed people find and retain work.

In this section of the paper I deal with the existing objectives of income support and labour market assistance programs and how an employment objective could be defined. In proposing a redefined employment objective, I have sought to be more inclusive of customer categories and to move beyond old notions of employment as being restricted necessarily to paid work.

##### **Objectives of current programs**

Levels of employment and unemployment, and their interconnections, have preoccupied Australian governments and policymakers for many years. For example, in 1996 the incoming Coalition Government stated in pre-election policy that 'the persistence of mass unemployment is the single greatest issue facing Australian society' (Liberal and National Parties 1996:5). In this context, it is useful to examine the stated objectives of income support and labour market programs to see how much prominence is given to helping jobless people into employment.

The primary objective of Australian income support programs is that recipients have adequate incomes. All major programs and most subprograms have additional objectives of encouraging self-support and/or participation in the community. This recognises that adequacy of incomes might not be achieved solely by income support. Not surprisingly, DSS Program 3 (Income Security for the Unemployed) has the most strongly stated employment objectives-that 'income support measures encourage and facilitate participation in paid work and entry or re-entry to employment' and that 'those receiving income support under this program are taking appropriate steps to obtain paid employment' (DSS 1996b: 101). However, all the other major income support programs contain some reference in their objectives to participation in paid employment and/or self-provision, although the explicitness varies.

The objectives of Department of Employment, Education, Training and Youth Affairs (DEETYA) programs, too, vary in their emphasis on employment results. For example, the Employment Programme seeks 'to assist the efficient and effective functioning of the labour market by reducing unemployment through the provision of services to job-seekers and employers' (DEETYA 1996b: 10). Objectives for public employment services and labour

market programs, respectively, refer to 'increasing the skill levels and employment prospects of job-seekers' (1996b:77) and 'contributing to the reduction of long-term unemployment' (1996b:80).

More explicit objectives have been formulated for case-management services through Employment Assistance Australia-'helping eligible job-seekers to secure and retain employment' (1996b:101); and for Aboriginal employment and training assistance'-supporting increases in the levels of permanent employment for Aboriginal people' (1996b:105).

The new competitive Employment Placement Market, to be introduced in December 1997, will place renewed emphasis on the importance of employment results. It reflects the Government's intention to 'shift the focus of labour market assistance away from placements into short-term programs and on to placements into long-term jobs' (Commonwealth of Australia 1996:17).

### **Defining the employment objective**

Employment can be defined in a number of ways; narrowly, as in 'one's regular trade or profession', or more broadly as 'activity in which one engages and employs his or her time and energies'.

Two related important concepts are *self-sufficiency* and *contribution*. Self-sufficiency relates primarily to the ability to support oneself financially, and contribution involves the acknowledgment that paid employment is not the only avenue for participating in, and contributing to, society. Both of these concepts can inform the way we think about and formulate employment objectives.

### **Employment and self-sufficiency**

An emphasis on self-sufficiency suggests an employment objective that concentrates strongly on paid employment. Other activities might be recognised only to the extent to which they have a clear relationship with eventual paid employment. This is the type of employment objective embodied traditionally in DSS and DEETYA programs, particularly for people receiving unemployment payments.

US 'welfare to work' programs represent the archetype of the self-sufficiency approach. Corbett (1995:12), reporting on the emerging American consensus about public welfare policy, lists a number of key components of that consensus, including renewed emphasis on the obligation to seek employment and behave independently, and reorienting welfare programs to emphasise the transition from welfare dependence to self-support. Thus, 'when a welfare applicant first contacts the [income support] agency, the message should be clear. The dominant objective is not to provide income support, but rather to move individuals in the direction of independence and self-sufficiency' (1995:17).

However, defining the employment objective entirely in terms of participation in paid work is problematic in a number of ways. First, there is not enough paid work available in the

community to soak up existing, let alone increased, labour supply. Second, paid work might not be a viable option in the short or even the longer term for some people with substantial barriers to paid employment.

Many people would argue that, if there are not enough jobs to go around, clearly some people have to miss out. However, when public funds are scarce this is likely to lead to the categorisation of some groups as either more employable or more deserving of employment than others. These more favoured groups might then attract a disproportionate share of assistance, while those who might already be the least competitive in the labour market receive little or nothing.

Such an approach can be rejected on equity grounds. Even if there are not enough jobs to go around, there is no reason why those who are missing out should continue to miss out. The primary rationale for active labour market assistance is to make unemployed people, particularly the long-term unemployed, more competitive in the labour market. This improves labour market efficiency and reduces the cost of unemployment to the individual.

### **Employment as contribution**

An alternative approach to defining the employment objective is first to adopt a broader view of what constitutes employment. Cass and Cappel (1995:11) have suggested that work be redefined as 'human activity that generates fulfilment and serves a human purpose, involving socially useful participation which contributes substantially to public and private welfare'. This encapsulates the idea of employment as contribution to, or participation in, society and takes us away from a narrow preoccupation with paid work or the lack of it.

Cass and Cappel suggest that rights to income support (and an adequate income) should be based not on a person's relationship with the labour market and paid work but on 'a wider definition of social contribution and participation' (1995:11). Such a definition would include participation in the labour market, education or training, caring for dependent others and various forms of community work. It would take account of individual capacities and provide additional support as necessary to permit participation.

