



Brotherhood  
of St Laurence

Working for an Australia free of poverty

# Investing in people

Intermediate Labour Markets as  
pathways to employment

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with

The Allen Consulting Group

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## Abbreviations

CCO	Community Contact Officer
CCS	Community Contact Service
CJP	Community Jobs Program, Washington State (cf. VicCJP, below)
DEETYA	Department of Employment, Education, Training and Youth Affairs
DEWR	Department of Employment and Workplace Relations
GTO	Group Training Organisation
ILM	Intermediate Labour Market
NDC	New Deal for Communities
NYHS	North Yarra Health Service
STEP	Scheme for Training and Educating People (acronym now used instead of full name)
TJP	Transitional Jobs Program
VicCJP	Victorian Community Jobs Program (cf. CJP, above)
WfD	Work for the Dole
WPP	Workforce Participation Partnerships

## Summary

Getting the long-term jobless into mainstream employment is a major challenge for Australian governments, especially in areas of concentrated disadvantage. Labour shortages in particular industries such as building and construction, trades, aged care, child care and hairdressing present an opportunity for business, government and the community sector to work in partnership to address industry needs and to improve economic and social outcomes for the long-term jobless.

Australia's current system of vocational support essentially follows a 'work-first' strategy. International evidence, alongside experience of the Brotherhood of St Laurence, shows that work-first is not a viable strategy for these harder-to-employ population groups. They need personal support to acquire skills and greater self-esteem in the workplace before they can maintain a mainstream job. Government funding for these more intensive types of programs is limited and fragmented.

The Brotherhood's approach, also used effectively overseas, is to use an Intermediate Labour Market (ILM) as a bridge between long-term unemployment and the mainstream labour market.

The aim of this research report is to examine the effectiveness of using ILMs to get the long-term jobless into mainstream employment; with a particular focus on the Brotherhood's ILM approach.

## Intermediate Labour Markets

According to researchers Finn and Simmonds, ILMs are 'a diverse range of local initiatives that typically provide temporary waged employment in a genuine work environment with continuous support to assist the transition to work'.

ILM programs target the most disadvantaged jobless groups, offering employment in a workplace for up to 12 months, with close supervision, guidance and support, and enabling participants to earn a wage rather than government income support. The job also offers a combination of accredited training and development of workplace skills. Also provided are job search assistance towards the end of the employment contract and continued support after its completion. ILMs provide place-based responses in regard to recruitment of employees and operation of business activities, with strong involvement by local government and non-government organisations.

ILMs typically operate as small businesses competing with for-profit providers or carrying out services required by local authorities. They require government funding to assist in the delivery of the program.

## Lessons from international experience

In the UK, there has been rapid growth in the use of ILMs as a means of tackling long-term unemployment. They have become a major component in place-based area regeneration strategies. The scale of ILMs in the UK is significant: Bickerstaffe and Devins estimate there were at least 8700 ILM placements in 2004.

Key characteristics of successful ILMs are that they:

- clearly define a target group amongst the disadvantaged, either through a place-based approach or by targeting specific populations
- provide for voluntary participation, to avoid stigmatisation of participants and encourage genuine commitment
- replicate the conventional employment market in terms of application process, wages, workplace protocols and employee rights

- create individual pathways encouraging practical work experience as early as possible
- provide intensive case management, including workplace supervision and support, with low participant-to-staff ratios (generally 25:1)
- offer a program lasting between 9 and 15 months, with a specified time-limit to reinforce its role as a transition into the conventional labour force
- include job search assistance, help with job applications and possibly even an arrangement with an external employer to provide ongoing employment, in order to ensure a transition to employment after the ILM
- involve a lead agency embedded in local community networks and prepared to take the financial risk.

### **The Brotherhood of St Laurence's ILM programs**

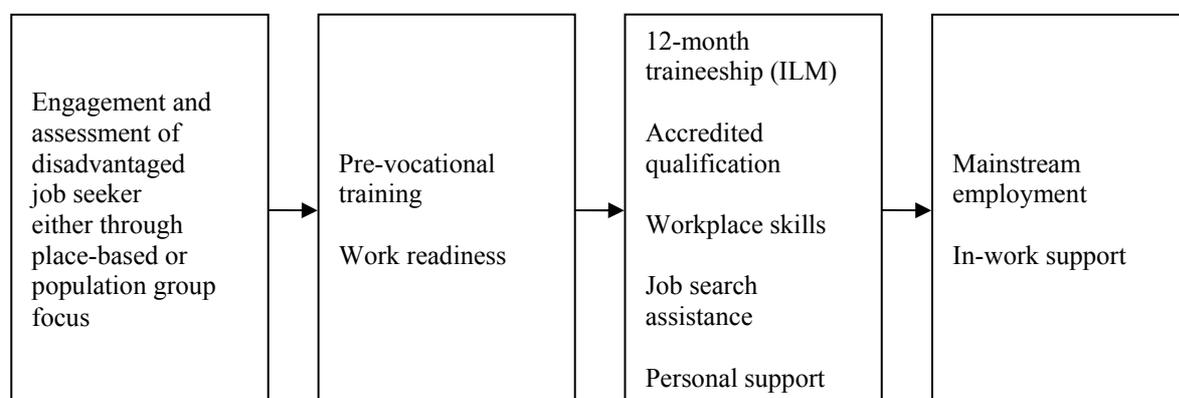
The Brotherhood of St Laurence initiated its ILM programs after recognising that mainstream employment assistance services were not offering the kind of support required to enable the most disadvantaged job seekers to obtain ongoing employment. The Brotherhood's approach is to improve employment outcomes for participants by providing them with a bridge to the mainstream labour market.

Employment opportunities are provided either within one of the Brotherhood's Community Enterprises or through direct employment placement within the organisation. The transitional nature of ILMs makes direct placement within the organisation difficult, as managers like to retain good staff. The Brotherhood therefore set up five enterprises in a range of industries including gardening/landscaping/energy retrofitting, street cleaning, commercial cleaning and security/community development, providing employment opportunities for a range of skills. The advantage of operating as a business is that some of the running costs are met by contract sales. However, the enterprises are non-profit making businesses requiring government investment as they are quite risky to set up. To secure contracts, they tend to rely on social procurement initiatives of local and/or state government and, more recently, of the private sector. The enterprises are all set up in labour-intensive industries, with quick skills acquisition providing pathways to skills shortage areas.

From their beginning in 2004, the Brotherhood's Community Enterprise programs have grown considerably. Thirty people had completed their traineeships in a Community Enterprise by December 2006, with 37 people employed as trainees in September 2007.

The vocational pathways model used by all of the Brotherhood's ILM programs is presented below.

#### **Vocational pathways approach used by the Brotherhood's ILM programs**



Features of the vocational pathways approach include:

- The program targets particularly disadvantaged locations with high concentrations of joblessness, such as Hastings, Braybrook and the two public housing estates in Fitzroy and Collingwood.
- Participants are long-term unemployed or people who require intensive support in order to obtain a job.
- Participation in the program is voluntary.
- On entering the program, participants receive pre-vocational training.
- On completing this training, participants' work readiness is assessed. Those deemed ready for the ILM go through a formal job application process.
- Successful participants are placed in a job for up to 12 months, with access to accredited learning, individualised personal support and high levels of supervision.
- Participants receive job search assistance and support with job applications towards the end of their employment contract.
- On completing the employment contract, participants have gained work experience, a set of industry-specific skills and an accredited qualification.
- The flow of participants provides the local community with ongoing employment and training opportunities for other long-term unemployed people.

### **Potential costs and benefits of ILMs**

Benefits of ILMs potentially accrue to all levels of government and to society in general. They include:

- benefits that accrue to individuals:
  - reduced worklessness
  - increased lifetime earnings
  - improved education and health outcomes
- benefits to government revenue (and therefore to taxpayers):
  - reduced spending on social security and concessions
  - tax on increased earnings
  - reduced use of government-funded health and welfare services
- social and community benefits, such as:
  - community regeneration
  - the benefits associated with a healthier and more educated society.

Offsetting the benefits of ILMs are the following costs:

- net program costs, reducing the actual program costs by the value of the service provided by the employees of the program
- reduced lifetime earnings for people who are displaced by ILM participants.

Due to resource and data limitations, this study focuses on estimating the benefits associated with individuals' increased lifetime earnings and the direct benefits that accrue to government revenue.

Simulations undertaken using a range of assumptions find that benefits of ILMs consistently outweigh the program costs. The ratios of benefits to costs range from 4:1 to 31:1. Our medium range assumptions for the model indicate that for every dollar of investment in ILM programs, society would receive around \$14 worth of benefits.

Although not included in the cost-benefit framework, other benefits of ILM programs can be significant. International evidence suggests that in addition to those benefits that can be confidently quantified, ILM programs generate a number of other benefits, including:

- reduced worklessness. Evidence from the UK has shown that ILMs contribute to demonstrable reductions in worklessness in areas of high unemployment.
- health benefits. ILM program participants in the UK report better health outcomes than non-participants.
- local community regeneration. ILMs exert a positive influence on local areas and can complement other community-building or regeneration programs.
- higher levels of education. Participants report higher educational attainment following their participation in ILM programs.

### **Initial program observations**

Findings from interviews and questionnaires involving Brotherhood staff members, past participants of Brotherhood ILM programs and staff involved in overseeing the contracts with the Brotherhood's community enterprise services reveal the following initial program observations.

#### **Employment outcomes**

- Sixteen of the 35 past-participants of the Brotherhood's ILM programs took part in the study.
- Twelve of the 16 responding participants were currently in paid employment; eight of these were working at least 30 hours a week. Nine of the 12 currently employed felt that the program had directly contributed to their obtaining employment.
- Of the four respondents that were not currently in paid employment, three were confident that they would obtain employment that matched their skills and experience in the near future.
- Eleven of the 12 respondents that were employed had been in their current jobs for at least three months; nine had been employed least six months.
- All 16 participants of the study reported feeling more confident and more motivated since completing the program.

#### **Program strengths and potential**

- The ILM approach appears to be more effective at getting the long-term jobless into jobs than mainstream employment assistance delivered through Job Network and/or Work for the Dole.
- Elements of the approach key to its success included:
  - establishing a trusting relationship with residents in target areas
  - providing skills that are in demand in today's labour market
  - providing on-the-job training, as participants typically struggle with 'classroom-based' training
  - providing personal support, encouragement and supervision in the workplace to build the self-esteem and confidence of participants
  - enabling people to gain a qualification
  - developing communication skills, working with others and problem solving.
- Two areas of the program that could be strengthened are job search assistance and post-placement support.
- The quality and performance of the services were felt to be similar to or greater than mainstream providers would have delivered.
- Price competitiveness was important for organisations contracting the services.

## **Policy recommendations**

Mainstream employment assistance services do not seem to be effective at getting the most disadvantaged job seekers into employment. ILMs have been shown to be a more effective approach for this group of people. Initial observations suggest that the Brotherhood's programs are achieving the goal of getting participants into longer term employment.

