

Issue Brief 3: Labour Market Programs and Indigenous Australians

Labour market programs attempt to increase the employability of participants and place participants in closer contact with potential employers. There are four main types of labour market programs:

- Job creation programs, which provide complete project funding for wage and material costs associated with participation in the program;
- Wage subsidy schemes, which provide time limited subsidies for wage costs incurred by employers who hire an eligible worker;
- Training subsidy schemes, which pay for part or all of the costs of placing a person in a formal training scheme; and
- Employment support programs, which offer intensive job counselling to job seekers and placement services for potential employers.

These four types of programs are not necessarily distinct. Some wage subsidy and job creation schemes also provide the participant with formal on-the-job training.

This issue brief examines the appropriateness, quality and effectiveness of labour market programs for Indigenous Australians by considering administrative data on program participation in conjunction with data collected in a longitudinal survey conducted by the Department of Employment, Workplace Relations and Small Business.

The survey tracked the experiences, over an eighteen-month period, of 1,580 Indigenous Australian job seekers who were registered with the Commonwealth Employment Service. Information was collected in three waves, with the first interviews being conducted between March and June 1996 and the last between June and September 1997. The data and analyses presented here show patterns of responses of those who responded to the survey questionnaires and should not be used to draw inferences about wider populations. Response rates, attrition rates, methodological issues and design aspects make generalisation of these results problematic.

How effective are labour market programs for Indigenous jobseekers?

The primary difficulty in estimating how much a labour market program improves employment prospects for individual job seekers is that it is difficult to assess whether or not job seekers participating in a labour market program would have found employment if they had not participated in one. Participation in many labour market programs is not compulsory and it is reasonable to expect that the more reliable, motivated and able people participate in such programs. If these characteristics also determine labour market success, then an evaluation based on post-program results may overstate the impact of labour market programs.

One way to estimate the effect a labour market program has on the employment prospects of people who complete a program is to compare them with a group of otherwise similar people who commenced the program but did not finish it. Given that program administrators identify persons placed in programs as requiring a particular type of assistance, it is reasonable to assume that the types of people in respective programs are similar.

Using this methodology for respondents to the first round of interviews shows that of those respondents who had completed a labour market program, 30.8 per cent were in employment

- around 6.3 percentage points higher than participants who started but did not complete a program. Comparing results against those who did not participate in any labour market program shows a 10 percentage point advantage. On this basis, there is reason to believe that participation in labour market programs increases Indigenous employment prospects.

Using the same methodology for the various program types, wage subsidy programs stand out as the most effective labour market programs. Wage subsidy programs were associated with longer periods in employment, less time in unemployment and a higher number of spells of employment than other labour market programs. The relative success of wage subsidy programs in terms of employment rates may be a result of higher completion rates of this type of program than other types of programs. The analysis also shows that wage subsidy programs are more than twice as likely to be completed than job creation programs, with over 90 per cent remaining in the program for the entire period. While the relative advantage of wage subsidy programs diminishes over time, such programs tend to continue to have higher employment outcomes than other programs 12 months after the most recent program ended.

Policy Implications

The analysis described above suggests that both participation in and completion of a labour market program lead to significantly better employment outcomes for Indigenous job seekers than employment outcomes achieved as a result of non-participation in a labour market program. Further, the analysis shows that wage subsidy programs are the most effective forms of assistance.

A qualitative assessment of how case management is experienced by respondents also suggests that there may be some gain in program effectiveness from greater Indigenous involvement in service delivery. Respondents with Indigenous case managers were 12 percentage points more likely to say that the activity agreement or plan helped them to find a job compared with those respondents with non-Indigenous case managers.

Administrative data also indicate that Indigenous participants are more likely to complete short training courses than long training courses. It may, therefore, be possible to increase completion rates in programs with a training component by breaking down longer courses into a series of shorter accredited courses.

The success or otherwise of labour market programs is, to a large extent, dependent on the state of the labour market. Clearly, if there are not enough jobs being generated then employers will not be able to find work for all potential employees, and consequently the efficacy of any form of labour market assistance will be adversely affected. The types of jobs available also has an impact on the labour market success of job seekers with Indigenous people more likely to find work in Indigenous organisations, tourism and the mining sector.

This Issue Brief summarised the report, 'An analysis of data from the longitudinal survey of ATSI job seekers, Topic 3: Labour market programs and Indigenous Australians', by Drs Boyd Hunter and Matthew Gray and Professor Bruce Chapman.