Such a definition of employment is not inconsistent with the 'active society' framework that has underpinned social-policy developments in Australia and elsewhere in the last decade. However, it goes some way beyond the Active Society's original strong focus on improving access to, and participation in, paid employment (see, for example, Kalisch 1991).

The DSS program objective of Disability Support Pension reflects already this broader notion of employment, by its reference to ensuring opportunities for economic and social participation (DSS 1996b:69). Because this objective includes, but is not limited to, participation in paid employment, it could conceivably be applied to the full spectrum of income support recipients.

### **Rights and obligations**

A key element in considering employment objectives is the relationship between rights and obligations. Should employment be considered a right or an obligation or both? Is it

appropriate for the level of rights and/or obligations to vary between groups or individuals?

The primary purpose of labour market assistance is to facilitate an implied right to employment. Because people's needs vary, equal rights to employment would imply unequal rights to labour market assistance. However, it is not easy to define a right to assistance that takes account of both specific individual needs and the state of the local labour market.

Under the employment assistance reforms to be introduced in Australia in late 1997 (Commonwealth of Australia 1996, Vanstone 1996), employment service providers, whether public, private or community-based, will be funded via a combination of "up-front" service fees and payments for employment results. These will vary according to an assessment of individual labour market need, under which job-seekers will be grouped into five categories, ranging from those judged not to require special assistance to those with severe labour market barriers.

The reforms stop short of placing decisions about labour market assistance in the hands of the unemployed customer (for example, by supplying a voucher or quasi-voucher). Nor do they guarantee to individuals that they will receive a minimum level of assistance according to the degree of assessed need, since decisions about the level of assistance will be made by the service provider. However, the relative performance of providers will be assessed and those failing to achieve reasonable results for referred job-seekers will be less likely to receive funding in future than better-performing organisations.

As well as some labour market assistance, most unemployed people in Australia have a right also to receive income support, subject to their meeting specified employment-related obligations (the activity test). The concept of mutual obligation strengthens the link between the right to assistance and the obligation to help oneself. It implies that both parties to the income support contract have obligations—the unemployed person to undertake certain activities and the Government (or its agent) to provide income support and labour market assistance.

The Job Compact, introduced in 1994 by the previous (Labor) government, has been the strongest expression in Australia so far of the mutual-obligation approach. It was to have guaranteed a job to everyone receiving unemployment payments for 18 months or longer. However, it suffered from a number of implementation problems, including an over-reliance on placement in expensive and relatively ineffective brokered employment programs and an inability to satisfy the needs of the most disadvantaged job-seekers. It has been abandoned by the present (Liberal and National Party) Government, to be replaced by the employment-market reforms outlined above.

Under the new employment assistance regime, some unemployed people will be judged as having little capacity to benefit from employment assistance in the short to medium term, because of personal circumstances such as drug or alcohol addiction, illiteracy or other 'significant or debilitating personal development needs' (Vanstone 1996:6). These people will be offered initial assistance through a new Community Support Program to address their special needs, with the expectation that they will be able later to obtain mainstream employment assistance.

### **A more customer-focused approach**

There could be a number of benefits in adopting a broader definition of the employment objective, which better encompasses the twin goals of self-sufficiency and contribution. This would permit a more inclusive treatment of the diversity of unemployed people as well as those in other income support categories. It would also place an explicit value on people's contribution to the community, rather than simply compensating them for their lack of paid work.

Such an employment objective need not be defined so narrowly as to exclude people with less than a 'full-time' capacity for work. Nor need it be restricted to paid employment. However, although socially valuable but unpaid activity might create eligibility for income support, it is unlikely ever to supply the income and financial security of paid work, so it is entirely appropriate to retain paid employment as the primary goal of unemployed people receiving public assistance.

This suggests a more sophisticated and flexible version of mutual obligation, under which customers might be obliged to contribute to society in one or more 'socially useful' ways, in return for income support and other help necessary to permit or enhance their participation. Rather than being forced to undertake unproductive job search, people with no immediate work prospects could be encouraged to take part in training, voluntary work or other community activities that might help them maintain self-esteem and acquire marketable skills, without losing sight of the ultimate objective, paid employment.

In Australia, employment objectives apply primarily to income support programs for which continuing eligibility is subject to the activity test and hence to employment-related obligations. However, they could apply in one way or another to all income support recipients of workforce age, other than those who clearly have little or no capacity to participate. The level of expectation (or activity requirement) must of course take account of existing capacity for, and barriers to, participation. However, once barriers have been removed or reduced, the level of required activity can increase.

This implies a much clearer message to customers that the Government, through DSS, provides income support in the expectation that they will do what they can to achieve self-sufficiency. Because it is in both their interests and ours, we will do what we can to help them achieve that goal.

This broadly inclusive approach, which acknowledges the right of all income support recipients to both employment and labour market assistance, might not sit well with present arrangements, which tend to allocate both income support and labour market assistance according to the recipient's categorisation. In the longer term, therefore, it might be advantageous to move toward a simpler income support system for people of workforce age, with fewer and more inclusive categories and a more open and flexible approach to defining activity requirements. This would permit more recognition of the complexity and variability of individual circumstances than is possible now.