ILMs have the potential to deliver benefits to all levels of government, to business and to society in general. Current labour shortages in a range of industries present a unique opportunity for business, government and the community sector to work in partnership to address industry needs and to improve economic and social outcomes for the long-term jobless.

As ILMs are essentially labour market programs, the majority of their funding should be provided by the federal government. For instance, ILMs could be approved as alternative employment assistance pathways for disadvantaged job seekers, with entitlements consistent with intensive support needs.

State governments' role is to promote the use of Community Enterprises and ILMs in their neighbourhood regeneration strategies and to adopt social procurement practices across government. They can provide resources to allow ILM providers to engage with disadvantaged communities and job seekers. They also have a vital role in funding skill acquisition that clearly matches regional and metropolitan skills shortages.

Like state governments, local governments have a vital role in promoting ILMs in their community regeneration strategies, in purchasing services from ILM Community Enterprises and adopting broader social procurement practices.

Both state and federal governments could provide potential ILM Community Enterprises start-up funding and an enabling environment within mainstream employment services to assist them to operate effectively.

Finally, all sectors could take a role in the development of ILMs through social procurement policies, for instance by offering service contracts to ILM Community Enterprises, and/or by providing direct employer traineeships for disadvantaged job seekers. Examples of these initiatives are becoming more apparent across private, government and non-government organisations. A larger commitment would multiply the opportunities for disadvantaged job seekers.

Substantial benefits can accrue to the whole community through up-front investment and facilitation by governments of Intermediate Labour Markets and the broader social economy.



## I Introduction

The Australian economy is booming, with unemployment rates at a 33-year low. However, government and business groups are increasingly concerned about the low employment rates of particular groups of Australians (BCA 2007; COAG 2006; Australian Government 2007). A particular challenge is to bring into the labour market the long-term jobless, who tend to be concentrated in certain locations (Vinson 2007), notably in public housing estates (Wood et al. 2006).

Australia's current system of vocational support for these people is offered through the Job Network and essentially follows a 'work-first' strategy. Through the Brotherhood of St Laurence's experience with residents of the public housing estates in Fitzroy and Collingwood, it became evident that mainstream employment services that simply matched disadvantaged job seekers to jobs did not achieve desired outcomes. Many of these residents face multiple barriers to employment, including low skills, language problems, physical disabilities, mental health problems and in some cases substance abuse. International evidence shows that work-first is not a viable strategy for these harder-to-employ population groups (Brown 2001). They need personal support, training and greater self-esteem before they can retain a mainstream job.

Some flexibility in helping the long-term unemployed is available through specialised assistance. However, the opportunities are quite limited (Davidson 2006). While the existing system may be effective for many job seekers, it has difficulty getting the hard-to-place into sustained employment. This is highlighted by the Job Network's low rates of job placement of the long-term unemployed (DEWR 2007).

An approach to employment assistance increasingly used in the United Kingdom is to provide the long-term jobless with an Intermediate Labour Market (ILM) that acts as a bridge between long-term unemployment and the mainstream labour market. ILM programs also aim to address locational disadvantage. These programs, described in further detail in this report, provide the basis for the model of employment assistance that the Brotherhood of St Laurence offers.

The research report examines the effectiveness of using ILMs to get the long-term jobless into mainstream employment; with a particular focus on the Brotherhood's ILM approach. At the time of writing, the modest number of participants who had completed the Brotherhood ILM program did not allow us to undertake a quantitative analysis of program effectiveness. The potential costs and benefits of the approach are discussed, however, enabling a wider analysis of the program to be undertaken when its size increases.

The report is organised as follows. The methods used in the study are described in Section 2. Section 3 introduces the concept of an ILM and provides an overview of some international ILM programs and key features of their success. The Brotherhood's ILMs are introduced in Section 4, with Section 5 then presenting an analysis of the potential costs and benefits of the program. Initial observations of the program and its outcomes—from the varying perspectives of Brotherhood employees, participants in the program, and the organisations contracting the program service—are presented in Section 6. In conclusion, Section 7 contains a range of policy recommendations.

## 2 Method

Several methods were used to examine the effectiveness of ILMs in getting participants into mainstream employment. These included a review of the literature on ILMs and of best-practice program features; outlining a cost-benefit framework to examine the potential economic outcomes of ILM programs; and the use of survey techniques, through questionnaires and semi-structured interviews, to track the outcomes of a group of past participants of the Brotherhood's ILMs. In addition, semi-structured interviews were conducted with Brotherhood staff involved in the program and with staff from organisations using the Brotherhood's services.

To find out how Brotherhood employees felt about aspects of the program we conducted semi-structured interviews with both the manager of community enterprises, who is responsible for overseeing the program's development and its strategic direction, and the personal support worker (PSW), who has daily contact with program participants.

To gauge the program's effect on participants we used two approaches: semi-structured face-to-face interviews and a phone survey. Firstly we randomly sorted the list of all 35 participants of the Brotherhood's Community Enterprises and Aged Care traineeship program who had completed the program over the last two to three years. We then tried to contact everyone on the list by phone. Those that we reached (21 of the 35) we invited to participate in a face-to-face interview until we had recruited 10 participants. The remaining participants were asked if they would like to participate in a phone survey, which focused on their employment history, current employment situation and other perceived indirect effects of the program. For consistency, the participants of the face-to-face interviews were also asked to fill in the same questionnaires. Five of the 21 people we contacted chose not to participate in the study.

Thus 16 study participants, of whom all filled in a questionnaire (either in person or by phone) and 10 also took part in face-to-face semi-structured interviews. These interviews went for approximately one hour, and comprised mostly open questions from a list, with some scope for supplementary questions. The interviewees were five men and five women, aged between 25 and 65, who were each paid \$40 for their time.

To find out more about how the scheme was working from the perspective of those contracting Brotherhood services we interviewed a range of people responsible for providing/overseeing the contracts with three of the Brotherhood's enterprises: the Street Cleaning Enterprise (City of Yarra), the Cleaning Enterprise (North Yarra Community Health) and the Community Contact Service (Victorian Office of Housing). In addition we interviewed a senior staff member at Lend Lease who is currently negotiating arrangements for the Brotherhood to provide services to their organisation. These interviews were semi-structured around two main themes: the organisation's motivation for giving the contracts to the Brotherhood's enterprises and the perceived value of the service, including whether it was filling a mainstream need and also its cost.

### 3 Intermediate Labour Markets

ILMs are ‘a diverse range of local initiatives that typically provide temporary waged employment in a genuine work environment with continuous support to assist the transition to work’ (Finn & Simmonds 2003, p.v).

ILM programs typically target the most disadvantaged jobless groups. They offer employment in a workplace for about 12 months with close supervision, guidance and support, and enable participants to earn a wage rather than government income support. The employment contract also includes a combination of accredited training and non-accredited generic and specialised workplace skills development. Job search assistance towards the end of the contracted position and continued support after completion are also offered. ILMs are place-based responses to addressing long-term unemployment with strong involvement, as employer or administrator, by local non-government organisations (Finn & Simmonds 2003; Marshall & Macfarlane 2000; McGregor et al. 1997).

In the UK, there has been rapid growth in the use of ILMs as a means of tackling long-term joblessness. They have become a major strategy in place-based area regeneration strategies. The scale of ILMs in the UK is significant, with a minimum of 8700 ILM placements estimated in 2004 (Bickerstaffe & Devins 2004).

The emergence of ILMs has been driven largely by local or non-government organisations. In the UK, while there has been some national government intervention in labour market programs, much of the impetus for ILM programs has come from local communities. Indeed, the success of ILMs has been consistently demonstrated to be highly dependent on both local conditions and the capacity of the local area to sustain such initiatives (Finn & Simmonds 2003; Bivand et al. 2004). Finn and Simmonds (2003, p.58) note that:

It is important to remember ... that the motivation and ability to start and maintain an ILM is due entirely to local conditions and local capacity ... ILMs could represent a new style of labour market intervention, which is enabled by national funding frameworks, but not designed as a national program.

The ‘local’ nature of ILMs is quite important, particularly when examining the effectiveness of the program, as benefits will differ according to local conditions, local investment and local client populations.

Importantly, ILMs in the UK have multiple sources of funding. The UK Government New Deal programs offer significant funding for ILMs, but an almost equal amount comes from European funds (Finn & Simmonds 2003). The multiple funding sources give ILM programs in the UK a number of advantages.

First, it means that ILMs are less constrained by funding availability. Second, it enables ILMs to ‘shop around’ for advice and support when establishing programs. These factors have contributed to the emergence of a multitude of ILM programs, with different operational models, program durations and methods. ILM programs in the UK are now at a stage of maturity that allows comparison and evaluation of program methodologies.

Typically ILMs in the UK operate by providing participants with 12-month contracts. Some programs, however, have begun to offer shorter contract periods to participants. Similarly, while almost all ILMs tend to offer the core experiential component of productive work and most offer job search services, some programs also offer services such as post-employment support.

## **Transitional Jobs Programs (TJPs)**

Programs identified as TJPs in the USA have much in common with programs identified as ILMs in the UK, but have some distinguishing features. TJPs often do not offer accredited training, they often operate for a shorter duration of only 9 months, and they are usually even more focused on employment outcomes for individual participants, to the exclusion of broader community outcomes such as regenerating neighbourhoods. Finn and Simmonds suggest that TJP is a generic term of which ILMs are a specific variation; ILMs have additional facets, such as the emphasis on community engagement. In this report the term ILM will be used rather than TJP, as the model that is being evaluated has the features the TJPs often lack. Nonetheless the Washington State Community Jobs Program, a TJP, is analysed in a case study because valuable lessons can still be learned from such programs regarding employment outcomes.

## **Comparable labour market programs in Australia**

There have been several Australian labour market programs that resemble ILM programs:

- In the 1970s, the Commonwealth Government established the Regional Employment Development Scheme (REDS), a major job creation initiative targeting areas with high levels of unemployment. At one point, the REDS employed 10 per cent of all unemployed people in Australia in work with a predominantly social benefit (Department of Prime Minister and Cabinet 1993).
- In the 1990s, the Commonwealth Government again moved to a more interventionist labour market policy. One element of this policy was Jobskills, a labour market program that aimed to give long-term unemployed people experience in areas of skills shortages.
- The Victorian Government's Community Jobs Program, which was implemented in the late 1990s and has more recently been subsumed into the Workforce Participation Partnerships (WPP) program.
- The current Australian Government's Work for the Dole program also shares some features of ILMs.

While the REDS was an active labour market strategy to provide unemployed people with skills, it differed from traditional ILMs in a number of critical ways. First, it was a general employment program, and was not targeted to those who had been out of the labour force for a long time. In addition, its aim was not to provide a path for long-term unemployed people to move on to non-subsidised work, but merely to provide work for a large number of people during a period of sustained high unemployment.