## 5. TARGETING LABOUR MARKET ASSISTANCE

Labour market assistance is intended primarily to help unemployed people return to employment more quickly and/or to reduce the probability of a subsequent return to income support. However, a recent OECD review of active labour market policies has found that labour market programs (LMPs) are often ineffective for reasons that include inadequate or inappropriate objectives, inadequate targeting to those who would derive most benefit and insufficient attention to increasing the individual's employability (OECD 1995).

The need to direct labour market assistance to improving individual employability suggests that customer focus is the key to improving its cost-effectiveness.

### **The effectiveness of labour market assistance**

The effectiveness of labour market intervention can be judged by its effect on individual participants (e.g., improved probability of employment and/or increased earnings), the labour market as a whole (e.g., an increase in total employment and/or earnings) and the economy (OECD 1995:8).

A number of studies have shown positive results for individuals, at least in some types of program. However, findings on wider labour market and macro-economic effects have been inconclusive. In a recent critical review of the evidence, Scott (1995) concludes that few if any of the theoretical arguments in favour of active labour market programs have been reflected in measurable results.

If the primary rationale is to improve labour market equity for individuals, assistance that does not improve a person's chance of getting a job might well be a waste of his or her time and taxpayers' money. There is some evidence that often, in Australia, assistance has not been well directed toward meeting the needs of both unemployed people and employers and local labour markets. Although much of this evidence is anecdotal, we should not dismiss lightly tales of people's being trained and retrained for jobs that don't exist.

The post-program statistics produced by DEETYA tell part of the story. These measure the proportion of program participants in unsubsidised employment three months after finishing their placements. In 1995-96, the proportions were consistently smaller than 50 per cent (most between 30 and 40 per cent) for all programs except those based firmly in employment (wage subsidies, entry-level training for young people and help to people entering self-employment) (DEETYA 1996a:117).

Labour market programs that help less than 50 per cent of participants into employment might still be cost-effective, especially if they are cheap. For example, the average cost of a person's participation in job search training courses and Job Clubs were \$95 and \$454 respectively in 1992-93. The average costs of unsubsidised employment from them were \$475 and \$1,226, from positive-outcome percentages of only 20 and 37 respectively. By contrast, the cost of unsubsidised employment from other programs ranged from about

\$5,000 to nearly \$22,000 (Twomey 1994:27). Although it emphasised differences in the respective participant groups, DEET's evaluation of the Job Club program was that it was more cost-effective than JobTrain, JobStart and SkillShare (Redway and Patston 1994).

If LMP expenditure results in improved employment among the target group, there will be a return to the public purse- in income support savings and additional revenue in tax. The Committee on Employment Opportunities (1993:103) estimated that the indicative return from a dollar of program spending ranged from 37 cents for JobSkills to 64 cents for JobStart.<sup>2</sup>

Gross outcomes from LMPs are not sufficient in themselves to permit judgment of the effectiveness of assistance. More important is the net effect of participation in the activity or program (that is, how much it *increases* the probability of employment). DEET research in the early 1990s showed that participation in JobStart (a wage-subsidy program) doubled the probability of employment, training programs increased it by 50 per cent and Job Clubs by a third (COEO 1993:104).<sup>3</sup>

### **The value of training**

There is always a possible trade-off between labour market assistance intended merely to return people to jobs as quickly as possible and programs that seek to achieve sustained employment and earnings gains by investment in skills training. It might be possible to improve employment and achieve income support savings in the short term by referring customers to low-paid job vacancies and/or taking a stringent approach to activity testing, but such practices might simply 'churn' unemployed people through a series of short-term jobs or program placements, interspersed with periods on income support. For many people they will not achieve the desired result- a (more or less) permanent exit from income support.

Australian and US research suggests that the best results for both individual customers and the taxpayer seem likely to come from a judicious mixture of training and work experience, combined with job search assistance and other support services. Moreover, it seems that for many unemployed people the closer the training is to the workplace the more likely it is to be effective.

The US Department of Labor (1995) reviewed American evidence on the effectiveness of employment and training programs. It found that longer-term education or training (particularly at post-secondary level) increased earnings significantly, even among students who do not obtain their qualifications. On-the-job training and subsidised employment

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<sup>2</sup>It is interesting to note in passing that US programs are not generally judged to be cost-effective unless they return more than a dollar for each dollar spent-see for example USDOL (1995) and WTW (1995b).

<sup>3</sup>These effects represent the benefits to individuals, rather than the net effect on employment per se. The latter can be reduced considerably by deadweight and displacement effects, which are often high for those forms of assistance that are apparently most effective for individuals, such as wage subsidies.

programs have also recorded moderate successes but, on the whole, short-term classroom-based training programs have not been successful-with the major exception of a program (the San Jose Center for Employment and Training) which, in common with on-the-job training, has a heavy emphasis on teaching vocational skills to meet local employment needs.

Over all, employment and earnings gains from successful training programs are comparable to those from the most successful of employment-placement programs. The latter emphasise rapid placement in jobs rather than seeking first to raise skill levels. Positive effects of training programs are generally slower to show up, although it is possible that they are more durable once they eventuate (USDOL 1995:37-38).

There is some Australian evidence to support these broad findings. JobStart wage subsidies and Job Clubs seem to be more effective than formal training on a variety of indices, ranging from gross outcomes to net impact. Jordan (1994:69) found, in a study of medium-term income support outcomes of LMP participants, that 'activities [i.e., programs] related directly to employment seem to produce better results than those in which the relationship is more indirect or abstract'. However, Australian programs generally have not been evaluated as rigorously as many in the US, where experimental control groups are common and participants might be followed closely over a number of years.