Jobskills was targeted at areas of high unemployment, and mixed formal training with informal experience and mentoring. The program worked on a brokerage model, where community service organisations were allocated \$3500 per participant to find placements for job seekers. As in current ILMs, many of the placements were in the public or not-for-profit sectors. The overall cost of the Jobskills program was \$23 680 per unsubsidised job outcome (Stromback & Dockery 2000).

Evaluations of Jobskills cite benefits including increased participant self-esteem and lower levels of post-program unemployment. DEETYA (1996) concluded that Jobskills was a valuable program for making targeted interventions with the long-term unemployed. Using longitudinal survey data, Stromback & Dockery (2000) found that 43 per cent of Jobskills participants were employed over a sustained period following their participation in the course, while only 18 per cent of a control group had sustained employment during the same period.

The Victorian government's Community Jobs Program (VicCJP), had features consistent with ILMs. VicCJP provided work experience and training opportunities for the long-term unemployed and those at risk of long-term unemployment. Work placements of up to 15 weeks offering nationally accredited training were provided on projects intended to benefit the local community.

The WPP program has since developed and now funds community organisations for up to 12 months to develop their own employment assistance packages. The support offered at individual sites varies quite considerably, with some organisations such as the Brotherhood combining this funding with funding from other sources to offer its more extensive 12-month work placement, and other organisations offering shorter 16-week placement.

Although evaluations of the VicCJP are promising, international benchmarks suggest that such programs are most effective when work placements of 9–12 months are provided. The VicCJP also varies from other ILMs in that it targets those unemployed for 6 months or more, rather than solely focusing on the long-term unemployed. This increases the likelihood of ‘deadweight’—participants who would have found employment regardless of participating in the program.

In some ways, the Australian Government’s current Work for the Dole (WfD) program resembles an ILM program.<sup>1</sup> WfD placements are delivered through community or government organisations or agencies such as local government and community groups and provide work experience opportunities for eligible job seekers. Placements cover a wide range of activities, such as heritage and history, the environment, community care, tourism, sport, providing community services and restoring and maintaining community facilities.

WfD is one means by which job seekers can satisfy their ‘mutual obligation’ requirements. Undertaking a ‘mutual obligation’ activity is obligatory after a certain period (usually 6 months) on unemployment benefits. Job seekers are automatically assigned to WfD if they do not choose another activity. Long-term job seekers can be referred to full-time WfD by their Job Network provider. Generally, participants are located in an agency for two days per week for six months and work on structured tasks such as web design or land care. They receive an additional \$20.80 per fortnight for this work.

The major differences between WfD and the ILM programs discussed earlier include the following:

- Participants are not paid a wage.
- Work placements are much shorter.
- Limited personal support is available.
- There are poor links to formal training.
- The experience gained by participants is not clearly connected to employment opportunities.

These limitations are reflected by the fact that only 30.7 per cent of WfD participants were employed three months after their placement in the year ending March 2007 (DEWR 2007).

### **Advantages of ILMs**

Finn and Simmonds (2003, p.67) argue that ILMs have advantages over other initiatives that aim to move people into the labour market, primarily the following:

- They avoid the stigma attached to some other initiatives for the unemployed, because participants are receiving a real wage in a real job.
- They prepare participants better for the conventional labour market.
- They are often more holistic than other schemes with similar aims, in that they integrate training, work-experience and job search assistance in the one model.
- They often have benefits for the general community; because they draw participants and operate services within a single local area, often fulfilling a local need.

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<sup>1</sup> More information on the Work for the Dole program can be found at <<http://www.workplace.gov.au/workplace/Programmes/WFD>>.

In the UK, ILMs have been demonstrated to significantly improve the employability of long-term unemployed people (Marshall & Macfarlane 2000; Finn & Simmonds 2003). There is considerable variation, however, in both the effectiveness of ILM programs and the costs of delivering the stated benefits. Longer programs have been associated with better employment outcomes: in 2002, the success of UK participants of ILMs in securing paid employment afterwards ranged from 31 per cent for 26-week programs, to 69 per cent for programs lasting between 27 and 51 weeks. In 2003, the mean job outcome rate (that is, the percentage of job outcomes achieved) for all ILMs in the UK was 43 per cent (Finn & Simmonds, 2003, pp.55–7).

While evaluations of UK ILMs have generally not attempted formal cost-benefit analyses, both Finn and Simmonds and Marshall and Macfarlane have identified the typical performance of ILMs in improving outcomes for participants. These are described in Box 3.1.

### **Box 3.1 Typical improvements in the outcomes of ILM program participants**

ILMs consistently produce improved outcomes for targeted participants. Compared with mainstream (or no) programs:

- The retention of participants in ILMs is double that of mainstream programs.
- The employment rate of participants at the completion of ILMs (job outcome rate) is two to three times better.
- The durability of employment of ILM participants is at least 30 per cent higher at three months, up to 100 per cent higher at six months, and is sustained at 12 months.
- The longer term earnings of an ILM participant are higher (by about £1500 per year).

Source: Marshall & Macfarlane 2000

Marshall and Macfarlane also found that ILMs had higher gross costs per place and per participant than mainstream programs, mainly because of the longer program and the payment of wages to participants. However, when the value of the service provided to the community is deducted, the net cost per ILM place is similar to that of mainstream programs. ILMs tend to produce greater long-term savings to government through reduced welfare payments, mainly because of the higher level and better durability of job outcomes. Finally, ILMs are able to add value to other public or private investment in services, producing up to double the output of similar programs without an ILM component for the same cost (Marshall & Macfarlane 2000).

In evaluating ILMs, it is important to take into account external influences that may affect a program's success. ILMs may recruit participants who are more motivated or are more employable than other residents in areas with high unemployment. To test this, Finn and Simmonds (2003) compared the recruitment of compulsory labour market schemes with ILMs. Their findings supported the notion that ILMs do exhibit a selection bias, attracting participants who are more likely to find work after a program finishes.

### **Lessons for Australia: features of successful ILMs**

Key characteristics of successful ILMs, as outlined by Finn & Simmonds (2003), are:

- a clearly defined target group among the disadvantaged. To achieve the aim of helping the most disadvantaged, participation in ILMs should only be open to those people that have unsuccessfully used mainstream employment programs. Focusing on small geographical areas can also compound the benefits, through flow-on effects of increasing the proportion of employed people in the area. Furthermore, the kind of employment offered should suit the target group; for example, men and women are often attracted to different jobs.
- voluntary participation, to ensure that the programs retain a good reputation among both participants and employers. Involuntary programs can be stigmatised, as employers may assume that people only participated because they had to and therefore lack motivation.

- replication of conventional employment market in terms of application process, wages, workplace protocols and employee rights
- rapid commencement of employment for those selected to take part, with minimal pre-placement activities. This reinforces the sense that participants have earned a real job, and are not doing another remedial program.
- close case management, which requires low participant-to-staff ratios (generally 25:1) with at least weekly contact. Furthermore, at workplaces participants should have more supervision, guidance and support than regular employees in comparable jobs.
- in addition to specialised training, assistance to develop personal attributes valued by employers, such as motivation and self-discipline
- periodical progress reviews and the option of more substantial counselling, to deal with actual and potential problems
- program duration of between 9 and 15 months, with a specified time-limit to reinforce the concept that the program is a transition into the conventional labour force
- job search assistance, help with job applications and possibly even job placement, to ensure a transition to employment after the ILM
- a lead agency prepared to take the financial risk. This organisation needs to be embedded in community networks, and either be a local organisation or in close partnership with local organisations. Local organisations have the advantage of responding to community needs in both recruitment and service delivery.

Baider and Frank (2006) make numerous recommendations which are similar to Finn and Simmonds' identifiers; however, an additional recommendation is that ILMs should adapt to particular environments and especially the target recruitment group. For example, people who have substance abuse problems may need different kinds of support from people with disabilities.

### **Benchmarks of effectiveness**

Taking into account possible selection distortions, Marshall and Macfarlane (2000) have observed benchmarks against which ILM effectiveness can be measured. These are presented in Box 3.2.

#### **Box 3.2 Benchmarks for ILM program effectiveness**

- Target group: at least 50 per cent unemployed for over two years or other more excluded groups
- Drop-outs: 20 per cent or below
- Job outcomes: 60 per cent into work
- Proportion to higher than 'entry level' jobs: 50 per cent
- Durability: 80 per cent of people getting a job still in work after six months
- Contribute to the provision of services that would be resourced by the public or private sector and increase the value of this investment.

Source: Marshall & Macfarlane (2000), p.48.

These benchmarks are a useful set of performance indicators for an ILM program. They could be used to guide the design of ILM programs, and alongside a cost-benefit analysis to evaluate program success.

### **Case studies**

Three programs have been chosen as case studies of the ILM model: the Wise Group and Preston Road Works, both in the UK, and the Washington State Community Jobs Program in the US. These programs share characteristics with the Brotherhood ILM model and have been rigorously evaluated. Furthermore, although there is a lot of overlap between the three chosen models, each

has distinctive features which can be assessed independently. In addition, each model selected has been largely successful in achieving its goals, pointing to features worth replicating.

## **The Wise Group in Great Britain**

### **Aims of the Wise model**

The ILM model in Great Britain was pioneered in Glasgow by what became the Wise Group of companies in 1983. Some of the Wise model's aims are to:

- raise the employability of long-term unemployed people who reside in particular disadvantaged public housing estates, and then assist them into the labour market
- keep these people in habits of work
- regenerate the disadvantaged area, focusing on the public housing estate
- provide social goods, primarily benefiting residents of particular housing estates
- meet contractual obligations to clients and funders.

Despite having multiple aims, the core function of the Wise ILM is to help long-term unemployed transfer to sustainable employment, rather than to deliver services. However, it is still important for the ILM that its service delivery is equal to commercial standards. This is largely possible because the businesses are specialised, which facilitates management, enabling operation to be competitive and efficient.

### **Characteristics and mechanisms of the Wise model**

Although the model has developed since its inception, four broad characteristics remain the same: providing training, replicating the conventional job environment, producing social goods and engaging the community:

#### *i) Provides training*

- It offers a mixture of on and off-site training, working towards a nationally accredited course. Thus it enables long-term unemployed people to complete a traineeship and gain a qualification.
- It only employs people temporarily, for a maximum of 12 months.

#### *ii) Replicates the conventional job environment*

- The model does not merely supplement workers' unemployment benefits, as do as other programs like Australia's Work for the Dole, but rather pays them a wage. The evaluation of the model noted that 'paying workers a wage rather than simply "benefits plus" is critical' (McGregor et al. 1997, p.11). This was because the ILM aims to remove the person from unemployment benefits, and being paid a wage promotes the idea that the person has a *real* job.
- However, during the induction period employees remain on unemployment benefits. This usually lasts 8 weeks, although there has been flexibility among different versions of the program, to suit different contexts and therefore promote higher retention. For example, in the town of Motherwell, employees received a wage, as opposed to unemployment benefits, after 4 weeks, and this attracted more local unemployed people. By contrast, in London, the need to attract more participants meant that the period of being paid benefits plus was extended in order to attract people who were receiving high rates of benefits.