In an overview of the Australian experience of LMPs, Jarvie and McKay (1993) drew attention to a number of factors that can influence the effectiveness of training programs. One of these is the economic cycle-employment results from vocational training are, not surprisingly, better in times of greater labour demand. Some researchers have suggested therefore that basic or generic skills training and programs intended to maintain motivation might be more appropriate during recessionary periods (Stretton & Chapman 1990). Similar to the American experience, the most successful training providers are those who concentrate on courses that match skills training closely with employer requirements and/or help with subsequent job search (Jarvie & McKay 1993:9-10).

### **Whom and when should we train?**

Regardless of the labour market relevance of training, people need to be motivated to invest in their own future before they can benefit from it. Many unemployed people (perhaps especially the young) have histories of failing in conventional education and are unlikely to be attracted to training for its own sake, especially if it is classroom-based. They are also unlikely to be motivated to learn if the course is not relevant to their own job aspirations.

Some would argue that unemployed people need and deserve 'good' jobs, underwritten by accredited skills training. This is regarded as essential if they are to escape the cycle of insecure work and repeated unemployment (see, for example, ESFC 1994). Although there is a certain logic in this view, such a goal might be out of reach of many unemployed people without a major shift in the composition of employment opportunities. There are still many (and possibly an increasing number of) unskilled, low-paid and insecure jobs in Australia, many of which will continue to be filled from the ranks of the unemployed and those who are marginally attached to the labour force.



Unemployed people themselves often do not give training high priority. A common theme in reports is that getting a job is foremost in most unemployed people's minds (NBEET 1992, Lord *et al* 1994). A 1993 survey of job-seeker satisfaction found that only 45 per cent of Commonwealth Employment Service clients had ever sought information on training and only 5 per cent thought better access to training would improve CES service (DEET 1993).

In a 1991 phone-in on social security conducted by a number of Victorian community and lobby groups, 73 per cent of unemployed callers said that they had not considered job-training schemes. Many thought they had sufficient skills already or that available courses were inappropriate (Council of Single Mothers and their Children 1991). A report on disadvantaged job-seekers, commissioned by the National Board of Employment, Education and Training (NBEET 1992:44), contains a quote that might reflect a common attitude to labour market training: 'Training only for skills won't help you. You're training for jobs you don't need training for ... and then you don't get the job anyway.'

Even in labour market programs that combine training and work experience, formal training content often is not valued highly by participants. A report on the Landcare and Environment Action Program (LEAP), for example, said that, although participants valued the program as a whole, most did not like classroom training and thought they learned more from 'doing things'. Program supervisors reported that many participants, although willing to take part in other activities, were difficult to control in the classroom (Lord *et al* 1994:15).

A key difference between sole parents and other unemployed income support recipients is that sole parents participate in programs voluntarily and outperform other groups consistently in the full range of DEETYA programs, achieving better results than any other 'disadvantaged' group. In most programs, they achieve better results than the short-term unemployed and female single parents outperform women in general (DEETYA 1996a: 120-121).

The most successful US training programs to date-the San Jose CET and the residential Job Corps for disadvantaged youth-have operated on an open-entry open-exit basis, curriculums tailored to the needs of individuals (USDOL 1995:19). This emphasises that, although vocational training needs to be attuned to employers' needs, its delivery must be geared to the needs and capacities of the participants if it is to be effective. This point was made in the LEAP evaluation too (Lord *et al* 1994:15-16).

Even without specific vocational training, some basic skills (for example, literacy and numeracy) can be considered essential for a minimum level of functioning in the labour market. Job-seekers need presentational and interpersonal skills too, to attract employers, and job search skills for effective access to vacancies. It might be reasonable, therefore, to require unemployed people who lack any or all of these basic skills to undertake training. This is done in the UK, where participation in Restart courses (intended to improve motivation and job search skills) can be compulsory for long-term-unemployed people, but vocational training is largely voluntary (McCoull 1996a).

Greater flexibility in the timing of training might be important too. Ideally, a range of work-experience and training options should be available, plus individual guidance as necessary. It might be important not to push clients with little work history into formal vocational training

too early. If they haven't a clear idea about the kind of jobs they want to train for, it might be better to aim for work experience first and leave training decisions until later.

This is the approach being taken in some American welfare-to-work demonstrations (see, for example, WTW 1994, 1995a). It suggests that vocational training might be directed more effectively to people in low-paid and/or insecure employment (who might be receiving partial or intermittent unemployment benefits) who have some aspiration to train or retrain for something better.

### **A more customer-focused approach**

The evidence summarised above suggests some key directions for improving the customer focus, and thereby the effectiveness, of labour market assistance. Clearly, labour market interventions are less likely to be effective or to result in durable employment if they fail to take account of both the needs and aspirations of individual customers and the state of the local labour market.

Basic levels of literacy and numeracy, interpersonal skills and effective job search techniques are, however, crucial to improving an unemployed person's chances of success in a competitive job market. There is considerable scope to increase emphasis on these elements in the over-all training budget, to the benefit of individual customers. To be most effective, that increased emphasis needs to be accompanied by adequate mechanisms for early identification of those who need it. Vocational-skills training, on the other hand, should be directed squarely at helping unemployed people meet specific employment goals. This implies more involvement of employers at the local level to enhance the appropriateness of training. It might also involve allowing a degree of customer choice to ensure that the training is suited to the individual's longer-term job aspirations. It should avoid compelling individual customers to undertake training that they do not want.