#### *iii) Produces social goods*

The Wise model provides goods or services that are important in improving the well-being of people in the neighbourhood. Firstly, it improves the general physical environment, by providing services to improve the surrounds of the houses in the housing estates. Secondly, it improves the

liveability and cost-efficiency of people's homes, by providing services to install insulation, housing refurbishments and increased security. Furthermore, providing the services at an affordable price was essential to reach the target market, people living in the estates.

Through producing these social goods there is a link between physical and economic regeneration. That is, in addition to supplying employment opportunities to residents of disadvantaged areas, it also made those areas more liveable.

#### *iv) Engaging the community*

The community was consulted about projects/enterprises taking place locally, to ensure that the projects met needs of the community—for example whether there was a need for the insulation installation service. Furthermore, it was argued that having been consulted, the community would be more committed and supportive of the project, which would also raise awareness about the services that potential clients could purchase. In addition, many residents liked being involved, strengthening social bonds. Community consultation was conducted through several channels. Regular letters were sent out to residents in the area informing them about the initiative. Then meetings were held weekly or monthly giving the opportunity to contribute to the program's development. Lastly, existing community organisations, such as the tenants' association and community council, were invited to be involved.

#### **Funding**

Local government is the main purchaser of the Wise Group's services. Other funding comes from the European Social Fund and from a range of national and other local government sources.

#### **Outcomes of the Wise model**

An evaluation of the Wise model conducted by McGregor et al. arrived at a number of significant findings. Broadly, 'the ILM approach removes one of the major barriers to re-employment faced by the long-term unemployed – the lack of a recent period of stable work experience' (McGregor et al. 1997, p.43). Specifically, 68 per cent of trainees gained employment after leaving the program. Moreover, in contrast to some other employment programs, significant 'creaming' did not occur, as 75% of trainees were unemployed for more than a year, and more than 33 per cent were unemployed for more than two years. Interestingly, trainees did not need to complete the entire 12 months of the program to succeed in moving into the conventional labour market. So long as they stayed in the traineeship for more than 13 weeks there was a high degree of success in finding employment. Leavers did not necessarily obtain the same kind of job that they trained in, but worked in a variety of fields. This showed the importance of developing generic employment skills, such as motivation and self-discipline.

Some of the less tangible benefits of the program included:

- improving the well-being of people who used the services
- likely improved health of the participants
- improved quality of life for whole families of people gaining employment
- creating a good role model for children. (McGregor et al. 1997, p62)

In contrast, limitations of the programs included:

- Some services provided by the Wise Group could be provided equally well by private providers, as the funding largely came from the local authority.
- Because of specialisation, the training was not suitable for all long-term unemployed people.
- In competing for contracts, there were potential job losses for alternative organisations.

- Because many benefits were abstract and accrued to diverse parties, the costs need to be shared by at least a partnership between the central and local governments.

### **Preston Road Works in Great Britain**

Preston Road Works is auspiced by the UK Government's New Deal for Communities (NDC) initiative, which aims to regenerate disadvantaged communities and has funded numerous ILM programs. The Preston Road Works program focuses on a council estate within the city of Hull. It has attracted clients mostly through word of mouth. The program offers workplaces and training in a variety of occupations, including as child nursery assistant, bricklayer, IT technician, and in administration. The program seeks out industries with local labour shortages.

The program components include:

- advising clients of costs and benefits of taking part of the program
- induction and pre-program support
- development of individual training plans
- regular in-placement reviews
- personal support
- job search assistance
- post-placement support, which includes an open door policy for all past clients who require further assistance in job seeking. Also, clients who gained employment are periodically contacted to enquire about their progress.

In addition, throughout the program efforts are made to cater for the needs of each trainee.

The program attempts to minimise the displacement of other job seekers by avoiding partnering with employers that will use the program to offset their general recruitment. However, any displacement that cannot be prevented is justified within the broader aims of the NDC, as ILMs help regenerate a community, as opposed to merely helping individual job seekers.

### **Relevant findings from the evaluation**

- In total, 352 people gained some sort of employment from Preston Road Works.
- Of the jobs gained, 270 were full-time positions.
- Flexibility in meeting clients' needs greatly contributed to the success of the ILM. For example, several people who began one work placement later switched to another that they realised suited them better.
- The success of the program arose from addressing both supply and demand side issues. For example, the program helped job seekers find employment, and also worked with employers to identify skill shortages.

### **Community Jobs Program (CJP), Washington State**

CJP began as a pilot program in 1998 and has since expanded. It is funded largely by the Washington State Government, whose agencies work closely with local community agencies in delivery of the program. The aim of CJP is more limited than the two above case studies, since it is an example of a Transitional Jobs Program rather than an Intermediate Labour Market program as such. However, the two approaches overlap, so the program is still relevant as a case study.

The sole focus of CJP is to assist welfare recipients who face multiple employment barriers to gain a job. Participants face more barriers, or to a more severe degree, than the general income support

cohort. These barriers include lower rates of high school completion, poor employment history, disabilities, health issues, housing problems and debt.

### **Characteristics of the CJP**

The CJP is a 9-month program, in which participants work 20 hours a week, and then 20 hours a week are dedicated to one-on-one support, mentoring, education, work readiness and vocational training. Education and training costs are subsidised. Participants earn the minimum wage, and receive various government benefits ensure they are not financially worse off than prior to commencing. They receive case management immediately prior to and during their placement at a worksite. This includes ‘developing an appropriate [ILM] worksite placement’ (Burchfield & Yatsko 2002, p5) for the individual. Near the end of their placement, participants receive job search assistance to move from the ILM into the conventional labour market.

### **Outcomes of the CJP**

An evaluation carried out by Burchfield and Yatsko (2002) argued that the CJP achieved its goals according to three key success indicators: the speed of finding employment after completion, participants’ length of stay in employment after completion and wage progression after completion. The outcomes of the CJP were compared with the outcomes of 3000 welfare recipients in the regular WorkFirst cohort. The specific outcomes were:

- Of people who completed the CJP, 72% found employment, compared with 40–50% of the control group.
- Quarterly earnings of people who entered the work force who participated in CJP rose 60% from the first to the eighth quarter, compared with earnings of the control group which only rose by 42%.
- Over 60% of participants who entered the workforce did so within the first 3 months.
- Once participants starting working, they were working for 75% of the time over a 2-year period

### **Recommendation from the CJP model**

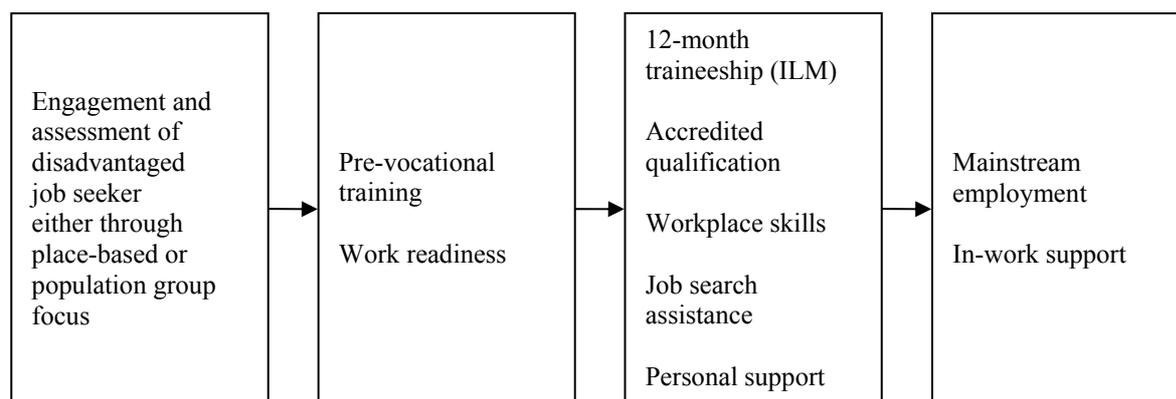
A pertinent recommendation regarding the Washington State CJP was that there should be post-employment services to assist people to retain employment. Furthermore, post-placement assistance could aid career advancement, and might include additional training or help with accessing further training.

## 4 The Brotherhood of St Laurence's ILM programs

The Brotherhood of St Laurence initiated its ILM programs after recognising that mainstream employment assistance services were not offering the kind of support required for the most disadvantaged job seekers and those disengaged from the labour market. The Brotherhood's approach is to improve employment outcomes of these people by providing them with a bridge to the mainstream labour market. This section discusses in more detail the Brotherhood's ILM programs.

The vocational pathways model used by the programs is presented in Figure 4.1.

**Figure 4.1 Vocational pathways approach used by Brotherhood's ILM programs**



Particularly disadvantaged locations with high concentrations of long-term unemployment, such as Hastings, Braybrook and the two public housing estates in Fitzroy and Collingwood, are targeted. Participation in the programs is voluntary. After entering the program, participants not deemed as job-ready receive pre-vocational training. On completing this training participants' work readiness is again assessed. Work-ready participants then go through a formal job application process. If successful, participants undertake a 12-month traineeship in a supported learning environment. Individualised personal support is provided throughout, and job search assistance is provided towards the end of the traineeship.

On completing the traineeship, participants are then able to seek mainstream employment equipped with work experience, a set of industry-specific skills and an accredited qualification. A new intake of trainees commence, providing the local community with an ongoing employment and training opportunity.

Funding comes from a variety of government programs and funding streams including:

- DEST Group Training Organisation Performance Funding (Australian Government)
- Australian Apprenticeships Access Programme (Australian Government)
- Workforce Participation Partnerships (Victorian Government)

Employment opportunities are provided either within one of the Brotherhood's Community Enterprises or through direct employment placement within the organisation. The transitional nature of ILMs makes direct placement within the organisation difficult, as managers like to retain good staff. The Brotherhood therefore set up five enterprises in a range of industries to meet local needs and opportunities.

## **Community enterprises**

Community enterprises are community-based initiatives that respond to local area needs. Combining community enterprise with an ILM approach therefore allowed the Brotherhood to further provide opportunities for disadvantaged job seekers to access a supported vocational pathway.

The Brotherhood runs five enterprises in a range of industries, including gardening/landscaping/energy retrofitting, street cleaning, commercial cleaning and security/community development. All of the enterprises are based in disadvantaged neighbourhoods. All participants of the program undertake traineeships and gain accredited qualifications. They work for 12 months and receive support from a case worker. Almost 40 trainees are currently employed and nine staff manage the businesses and supervise the works. The majority of the participants have been out of the workforce for a long period; they include people on various government income support payments, including the Disability Support Pension, Parenting Payment, Newstart Allowance and Youth Allowance.

The advantage of operating as a business is that some of the running costs are met by contract sales. However, the enterprises are non-profit making businesses and are quite risky to set up, tending to rely on social procurement initiatives of local and/or state government and, more recently, of the private sector. The enterprises are all set up in labour-intensive industries, with quick skills acquisition providing pathways to skills shortage areas.