The movement in Australia to institute a competitive employment-placement market, with its payment for employment results, should increase greatly the emphasis on meeting the needs of individual customers. The market mechanism, too, will create strong financial incentives for employment service providers to help their unemployed customers with the most cost-effective forms of labour market assistance to improve their employability. Careful monitoring of medium- to longer-term employment and income support patterns will be needed to determine whether the new arrangements are able to achieve more durable employment than the present system does.

## 6. ACTIVITY TESTING AND COMPLIANCE

It seems clear that if unemployed people are looking for work actively and/or doing other things to improve their employability they will improve their prospects of returning to paid work. Fostering and monitoring such employment-related activity is an important tactic in an over-all strategy of active labour market assistance.

This is the reason that, to qualify for unemployment payments, unemployed people must satisfy the activity test. For most people, this involves showing that they are available for, and taking active steps to find, suitable paid work. A variety of other employment-related activities (e.g., voluntary work, preparation for self-employment and short training courses) are permitted, although these are used by a relatively small proportion of unemployed people at any one time (Powlay & Rodgers 1995).

The activity test is the clearest expression of the social contract between the community/state and the customer. It is also an element of income support policy that offers considerable scope for both tailoring activity requirements to reflect individual circumstances and allowing customers to exercise voice and choice by helping to define the conditions of their income support.

### **The purpose of the activity test**

The activity test is essentially a test of willingness to work. In designing the British unemployment benefit, Beveridge recognised that 'the only satisfactory test of unemployment is an offer of work' and that 'such a test cannot be effectively administered if there is no work' (quoted in Walker 1993:19). However, the Government has little practical capacity to offer jobs to the unemployed. Even when the public employment service refers an unemployed person to a job vacancy, the offer of a job is in the hands of the employer, so job search efforts have come to be used as the primary indicator of willingness to work.

The intensity of job search is determined by a number of factors, of which willingness to work is only one. For many unemployed people, factors such as age and the state of the local labour market might well be more salient. To illustrate this point, in September 1993 there were an estimated 850,000 Australians who wanted to work and were available to start within four weeks but had not been looking for work actively (ABS 1994). Of these, about 147,000 were classified as discouraged job-seekers, (those who had given up looking for work because they believed they would not be able to find it). The causes of such discouragement are numerous but the main ones found in this survey included 'considered too young or too old by employers', 'no jobs in locality or line of work' and 'no jobs at all'.

There is some limited capacity in Australian activity-test procedures to take account of local and personal circumstances. For example, newly unemployed people may be required to keep a 'job diary' of two to eight employer contacts a fortnight, the number determined by reference to the local unemployment level and such other factors as the customer's age. The

vast majority of unemployed customers, however, are required simply to report fortnightly in writing the names of at least two employers contacted in the previous two weeks. This can become too easily a purely mechanical process, which might encourage people merely to go through the motions or, worse, fabricate job search activity. Anecdotal evidence suggests that such non-compliance is widespread.

There is a considerable degree of ambivalence, if not confusion, in the attitudes of unemployed people, DSS and DEETYA staff and the community to the activity test. Is it a menu of activities that people can undertake to qualify for income support and improve their employability, or just a hoop that must be jumped through continually? Is it a tool of compliance and control used to weed out those who are not genuinely unemployed, or to force uncooperative clients back into line?

On balance, the last of these views has usually predominated, perhaps because of the importance assigned by the public and unemployed people alike to ensuring that only the genuinely unemployed have access to payment. Weatherley (1993) found, for example, that many customers regard eligibility-review procedures as conferring legitimacy on their receipt of income support.

However, he warned also that enforcement was a double-edged sword. Although it might reassure the public that only the genuine receive payment, overzealous enforcement strategies might 'undermine a program's legitimacy by reinforcing negative stereotypes [and] suggesting that cheating is widespread' (1993:14). If such attitudes are prevalent among unemployed people as well as others in the community, they might have the paradoxical effect of decreasing the inclination to voluntary compliance.

It is possible to take a more positive view of the activity test; that apart from establishing and confirming eligibility, its primary purpose is to help unemployed people get back into work by giving them a guide to activities that are seen as useful in achieving that. This approach is being applied already, in theory if not always in practice, to clients in case management, who have some freedom to negotiate activity requirements directly with their case managers. It is entirely consistent with the concept of customer focus, since it provides for variation in individual needs and circumstances and more customer choice and defines an explicit contract on the basis of agreed activities.

### **The importance of voluntary compliance**

In activity tests, as well as other income support provisions, voluntary compliance is clearly to be preferred to enforced compliance. For one thing, the latter is more expensive in both program outlays and administration. The necessity to enforce compliance can also affect unfavourably the attitudes of the individuals concerned and the community generally.

The primary aim of the activity test should be that clients comply with it willingly because they understand the benefits of doing so. If such compliance is coupled with appropriate labour market assistance, unemployed people should return to work more quickly, to their own and taxpayers' financial benefit. Because compliance is not easy to measure, there has

been a tendency to gauge the activity test's effectiveness by the number of clients who fail it. This, of course, reinforces the view of the test as a control activity; but clearly it measures neither compliance nor non-compliance-it tells us how much non-compliance we have detected, but not how much we have missed. It tells us nothing about trends in the underlying level of compliance.

The DSS Accountability Strategy seems to rely fairly heavily on encouraging voluntary compliance by deterrence-'deal[ing] decisively with the cases that are detected, thus creating a public recognition of the risks and penalties involved in attempting to defraud taxpayers' (DSS 1996a:46). Although it is clear that some clients comply with DSS requirements for fear of detection, other factors such as the perceived fairness of the system are also important (Weatherley 1993). It is possible that deterrence is more pertinent to preventing deliberate fraud than to getting unemployed people to look actively for work.

If perceptions of fairness are important in motivating voluntary compliance with the activity test, they will be formed in part by the applicability of activity requirements to an individual's circumstances. Activity requirements are more likely to be seen as fair if they take account of an individual's capacities and accord with local labour market conditions. A truly customer-focused and flexible activity test should lead, therefore, to improved compliance.

People's attitudes to their obligations will be influenced also by their understanding of them and the likely consequences of non-compliance. Research for DSS has found that many unemployed people have only a limited understanding of these factors (Yann Campbell Hoare Wheeler 1995). This highlights the importance for compliance policies of giving our customers adequate information about their entitlements and their obligations.

### **The role of sanctions**

The application of the activity test is supported by a range of financial sanctions for noncompliance that increase in severity with successive breaches of social security provisions. The current penalty regime reduces the level of payment for first and second breaches and stops payment altogether for third and subsequent breaches within two years.

The National Welfare Rights Network (1995, 1996) has criticised non-payment periods as inflexible in their application, excessively punitive, liable to cause extreme financial hardship and out of proportion to the nature of the 'offence'. The case studies quoted by the Network provide some evidence that DSS and DEETYA staff apply the activity test in an arbitrary and unfair fashion from time to time and that penalty periods might affect disproportionately people with psychiatric problems and other disabilities.

The penalty regime is based firmly in legislation. Once a penalty has been imposed, there is little if anything that an offending client can do to reduce its impact. This 'all-or-nothing' approach might have a number of harmful effects.

First, depriving already disadvantaged people of their only form of income support causes them severe financial hardship, with flow-on effects on family, friends and community

agencies. It has been alleged (NWRN 1995) that non-compliance often occurs at least in part because some people have difficulty coping with numerous and perhaps conflicting demands. This can be exacerbated by genuine misunderstanding of the extent of obligations or by misleading or conflicting advice from DSS and/or DEETYA. In such cases, the inability to vary a penalty might be seen as unnecessarily harsh.

Concern about the severity of the financial effects might result in situations in which DEETYA or DSS staff are reluctant to impose any penalty at all. This tendency to give the customer the benefit of the doubt, warranted in some cases, can also send the unintended message that it is easy to get away with breaches of the activity test.

Finally, because the penalty cannot be varied there is little incentive for people to take positive action during the penalty period. The over-all effect, therefore, is to further disempower the customer. If the penalty is perceived as unfair, there might be also a negative effect on future attitudes to compliance.

An increased emphasis on voluntary compliance might require a re-examination of the role of income support sanctions in achieving compliance. As a vehicle for helping to ensure that recipients are genuinely entitled, sanctions are clearly part of the state's control function, as opposed to its caring function, which is to alleviate poverty by providing a subsistence income to those unable to support themselves (Walker 1993:145).

Sanctions that withdraw income completely from people with no other means pose a clear conflict between the care and control functions. The difficulty inherent in reconciling the two is the reason why sanctions have always been so contentious. The notion of customer focus would seem to shift the care/control balance toward care, since its emphasis is on satisfying needs and responding to concerns rather than exacting compliance with imposed conditions. This has a number of implications for the possible role of sanctions in a customer-focused strategy.

First, increasing customer focus in the definition and application of activity tests should in itself encourage voluntary compliance and reduce the need for sanctions. Any power given to the customer to help determine the terms of his or her income support contract carries with it a responsibility to comply with those terms until the contract is renegotiated. As joint author of the activity requirements, the customer has an explicit personal stake in ensuring that they are both reasonable and adhered to. Needless to say, such a result requires genuine commitment on both sides to true customer participation in the process of contract negotiation.

Second, the joint commitment to achieving agreed results suggests that sanctions would be used more profitably as a tool to encourage compliance than as a stick to punish noncompliance. Their main purpose, therefore, should be to facilitate resumption of the contract, on either its original or renegotiated terms. The most severe sanctions should be exacted only when it is clear that the customer has abandoned the terms of the contract. Increased flexibility in the application of sanctions and possibly even their design would support a more facilitative approach.

### **A more customer-focused approach**

A narrowly defined and applied activity test would not sit well with the kind of developments canvassed in Section 4 of this paper—that adopting greater individual customer focus in income support could imply both a broader, more inclusive definition of employment and a broader application of activity requirements. The more heterogeneous the target population the less scope for prescribing activity requirements, and the kind of 'participation test' that might be used to determine whether a person was contributing something of value to the community is clearly very different from the present activity test, concentrated strongly on vocational objectives.