Further detail of two of the longer running enterprises, the commercial cleaning enterprise and the contact service enterprise, follows.

### **Commercial Cleaning Enterprise**

The Commercial Cleaning Enterprise, a partnership between the Brotherhood and the Adult Multicultural Education Services (AMES), has been operating for over two years. It combines work, training and employment support while delivering a commercial cleaning service.

The enterprise recruits clients from culturally and linguistically diverse backgrounds and public housing estate residents who are experiencing long-term unemployment and have significant barriers to managing employment. Participants work toward gaining Certificate III Asset Maintenance (Cleaning Operations) over a 12 month traineeship, supported by STEP, the Brotherhood's Group Training Organisation (GTO)<sup>2</sup>. On completion, trainees are supported to move into the open labour market.

By July 2007, 16 trainees had started their asset maintenance traineeships with the Cleaning Enterprise; and nine of these had completed their traineeship. Most trainees (11) were male, and eight were living in public housing. Ten were aged 25–44 years when they started their traineeship, five were older and one under 25 years. Average earnings of trainees were \$188 a week, reflecting generally part-time working hours.

### **Community Contact Service**

The Community Contact Service (CCS) provides concierge services at Collingwood and Atherton Gardens public housing estates. Concierges provide a community development and security service. The concierge positions were set up as part of the Victorian Government's Neighbourhood Renewal initiative in January 2003, with workers initially employed by the Department of Human Services. The contracts were later outsourced to provide employment opportunities for a community-based employment venture. The CCS has been providing this service to the Victorian Office of Housing since March 2005.

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<sup>2</sup> GTOs are incorporated not-for-profit entities, established to support and to employ new apprentices and then place them with 'host employers'.

The CCS targets residents of public housing, but participants need not necessarily be living in such housing. Participants work toward a Certificate III Community Work over a 12-month traineeship, which follows the vocational pathways model outlined above.

By September 2007, 25 trainees had started their community work traineeships with the CCS; and nine of these had completed them. Fifteen trainees were male and eight were living in public housing. Twelve were aged 25–44 years when they started their traineeship, eight were 45 years plus and three under 25 years. The other participants' ages were not recorded. Average earnings of trainees were \$266 a week.

## **STEP residential care**

The Brotherhood also uses direct employment placements to offer intermediate employment opportunities. A key example is the STEP residential care program. STEP, a Group Training Organisation (GTO), is part of the Brotherhood's employment services that assist disadvantaged job seekers into employment.

The STEP residential care program offers the long-term unemployed an opportunity to become personal care workers. Participants gain paid work experience via a traineeship in a residential care facility. On completion, participants are awarded a Certificate III Community Services (Residential Care).

Prior to the traineeship, participants generally undertake pre-vocational training, which introduces modules from Certificate II and some Certificate III modules. Topics include orientation to residential care, Occupational Health and Safety (OH&S), first aid, duty of care and generic employment skills like communication.

The most suitable trainees from the pre-vocational training are then chosen to take up 12-month traineeships at the Brotherhood's residential facilities. Trainees are generally paid the National Training Wage, which has ranged between \$11 and \$12 an hour since the traineeships began. Upon placement at a facility, each trainee is 'buddied' with a staff member. The trainee accompanies the staff member, who demonstrates and explains how to do tasks until the trainee can work independently. During this period, the trainee attends sessions run by a registered training organisation, such as a TAFE, on a weekly basis during the teaching term. Another distinctive aspect of the traineeship is the peer support program, involving meetings between the trainees to foster supportive relationships.

By September 2007, 16 trainees had started their residential care traineeships with the Brotherhood, and nine of these had completed their traineeship. Twelve of the trainees were female. Eleven were aged between 25 and 44 years when they started their traineeship, three were older and one under 25 years. The remaining participant's age was not recorded. Six of the trainees were living in public housing. Average earnings of trainees were \$237 a week, reflecting high rates of part-time working hours.

In a preliminary evaluation of the STEP residential care program, Mestan and Stanley (2006) found that it had been highly effective in assisting people from disadvantaged backgrounds to secure meaningful employment. They also found that the residential care industry had benefited in that the program assisted in addressing the skill shortage in the industry.

In the next section we turn to a discussion of the potential costs and benefits of these programs.

## 5 Costs and potential benefits of ILMs

This section outlines an approach to assessing the costs and benefits of the Brotherhood of St Laurence's ILMs. Using evidence from analyses of overseas ILMs and other comparable labour market programs, a framework is developed that can be used to estimate the costs and benefits of the Brotherhood's ILMs once the program grows.

Cost-benefit analyses have become widely accepted as a leading means of establishing the validity of claims made about an investment. Cost-benefit analyses identify the effects of a course of action on individuals, organisations, communities and society generally. The Victorian Competition and Efficiency Commission (2007) has observed that the process includes examination of both direct and indirect effects, and tangible and intangible effects.

Direct effects are those which have an immediate impact on individuals or a segment of the community. These effects are clearly related to the object of the cost-benefit analysis, and are often targeted quite specifically to a population or group. Indirect effects are those which impact individuals or groups other than the targets of the activity. These effects may be unintended or incidental to an activity.

Tangible effects are those that can be clearly identified and typically can be quantified (Victorian Competition and Efficiency Commission 2007). Intangible effects, on the other hand, are those that cannot be easily identified or described. These effects are often distributed or diffuse, and are less easily quantified than tangible effects.

In the case of labour market programs in Australia, many of the effects are indirect and intangible. There is particular difficulty in attributing benefits accurately, given that the benefits are often distributed widely. While some costs are generally easily identified—such as the direct costs of providing the program to participants, or the cost of materials used by participants—benefits to both the individual program participant and the broader community are more difficult to estimate. For example, a range of researchers, including Bickerstaff and Devins (2004) suggest that increasing the proportion of households in which at least one person is employed results in a range of improved outcomes, including providing role models for children, and skills dissemination from workers to non-working residents.

### Benefits

The evaluations of Australian and UK labour market programs identify a number of benefits that can be realised through successful operation of ILMs. Broadly, these benefits relate to:

- benefits that accrue to individuals:
  - reduced worklessness
  - increased lifetime earnings
  - improved education and health outcomes
- benefits to government revenue (and therefore to taxpayers):
  - reduced spending on social security and concessions
  - tax on increased earnings
  - reduced use of government-funded health and welfare services
- indirect social and community benefits, such as:
  - community regeneration
  - the benefits associated with a healthier and more educated society.

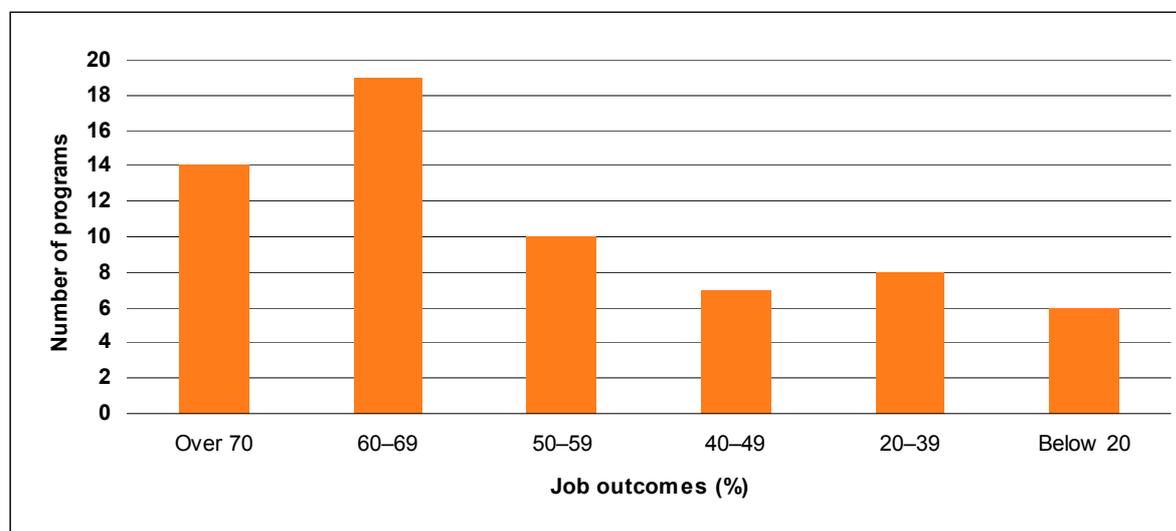
## Benefits to individuals

### *Increased lifetime earnings*

The primary direct benefit to participants in ILMs is the increase in earnings associated with gaining ongoing employment at the completion of the program. Higher earnings mean participants can purchase more goods and services, including more nutritious foods, better housing, investments in their children's education, or opportunities for much-needed recreation and leisure. As the program could contribute to higher earnings over the remainder of their working life (and into retirement through superannuation) the potential benefits to individuals are large.

Marshall and Macfarlane (2000) looked at programs' success rates in assisting participants to find further work at the completion of the programs. As Figure 5.1 illustrates, more than half of ILM programs in the UK had 'job outcome' rates of 60 per cent or higher—that is, more than 60 per cent of participants found work after completion of the ILM. Other researchers, including Bickerstaff and Devins (2004), observe similar success rates among ILMs.

**Figure 5.1 Job outcomes in UK ILM programs, 1999–2000**



Source: Marshall & Macfarlane 2000, p.40.

To estimate the earnings benefit that can be attributed to the ILM program, it is necessary to calculate the net increase in participants' lifetime earnings—that is, the additional earnings that they receive as a result of the ILM program, less the increased taxes or expenses.

Unemployment rates are extremely high among the cohort who participate in the ILMs under evaluation. It is estimated that in the Collingwood housing estate in which one Brotherhood ILM operates, the unemployment rate may be as high as 95 per cent. In such circumstances, without the training and skills acquisition that ILMs provide, the target group would be very likely to spend significant periods in unemployment. Nonetheless, with any program an element of 'dead-weight loss' will exist: there are some participants who would find work without participating in an ILM program (Kenyon et al. 2005).

To allow for the uncertainty about the effectiveness of ILM programs, we introduce an 'effectiveness rate' parameter: the average additional proportion of working years that a person is employed as a result of their participation in an ILM.

We allow the effectiveness rate parameter to have three possible values (Table 5.1). The range of these values is conservative, and is broadly consistent with those considered by Piggott and Chapman (1995), when conducting a similar assessment of the Australian Government's then 'New

Work Opportunities' program, which provided targeted unemployed persons in disadvantaged areas with short-term jobs organised at the community level.

**Table 5.1 Scenarios for estimating the effectiveness rate of ILM programs**

Effectiveness scenario	Additional proportion of working life that an average person is employed as a result of their participation in an ILM
Low	10 per cent
Medium	25 per cent
High	40 per cent

A longitudinal study of program participants is necessary to determine the 'true' effectiveness rate achieved by the Brotherhood's ILM programs. Employment outcomes of participants could then be compared with those from a control group that did not receive assistance through the program but in all other ways exhibited similar characteristics.

To apply the scenarios set out in Table 5.1, we would also need to know:

- the average working life of the program participants. This can be calculated by subtracting their average age from their retirement age, which we assume to be 65 years of age.
- and
- the average wages that participants would have earned had they not participated in the ILM program.

For simplicity, we assume that this average wage earned is the same as the actual wage earned by participants after the completion of the program. This is a conservative assumption that may result in an underestimate of the net benefit of the program. Marshall and Macfarlane (2000) and Kenyon et al. (2005) have observed that labour market programs can lead to higher wages for participants. A longitudinal study of program participants could be used to establish whether the Brotherhood's ILM programs produce a wage premium for participants.

Finally, to calculate net impact on participants' earnings, we would need to account for any reduction in unemployment benefits and other social security payments and concessions received by the participants, as well as the additional tax they would pay on their higher earnings. These amounts would be transferred to governments. Their estimation as part of the cost-benefit analysis is considered in the 'Direct benefits to government revenue' section below.

One risk associated with the design of ILMs is that there could be an incentive to target more employable individuals, so as to raise the proportion of participants who gain employment following the program. This could mask the true effectiveness of the program, because the selected individuals would have been more likely to gain work without the assistance of the ILM program. Any financial incentives to providers of ILMs (particularly private providers) would need to be carefully structured to avoid this risk emerging.

### *Reduced worklessness*

Reduced worklessness has intrinsic benefits to individuals beyond the associated increase in their earnings. Having paid work contributes to a person's sense of identity and self-esteem.

Results for New Deal for Communities ILMs in the UK have shown reductions in worklessness in areas of high unemployment, and improvements in employability skills in disadvantaged communities. Consistent with findings about improved job outcomes, unemployment has fallen by more in areas with ILM programs than in other areas—even low-income areas. Between 1993 and 2003, unemployment in England fell from almost 11 per cent to just over 4 per cent. In low-income

areas, unemployment fell from around 20 per cent to 9 per cent. In areas with ILMs, however, unemployment fell from almost 26 per cent to around 14 per cent.

Based on Marshall and Macfarlane's benchmark analysis discussed in Section 3, a 'job outcome' rate of around 60 per cent could be regarded as an indicator of an effective ILM.

#### *Improved health and education outcomes*

Evidence from evaluations of ILM programs in the UK also indicates that program participants may also have better health and education outcomes. While Bauld, McKinnon and Judge (2002) have observed improved health outcomes in New Deal for Communities (NDC) areas with ILMs, it is not clear whether this improvement is related to participation in ILMs. Similarly, improved educational outcomes have been observed for many of NDC areas (Smith et al. 2005). However, other efforts to increasing educational attainment in these areas are likely to be driving these results. Accordingly, this cost-benefit analysis does not include any direct health or educational benefits to participants, and so may underestimate the total benefits of ILMs.

### **Benefits to government revenue**

#### *Reduced social security spending*

Increased earnings of ILM participants arising from reduced worklessness would provide savings to government in expenditure on unemployment benefits and other social security payments.

To estimate these savings (and the commensurate loss of benefits to participants), we identify the average annual value of unemployment benefits lost by participants as a result of gaining employment following the ILM program and multiply it by the additional proportion of working years that a participant is employed (for further detail see Appendix). It should be noted that participants may continue to receive some benefits if they take part-time work.

Additional savings to government in other social security payments and concessions not received by participants could be captured as part of the effective marginal tax paid by participants on their additional earnings, described in the following. We do not however make any adjustments for these savings in this analysis.

#### *Tax on increased earnings*

The additional taxation revenue received by government from participants can be calculated by applying an effective marginal tax rate to participants' additional earnings. Like the social security savings, this revenue would be received by government in each extra year that the participant is employed as a result of the ILM program.

For the purposes of this analysis, it is assumed that participants who gain work after the program have a marginal tax rate of 31.5 per cent, including the Medicare levy. The marginal tax rate could be raised to allow for social security payments and concessions not received by participants, but these are excluded from this analysis given that their value will vary for each participant, depending on factors such as the size of each household.

#### *Reduced use of government-funded health and welfare services*

Increased workforce participation and improvements in health may result in reduced use by ILM participants' use of other government funded health and welfare services. This is another potential benefit to government revenue. There is, however, no existing reliable estimate of such potential benefits that arise from ILMs or comparable labour market programs. Therefore we do not attempt to quantify these as part of our cost-benefit analysis framework.

## Indirect benefits

In addition to the direct benefits identified above, international evidence suggests that ILMs also result in wider or indirect social and community benefits. Many of these benefits can be felt at the local level, but some may accrue at the national level through the ‘multiplier effect’.

As a result of their dispersed and often intangible nature, indirect benefits are more difficult to measure than direct benefits. There is no existing reliable estimate of the indirect benefits that arise from ILMs or comparable labour market programs. Therefore while we discuss some important indirect benefits below, they are not quantified as part of our cost-benefit analysis framework.

### *Community regeneration*

Marshall and Macfarlane (2000) have noted the importance of ILMs in improving their local communities:

[I]t is important to consider the beneficial impact of ILM projects on local regeneration, for example, through the work undertaken which would not have happened otherwise or would have cost the public sector to provide anyway. (p.8)

Analyses of labour market programs in other countries have highlighted their impact on the amenity of local communities. For example, Bickerstaff and Devins (2004) note the synergistic impact ILMs can have when undertaken in tandem with other community regeneration programs. By working with partners in trying to achieve mutually compatible aims, ILMs can have a regenerative effect on communities beyond their positive labour force effects.

### *Education and health ‘spillovers’*

Higher educational attainment of ILM participants may have positive effects on educational attainment in their wider communities. Evans and Harkness (2005, p.24) compared data on educational attainment in areas where ILMs were operating with equivalent national data, and found that in the ILM areas, the proportion of the population with no educational qualification had fallen by over 7 per cent more than the national average, and over 3 per cent more than areas with comparable unemployment and labour market characteristics. In addition, Lall and Gillborn (2004) observed that in areas with ILMs, educational attainment among even secondary students had risen.

Likewise, improved health outcomes of participants potentially have positive effects on others in their wider communities.

## Costs

Offsetting the benefits of ILMs are the following costs:

- net program costs—reducing the actual program costs by the value to the community of the services provided through the program
- reduced lifetime earnings to those who are displaced by ILM participants.

### **Program costs**

The total cost of the Brotherhood’s ILM programs is forecast to be around \$670 000 for 2007–08. This figure includes both direct costs, such as wages, training and equipment, and attributable indirect costs, such as management and support costs. Most of these expenses relate to wages and salaries, including those of program participants.

There will be 30 participants in the programs in 2007–08. This gives a program cost of \$22 333 per participant. In addition, some participants undertake pre-employment training, at a cost of between \$2000 and \$3000 each. Even allowing for \$25 333, the cost per participant appears to be less than the average cost of ILM programs in the UK: for example Finn and Simmonds (2003) estimate that

ILMs in the UK cost an average of \$28 220 per participant. The difference can be explained by the fact that the Brotherhood is constrained by a limited funding pool. The cost of ILM programs in the UK is more indicative of the full costs of ILM programs in Australia if they were to be resourced adequately. Thus, research on the cost of UK ILM programs is summarised in Box 5.1.

### Box 5.1 The cost of UK ILM programs

There is some variation in the costs associated with ILM programs. Marshall and Macfarlane (2000) found that while the mean cost of ILM programs in the UK was \$32 390 (£13 860) per place per year, more than 60 per cent of programs reported overall costs at less than \$32 717 (£14 000) per place per year (p.44). This suggests that a small proportion of high-cost programs raised the average. Marshall and Macfarlane noted that programs requiring capital expenditure, such as environmental services, would operate at higher costs to cover the infrastructure or equipment. In addition, the variety of local design and service component alluded to above also contributes to the variation in program costs.

Finn and Simmonds (2003) undertook a survey to calculate the cost of ILMs. They concluded that the real cost of programs in 2003 was \$26 020 (£11 134) per ILM place per year—significantly less than that estimated by Marshall and Macfarlane. Finn and Simmonds also calculated the cost per person starting an ILM, to enable comparison with other government programs. By this measure, the average cost of ILM programs in 2003 was \$16 784 (£7182) per participant for 26-week programs and \$28 220 (£12 076) per participant for longer programs.

While the costs of ILM programs are considerable, they must be seen alongside other costs that accrue during periods of unemployment. The UK Treasury has estimated that the cost of unemployment to the government is \$19 046 (£8150) per person per year (Marshall & Macfarlane, 2000, p.47). Also, as Bivand (1999) argues, quite large expenditures on raising employability can be justified if job retention can be raised.

### *Net program costs — estimating the value of services provided*

An intrinsic element of the Brotherhood's ILM programs is that the participants work to provide services of value to their local communities. This means that the net cost of the program is the total program costs less the actual value of services provided by the program participants. However, as ILM participants have low skills and are still receiving training, the value of the services provided to the community is likely to be less than the full commercial value of those services.

Ellwood and Welty (1989) examined the value of the goods and services produced in a range of US public sector employment programs. They found that estimates of the value of work as a share of wage payments to participants ranged from 25 per cent to more than 100 per cent. The more a program was able to provide a 'real' job experience, the greater the value of the services provided. On the basis of this evidence, Ellwood and Welty speculated that a reasonable estimate of the value of work produced in labour market programs would be 75 per cent of the program costs.

An estimate of the program costs of the Brotherhood's ILMs is shown in Table 5.2

**Table 5.2 Program costs of Brotherhood-operated ILMs**

<b>Program component</b>	<b>Cost/value per person</b>
Program costs	\$22 333
Value of services provided	\$16 750
Net program costs	\$5 583

*Displacement effect — lost income of displaced workers*

While ILMs may improve the employability of long-term unemployed people, they may not necessarily result in an overall reduction in unemployment. Some (or all) of the ILM participants who gain employment after the program may displace other job seekers who would have otherwise taken the job.

In designing ILM programs, administrators seek to minimise or eliminate the risk of displacement. Bickerstaff and Devin (2005, p. 20) describe one such strategy:

Evidence from Groundwork and Preston Road shows that [linking ILMs with wider regeneration strategies] has been an important strategic element in targeting priority groups and addressing skill shortages. In the case of Preston Road, a growing understanding of local labour market and skills issues has helped to ensure that the ILM runs relatively little risk of job displacement in the private sector.

In this example, program administrators hoped to minimise the displacement of their programs by targeting industries (or locations) with skills shortages. The ILM programs operated by the Brotherhood adopt similar strategies. First, the Brotherhood programs target labour-intensive industries where there are shortages of skills but the skills are also relatively quickly acquired. This enables participants to improve their employment outcomes.

Second, the Brotherhood targets highly disadvantaged communities, to allow easy identification of potential program participants, and also to spread the benefits of the program beyond participants to the wider community.

Despite such efforts, however, some displacement of workers by ILM participants may still occur. The size of the displacement effect depends on many factors, including the overall unemployment level, the extent of labour shortages in particular fields, and the scale of the ILM program.