Powlay and Rodgers (1995:345) have argued that 'the flexibility available within the current activity test requirements may not yet have been fully exploited for the benefit of those individuals for whom the simple job search requirement is likely to be insufficient, unrealistic or unproductive'. This implies that job search should remain the first-order activity, others coming into play if job search proves to be inappropriate.

Job search and other employment-related activities would probably continue to be preeminent in a more individually focused activity test, at least for individuals for whom the goal is paid employment and financial self-sufficiency. However, even if job search remained central, a more individual approach would increase the opportunity to monitor its effectiveness and the appropriateness of alternative activities to a client's short- and longer-term needs.

This construction of the activity test would emphasise its role in enabling customers to move toward meeting agreed goals, rather than its power to prescribe and control behaviour. A more facilitative approach would de-emphasise the importance of sanctions, which would be used only as a last resort, when there was clear evidence that a customer had no intention of honouring the contract. Alternatively, sanctions could be redesigned to lessen their financial impact and improve their incentive value. For example, penalty reductions or non-payment periods could be applied only until compliance was restored.

The case-management model illustrates the potential for a more flexible and customer-focused approach. Under existing contracted case-management and the new employment placement arrangements, providers have a strong vested interest in ensuring that their clients understand their obligations and act genuinely to improve their employability. They are also likely to possess the necessary knowledge of client and labour market and have the frequency of contact to be able to judge whether activity requirements are being met.

However, the majority of unemployed people are not, and never will be, in such a one-to-one relationship with a case manager or employment adviser. For this group it is important to develop a sound strategy to ensure active and effective job search. This might require a more concerted effort in the early months of unemployment to reinforce activity obligations, to advise and educate them about effective job search techniques and to increase or maintain motivation. Effective information, a key component of such a strategy, can be delivered via a variety of accessible products, written and oral. For many customers a more personal approach might be most effective—for example, small group seminars or one-to-one

explanations of rights and obligations. Ideally such information should be provided as early as possible in the spell of unemployment.

More commitment to allowing genuine flexibility in the determination of activity requirements should enhance customer perceptions of the activity test and voluntary compliance. Although it is unlikely to be practicable to institute truly individual activity agreements with the majority of unemployed people, more effort needs to be put into early identification of customers for whom a standard job search requirement is likely to prove inappropriate.



## **7. DELIVERY ISSUES**

### **Current arrangements**

In comparison with that of most other countries, the delivery of Australian income support and labour market-assistance programs is relatively well coordinated. However, the programs still suffer a degree of fragmentation, particularly in their delivery by largely separate networks. In addition, the delineation of responsibilities has not always been clear cut (for example, in relation to activity testing). These factors can hamper the capacity of staff dealing directly with the unemployed to adopt a holistic and customer-centred approach.

Until very recently DSS has administered income support payments for unemployed people-youth training allowance (YTA) for those under 18 and newstart allowance (NSA) for those older. Recipients were required to be registered with the CES as unemployed to continue to receive support and to report to DSS regularly, usually in person, on recent job search activity and other relevant matters.

Registration with the CES gave them access to a variety of labour market-related services, including information on job vacancies, job search assistance, places on training courses and other programs and case-management for the long-term unemployed or those at high risk of becoming so.

### **The new service-delivery agency**

The OECD has argued for years that the effectiveness of programs for the unemployed can be improved by closer integration of income support and labour market assistance. Although the arguments for such an approach have not been framed specifically in terms of improved customer focus, there are clear parallels. For example, the OECD believes that active labour market programs should be directed more clearly to meeting the needs of individuals, especially the long-term unemployed, and to satisfying clearly identified labour market needs. It argues also that there should be greater emphasis on one-to-one counselling and job search assistance, because they have proved to be among the most effective interventions (McCoull 1996b). Such recommendations fit comfortably with the notion of customer focus as developed in this paper.

The Australian Government is implementing far-reaching reforms of the way income support and labour market assistance are delivered. They involve placing the more intensive forms of labour market assistance (provided now by the public employment service and contracted case-management organisations) in the hands of a variety of public, private and community providers. The remaining employment-service functions (for example, unemployment registration, assessment of labour market disadvantage, access to vacancy listings and referral for employment assistance) are combined with income support functions and delivered by a single Commonwealth service-delivery agency, Centrelink.

This integration is making 'one-stop shopping' a reality for all unemployed people. It will streamline administrative processes, thereby improving customer service. There will be no need for customers to attend two different offices routinely, although some will still need to go elsewhere to receive specialised assistance. The importance of customer focus will be reflected in the development and adoption of a customer charter (Commonwealth of Australia 1996:52).

Primary responsibility for administration of the activity test rests with the service-delivery agency. The Government envisaged that this would 'make the link between receipt of income support and active job search clearer and more explicit' (1996:13) and 'resolve confusion in roles and responsibilities for activity test issues' (1996:55). The increased focus on active job search for most customers is, however, combined with a recognition that some require a more flexible approach. Thus, 'long-term unemployed job-seekers not selected for intensive assistance ... [may be] given the option of either meeting standard job search requirements ... or participating in alternative activities which contribute to improving job-readiness, help to overcome barriers to employment or contribute to the community (1996:55)'.

Assistance for other groups, such as sole parents and people with disabilities, will be provided within largely the same framework as will apply to people receiving unemployment payments, with continued provision of some specialised assistance in recognition of specific needs. This might lead to improved targeting of assistance to the income support population on the basis of relative labour market need rather than income support category as at present.