To account for the uncertainty about the displacement effect, we introduce a parameter to represent the proportion of additional employment created by an ILM that displaces other job seekers. We allow the parameter to take three possible values (Table 5.3). As with the effectiveness ratios (Table 5.1), the range of the displacement effect values is conservative, and is broadly consistent with those considered by Piggott and Chapman (1995), when conducting a similar assessment of the Australian Government's then 'New Work Opportunities' program.

**Table 5.3 Displacement scenarios**

Displacement scenario	Proportion of additional employment created by an ILM that displaces other job seekers
Low	20 per cent
Medium	40 per cent
High	60 per cent

The size of the displacement effect will vary at different points of the business cycle. In times of high unemployment, displacement will be more prevalent, whereas in times of low unemployment and skill shortages, there will be fewer job seekers displaced. Given the current dynamism of the Australian economy, the increasing skills shortages and the prospect of sustained lower unemployment as the population continues to age, it is likely that the displacement rate is currently at the lower end of the scale, and may remain low in the medium term. The scale of programs also affects the likelihood of displacement, since the greater the number of participants who complete ILMs and find work, the less likely that local labour shortages will be provide enough opportunities to meet the increased supply of workers.

The displacement rate does not take into account the different characteristics of ILM participants and those job seekers who are displaced. The target group for ILM programs is the long-term

unemployed, some of whom may never have been employed (Marshall & Macfarlane 2000). The average displaced job seeker is likely to have greater work experience and a stronger skill base than someone entering an ILM program, and will be more likely to find other work. The program is therefore likely to generate a net increase in participation in the labour force.

### **Illustrative estimate**

Detail of a framework for estimating the relative costs and benefits of ILMs is provided in the Appendix. To illustrate the operation of the cost-benefit framework and possible outcomes, we assume the inputs to the model take the following values:

- Those participants who find work as a result of the program earn an average gross income of \$30 000 per annum (aW).
- Participants who find work lose an average of \$11 062 per annum in unemployment benefits (aUB)—equal to the maximum benefit payable to a single person with no children.
- The average participant has 30 more years of working life (aY).
- Participants who gain employment following the program have a marginal tax rate (t) of 31.5%.
- The total cost of the program (C) per participant is \$22 333.
- The value of the program (v) is equal to 75% of the total program costs.
- The present value (PV) calculated by applying a discount value of 31.5%.

Applying the steps outlined in the Appendix, the illustrative examples demonstrate the likely benefits of ILMs, given the assumptions above. Table 5.4 shows the net benefit of the program for different values of the effectiveness rate (e) and the displacement effect (d). Under each scenario, the program is estimated to produce a substantial net benefit per participant:

- With low effectiveness and high displacement, the illustrative ILM program has a net public benefit per participant of \$16 487. The benefit:cost ratio is approximately 4:1.
- With medium effectiveness and medium displacement, the illustrative ILM program has a net public benefit per participant of \$77 181. The benefit:cost ratio is approximately 14:1.
- With high effectiveness and low displacement, the illustrative ILM program has a net public benefit per participant of \$170 980. The benefit:cost ratio is approximately 31:1.

**Table 5.4 Net benefit of ILM programs — Illustrative estimates**

<b>Parameters</b>	<b>Low net benefit</b>	<b>Medium net benefit</b>	<b>High net benefit</b>
Effectiveness rate	Low = 10%	Medium = 25%	High = 40%
Displacement effect	High = 60%	Medium = 40%	Low = 20%
<b>Benefits (less costs in brackets)</b>			
Increased net earnings to participants	\$38 917	\$97 293	\$155 669
(less lower net earnings to displaced workers)	(\$23 350)	(\$38 917)	(\$31 134)
Higher tax revenues to government	\$7 159	\$26 844	\$57 268
Lower social security expenditure	\$13 275	\$49 779	\$106 196
<b>Total benefit per participant</b>	<b>\$36 000</b>	<b>\$135 000</b>	<b>\$288 000</b>
Present value of total benefit per participant less costs	\$22 070	\$82 764	\$176 564
Net program costs per participant	(\$5 583)	(\$5 583)	(\$5 583)
<b>Net social benefit per participant</b>	<b>\$16 487</b>	<b>\$77 181</b>	<b>\$170 980</b>

This illustration indicates that ILM programs can be strongly cost-effective, and can achieve very high benefit:cost ratios if they are designed to maximise the effectiveness rate while minimising the displacement effect. The effectiveness rate of the programs currently run by the Brotherhood is potentially high given the very high unemployment in the participating locations. In addition, the displacement rate is likely to be low given both the current strong economic conditions and the focus of the programs on areas and industries with skills shortages.

Furthermore, the cost-benefit framework has been based on conservative ratios, so that the outcomes of the analysis can be regarded as an underestimate of the overall net benefit to society. We have not allowed for any real growth in participants' incomes, and we have not allowed for the probability that any displaced job seekers will find other work more quickly than ILM participants.

In addition to those benefits that can be confidently quantified, ILM programs generate a number of other benefits that are not reflected in the cost-benefit framework. These include:

- reduced worklessness. Evidence from the UK has shown the ILMs contribute to demonstrable reductions in worklessness in areas of high unemployment.
- health benefits. ILM program participants in the UK report better health outcomes than non-participants.
- local community regeneration. ILMs exert a positive influence on local areas and can compliment other community-building or regeneration programs.
- higher levels of education. Participants report higher educational attainment following their participation in ILM programs.

## 6 Initial program observations

To determine how effective the Brotherhood's approach has been, at least initially, we conducted surveys (through interviews or questionnaires) with Brotherhood staff, past participants of the program and staff involved in overseeing the contracts with the Brotherhood's community enterprise services. In this section we present the main findings from these surveys.

### Employment outcomes

Twelve of the sixteen responding participants were currently in paid employment; eight of them were working at least 30 hours a week. Their jobs included administrative support roles, youth worker and aged care worker. Nine of the twelve felt that that the program had directly contributed to their obtaining employment. Of the four respondents who were not currently in paid employment, three were confident that they would obtain employment that matched their skills and experience in the near future.

Eleven of the twelve respondents who were currently employed had been in their jobs for at least 3 months; nine of them had been employed for at least 6 months.

Reflecting this improvement in their employment situation, ten of the sixteen respondents' main source of income was wage/salary income or income from self employment. Five were still reliant on government income support.

### The Brotherhood's experiences

#### Addressing a need

When asked about the reasons for initiating its Community Enterprises, the manager of the program noted the high levels of joblessness on the housing estates and the need to promote a culture of work there:

People [on the public housing estate] were so far removed from the labour market it's not funny ... How do you change a population's view of the workforce? How do you cultivate a perception that I can work? ... How do you break down some of that stigmatisation attached to work?

The importance of establishing a trusting relationship with residents was also highlighted:

After a while people begin to understand what we do and that it's tailored to their needs. We develop trust. The Brotherhood is a trusted organisation in the community.

The ILM approach was seen as filling the gap that mainstream employment service providers did not address:

Skills preparation is needed; there are many organisations that offer this. So from a mainstream perspective that's great, because if somebody already has confidence and is recently out of work it's easier to train them up and place them back again into a particular industry. But for someone who's long-term unemployed or faces multiple barriers, it's not just a matter of skilling them and then placing them, because the employers see people with multiple barriers as not valid in the workforce. They may see a resume with an address that comes from a public housing estate, for example, and consider them not being worthy for that position. The mainstream group is not so much of a problem. But the narrow end that we're working with are the ones where we need to open up these opportunities to. The employers are not doing it, so community enterprise is another way of becoming the employer who is understanding and creates opportunities for this client group.

## **Partnerships**

About establishing partnerships, the manager stated:

[When considering partners] we look for two things. One is for similar objectives to us, whether it be local, state or federal government [or] corporates who might be interested in delivering a CSR [Corporate Social Responsibility]-type outcome. And we're also looking at contracts with other business that might not have the same objectives, but are in the industries that we work in.

Skill shortages were seen as providing an opening to promote these types of programs in the private sector:

I think it could [be developed] so that it would become attractive to private organisations. Now the skill shortage stuff, if any time in history this is probably the time where you might get some traction.

## **On-the-job training**

The accredited training provided was mainly on-the-job, which was seen as a strength of the model as the participants struggled with formal training in a classroom:

We try to utilise the existing traineeship system and couple that with the job experience that the actual trainees are doing ... So we reduce the amount of time that they have to sit in a classroom situation. This is more appropriate because participants usually have a reduced capacity for literacy and numeracy. So any theory-based work is often daunting. A lot of people have not been in a classroom situation for a significant period of time.

## **Personal support**

The importance of providing personal support and encouragement to build the self-esteem and confidence of the long-term unemployed was highlighted by the program's personal support worker:

One of the main barriers to employment is being long-term unemployed. That relates to depleted motivation, self-esteem, etc. There's a lot of work that needs to be done in assisting the participants to build on those again. In a lot of cases they're used to failure, so interestingly they will sabotage the positive things that are happening to them in employment because they're not used to success. So someone needs to be there to develop a relationship and help them understand the positive pathway that has been developed for them and not to feel uncomfortable about being successful.

## **The effect on participants**

Due to daily interaction with participants, the personal support worker was in a better position than the manager to discuss the effect of the program on the lives of participants. The following statement highlights his perception of the positive effect on participants' self-esteem and confidence:

Upon initial engagement with a client, we see someone who is withdrawn or cowering, reducing their height. And approximately three months after being involved in an enterprise as an employee, their stature starts to change; they hold themselves higher, they walk down the street with a bit more dignity about themselves. So that's that self-esteem and confidence ... The fact that they have a supervisor who trusts them, they're able to earn income for themselves and support themselves independently. The training does come into it because they are being told that they have the skills to work as a qualified individual.

### **Strengthening the program**

When asked what features of the program he would change given the resources, strengthening job search assistance was a priority for the manager. He felt that the transition to mainstream employment could be made smoother with additional resources:

If we had industry linkages ... they could do short placements with a range of employers who would look at them and say 'yep'. You could make it more seamless.

Strengthening the personal support component was the priority for the support worker:

I would engage with the participant before any job prospects were available, discuss with them why they wanted a job ... People want to re-enter the workforce because they want to be a good example for their kids, they want to get out of a rut. It's not about the money. It's about being part of the community again. After three months, there is the period that we call the 'honeymoon is over' period; where people question whether they are really better off (because of the early starts, their income support payments get withdrawn, their rents go up etc). Then I could say to them, 'Do you remember what you told me before you started? Why you wanted to be employed? Remember you told me it wasn't about the money?' So I'm able to motivate them at that point to continue. Personal support is very important for me.

The support worker also suggested that he would expand the range of employment offered so as to offer more of the skills currently in demand:

I would add a variety of work. Moving into such things as construction, metal fabrication—the more variety we can offer the easier it is. Another thing is that a lot of those qualifications are male-oriented, so getting more qualifications that are more female-oriented ... getting something around hairdressing for example.