### **Delivering customer focus**

We will not achieve true customer focus unless front-line staff come to view unemployed people as genuine customers, deserving of respect and with a personal stake in ensuring that programs work as they are intended. This involves developing and maintaining a dialogue with our customers. Comprehensive and accessible information about employment assistance, entitlements and obligations is essential. However, we might need to develop new service-delivery models also that provide for a more personal and continuing relationship between individual staff and customers.

To deliver programs effectively with this degree of flexibility and choice we need to move away from traditional 'assembly-line' approaches to establishing entitlements and processing payments. When a range of options is available to the customer we will need to identify and explain them in a way that facilitates informed choice. For customers whose entitlement to income support is contingent on honouring agreed obligations, staff will need to be able to explore and negotiate these with the customer.

Adopting an ethos of customer focus will require greater personal empowerment of staff involved in program and service delivery, to enable them to adapt available programs and services to meet individual customers' needs-so they will need to be equipped with the programs, tools and skills to take on this expanded role.

Work is under way to integrate DSS and DEETYA processes dealing with unemployed

people. This involves fundamental review of those processes and their ultimate redesign. The baseline assessment of existing processes has identified significant duplication and inefficiency in current procedures, with an overemphasis on transaction-oriented, mechanical processes (Coopers & Lybrand 1997).

The idea of the redesign project is to streamline customer assessment and contact processes to reduce and refocus work efforts on achieving specific program objectives-to contribute to improved employment, maintain effective control of program expenditure, improve efficiency and improve the customer-service experience for both customers and staff (1997:2-3). Customers' contacts with the agency will be reduced in number but increased in value, and staff resources, absorbed at present by time-consuming paperwork, will be freed for concentration on the needs and circumstances of individual customers.

## 8. CONCLUSION

In conclusion, I would like to return to the three key concepts identified earlier as underpinning customer focus-voice, choice and contract-and summarise what I see as their application to the delivery of effective assistance to unemployed people.

Allowing customers greater voice involves listening to what they have to say and using the information to deliver programs that better meet their needs. This should apply not only to program-delivery or service matters but also to program design and content. In the specific area of employment objectives, we can give customers an effective voice by encouraging and helping them to articulate realistic employment goals for themselves and develop pathways to achieving those goals. This will help to harmonise these goals and pathways with individual needs, aspirations and capacities and the realities of local labour markets.

This process of articulating and realising employment goals provides a number of avenues for customer choice, which will not be completely open-ended but constrained by community views on what is reasonable. Nevertheless, it might be appropriate to allow some, if not all, customers a degree of latitude to identify their own employment goals, both short-and longer-term. In most cases, there might also be considerable scope to allow them to design the specific pathway to achieving those goals.

Allowing customers to choose the means of attaining their goals also implies letting them choose not to undertake certain activities. Once again, the aim is to ensure that the pathways chosen take account of individual capacities and preferences. In this way, we can improve significantly the targeting of labour market assistance.

The other key to increased customer choice is diversity of provision. If we recognise that employment goals may be achieved by a number of different pathways it is crucial that customers have access to a variety of labour market options. If we cannot do this, some people's needs will not be met adequately.

Definition and negotiation of the customer contract provide the most scope for improved customer focus. However it is reflected, in customer charter or activity agreement or both, it provides for a clear statement of reciprocal commitments and obligations. At the level of the individual, obligations would be negotiated and agreed, ideally, on the basis of their pertinence to the achievement of agreed employment goals.

The effectiveness of this approach might depend ultimately on the degree of genuine customer involvement in framing the terms of the contract. Voluntary compliance will be enhanced if customers recognise that their obligations are clearly related to the goals they have agreed are reasonable and that sanctions are aimed at achieving compliance, rather than penalising non-compliance.

Some people will interpret moves to give unemployed people more choice and flexibility as going soft on them and giving them more licence to use income support for their own ends. There is some risk of this, but no more than exists now. People who want to 'work the system' might learn to do so no matter how it is structured.

The contrary view is that giving people more power to influence their own future involves requiring them also to take greater responsibility for that future. The most positive and durable results are likely to be achieved when customers work in full partnership with public, private and community providers.

Empowering customers in this way is undoubtedly easier said than done. However, there are programs and processes in place already that provide a sound basis on which to build. An increasing demand for customer focus in government programs is the way of the present and the future. The challenge is to use it creatively to help unemployed people achieve the results they and the community want.

**ABBREVIATIONS**

ABS	Australian Bureau of Statistics
AGPS	Australian Government Publishing Service
ANAO	Australian National Audit Office
ANU	Australian National University
CES	Commonwealth Employment Service
CET	(San Jose) Centre for Employment and Training
COEO	Committee on Employment Opportunities
DEET	Department of Employment, Education and Training
DEETYA	Department of Employment, Education, Training and Youth Affairs
DSS	Department of Social Security
ESFC	Employment and Skills Formation Council
LEAP	Landcare and Environment Action Program
LMP	Labour market program
NBEET	National Board of Employment, Education and Training
NSA	Newstart Allowance
NWRN	National Welfare Rights Network
OECD	Organisation for Economic Cooperation and Development
UK	United Kingdom
URCOT	Union Research Centre on Organisation and Technology
US	United States
USDOL	United States Department of Labor
WTW	Welfare to Work
YTA	Youth Training Allowance

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