### **Participants' experiences**

Ten people who completed an ILM traineeship were interviewed to gain qualitative information about their experiences during and after the program. Although each person's story was unique, there was considerable overlap. All faced barriers to unemployment, were complimentary about the support offered and were generally positive about the program as whole. Although there were divergent employment outcomes, the common factor was that each participant was glad to have done the program as they believed it had overall had positive effect on their life.

#### **Background of participants**

Consistent with the ILM aim to target disadvantaged people, almost all the interviewed participants had experienced extended periods of unemployment and other barriers to finding a job.

Nine of the ten interviewed participants had been unemployed for more than 12 months before commencing the traineeship. All but one had been employed at some time, but usually sporadically and almost always in a single low-skilled field. Previous jobs included: driver, cleaner, fruit picker, farm hand, collecting sanitary units and factory worker.

For a number of participants, the reason their employment was interrupted was sickness or injury. For example, one participant who had worked as a cleaner had been made ill from the toxic chemicals. Another person hurt their back doing a cleaning job that also required lifting.

Some of the participants faced quite severe barriers to employment: two were illiterate, a few were refugees and were not fluent in verbal English and others suffered from mental illnesses.

## Reasons for commencing traineeship

A strong theme that emerged from interviews regarding reasons for commencing the traineeship was that people were unable to get any other job or traineeship. Many people said that they had been looking for many jobs in a variety of fields but no-one would offer them employment. As one participant said: 'The reason I started this one over others was that they said 'yes'. I applied for heaps'.

Most of the participants thought that obtaining a qualification was an important aspect of the traineeship. A few mentioned being rejected by employers because they had no qualifications, even for low-skilled employment such as cleaning. One person said:

In addition to getting some friends and becoming more confident, I got a certificate out of it. Actually I thought that the certificate wouldn't be recognised, but after meeting some people I can see it is.

In contrast, some people's motives for doing the traineeship were specific to the particular traineeship. For one person the hours of the traineeship were highly suitable, as they allowed him to study in the morning. Another person who did the traineeship in personal care wanted to change the direction of their life and desired to help people. A third participant commenced the cleaning traineeship partly because he thought that cleaning was an important job.

## Training

### *Developing skills*

Participants said that the training helped them develop generic skills such as communication skills, working with others and problem-solving. A couple emphasised that having these skills was helpful in their post-ILM employment.

A number of participants said that the training helped them not only find employment but maintain employment too. One person with very limited employment experience said: 'It's only the training that's built me up and loving it and learning from it and experiencing it'.

Numerous people who undertook the CCO traineeship found it particularly useful to gain computer skills. Some had very limited experience with a computer before commencing the program. One participant said: 'When I first started I was afraid to turn the computer on. I might blow it up or something'.

In addition to generic skills, a few participants emphasised the benefit of specialist skills they acquired. One trainee said: 'All the skills and knowledge I have, came from the traineeship. Without this... traineeship I wouldn't have been able to work in the [construction] industry'.

### *Pre-employment training*

All the people who had done pre-employment training said it was useful. A typical comment related to Occupational Health and Safety: 'I never thought of things like that. I just thought you're working and that's it.'

### *Learning on the job*

All the participants thought that learning on the job was an advantage of the traineeship; for many this was one of the aspects that initially attracted them. Trainees mentioned that they found it difficult to learn in the classroom environment. One participant said:

Me and courses don't go well together. I'm one of those people that uses their imagination side of their brain a lot more than their logical side. Doing a traineeship that is practical is ideal for me. I can't sit down and study for eight hours. My brain would explode.

Several participants emphasised that it was important that they were in a job and not merely studying. As one said:

The way it was it was running good, it was fair, you got a fair wage. The thing that made you really do it at the start, was the money. You're being paid to learn.

The appeal of being paid to learn was echoed by numerous participants, and one thought it was especially appropriate for older people like herself. A participant who trained as a personal carer felt that learning to do her work well required on-the-job training.

### **Personal support**

The personal support of the Brotherhood's ILM was in some cases primarily provided by the supervisor, in others by the personal support worker; and for some participants both their supervisor and personal support worker were invaluable.

Many participants emphasised the responsiveness of their supervisor or personal support worker. As one said:

If you ever had a problem, he would sort it out. So he was grouse ... If we needed him, he was there flat out. Even if he wasn't working, he would come in. He was one of the best blokes. You could always ring him, like if you had a hassle, and he would always help.

In addition to responsiveness, trainees commented that supervisors also were 'organised' and would regularly check up on trainees. As a result, 'I never felt lonely', one participant said.

Other participants agreed that without the personal support, completing the traineeship would have been very hard. One person commented that in the beginning it was very difficult and she was full of self-doubt, but with support it became increasingly easier until she had mastered the job. Another participant said that she probably would not have finished the traineeship without the support she received.

All the interviewed participants referred to the patience and tolerance of their support workers. As one said about his on-the-job supervisor:

I never see him angry. We make a lot of mistakes, we are on training. When you are training you make a lot of mistakes. I never see him angry.

A common theme was that the support staff understood the difficulties participants faced. One person said that 'they were more understanding [than] previous supervisors that I've had.' Another participant mentioned that the supervisors she worked with were very 'caring people.'

The only criticism of the personal support was that one participant felt that some trainees received more attention than others. Nonetheless, this person still said all his support needs were met as they were 'not that great'. This highlights a dilemma for program staff: some participants indeed require greater attention, but it is difficult to ensure everyone feels they are being treated in an equal manner, even though not in an identical manner.

### **Post-placement support**

Most participants commented that receiving help to find mainstream employment towards the end of their traineeship and afterwards was an invaluable part of the program.

The experience of one person is typical of the nature of the post-placement support offered. This support was not highly structured, but instead was based on the relationship between the participant and his personal support worker. The participant was told that the 'door is always open', and that

he could contact his support worker to arrange a meeting so they could work on his resume, job applications and interview skills.

This participant returned for assistance numerous times, receiving helpful advice on how to write a job application and conduct himself in an interview. The participant said he probably would not have got his current job without this assistance, especially the assistance directly prior to the interview. He believed that the post-placement support was one of the most important aspects of the program.

With regard to how the post-placement support could be improved, one participant thought that the 'bridge' between the ILM and mainstream employment needed to be strengthened. He was of the view that that the post-placement support should be more structured, so that a job is found for the participant, rather than simply giving the participant the tools to find a job themselves.

This remark highlights the ad hoc nature of the post-placement support, in that it seemed to depend largely on the information available to the support worker at the time.

### **Finding employment**

In the face-to-face interviews, we learned how participants made or attempted to make the transition into employment after the program, which show how different facets of the ILM program have been helpful.

A few of the participants said that they had found employment directly through their personal support worker. One said that during his traineeship the personal support worker asked whether he was ready to commence mainstream employment as there were some positions that the support worker could help him obtain. Earlier in the traineeship he had not been for full-time mainstream employment as he was still studying and had other personal commitments, but after eight months in the traineeship he was ready. The personal support worker was able to give him employer contacts, which the participant then followed up and gained employment.

A few other participants commented that the program gave them the motivation to look for work. One described how in the past she would 'sit back and sulk', but the course made her realise that it was 'about time I did something myself' and gave her the self-esteem to look for work.

Another person said 'that the work experience encouraged me to look for jobs in a wider variety of fields' instead of focusing too narrowly, and as a result he found employment. This sentiment was common amongst the interviewees. It is worth quoting one participant who said:

It was a success. All the training we got in my opinion was helpful; it made me get the actual job I was working as. It made me open my eyes to different avenues, different types of work. It made me open my eyes to looking for work in different ways, building a resume up, making cover letters. It's helped in every way. My life has been through hell until about 21 and since having done the program my life turned around.

Some participants also found the information about how to look for jobs invaluable, and a couple of the participants found jobs as a result. One said:

Before the actual program, I used to just go on word of mouth. I didn't know about the... jobs on the net and all that, and we covered bases on the training about job searching, about cold-canvassing and all that, all different sort of stuff.

Two participants went on to start their own businesses and two others intend to. One participant said she could have applied for an ongoing position and probably would have got it, but wanted to change direction so as not to 'stagnate'. Instead she started her own business. She commented that she did not need much technical advice as she had some previous business experience, but what she

really needed was the psychological support. The support staff were very encouraging. She felt she probably wouldn't have started her business had she not been through the program because she had lacked confidence.

Two other interviewed participants were lucky to have a very 'smooth' post training transition as they remained employed by Brotherhood and went on to train new participants in the program. One had become a team leader and the other was working in residential care.

### **In the job**

Consistent with the objectives of ILM programs, participants did not necessarily move directly into employment in the same field as their training, but rather the program enhanced employability in general.

Interviewed participants who did gain employment in the same field said that they managed well in their new position. As one said, 'It was easy, since it required the same skills I got during the traineeship.'

People who found work in different fields still maintained that the skills they learnt were very beneficial. One participant commented that 'Everything that I done in the training sort of helped me, like conflict resolution ... Everything that I needed helped me to get that and do the job'.

The two people who went on to start their own business were also operating in a different field. They too found the skills from their traineeship very useful. For example, both had used their new computer skills to create promotional material for their businesses.

### **Non-employment individual outcomes**

Although ILM programs focus on employment outcomes, they also promote other positive outcomes, which can be observed in some of the participants' responses.

#### *General well-being*

All 16 participants in the study reported feeling more confident and more motivated since completing the program. Twelve felt better about themselves generally. Participants in face-to-face interviews were asked to expand on their general well-being. For some these 'soft' outcomes, which are difficult to quantify, were the main benefits of doing the course. As one participant said, 'I wouldn't have my life any other way at the moment. My life is much better than before I started the traineeship'.

Many participants had a sense of pride about achieving their qualification. One said: 'Now you can go out and say you're a level two instead of a level nothin[g]'.

#### *Personal relationships*

Many interviewees said that they made friends at work—during the traineeship and/or in employment afterwards—with both colleagues and external people. For some participants it was clear that these social connections were one of the best parts of having a job. One participant said: 'I've made a lot more friends than what I had before'.

Traineeships in certain fields, by their nature, created greater opportunities to form personal relationships. Two participants who trained as CCOs formed strong relationships with the public housing residents. One said that she couldn't walk through the estate without having numerous conversations with people. She said they liked her so much because 'they could see how much I care for them and how I put my love into people'. The other participant said she was much more socially active with her neighbours on the estate now, whereas before she rarely left the apartment.

One trainee felt she had become a good role model for her daughter. She said that her daughter was 'proud of me'. Also, her husband respected her even more, especially since she gained promotions at work. She believed that this strengthened her relationships with her family.

### *Accommodation*

Although ILMs may in theory lead to people moving out of public housing as their incomes rise, most of the participants in the Brotherhood's program had not moved since completing the traineeship. Most said that they were happy living where they were, and none of them mentioned dissatisfaction with their living arrangements.

### *Future aspirations*

ILM programs aim to help their participants set out on the right track, and are not merely focused on immediate outcomes. Consistent with this, many of the participants who gained a job in the mainstream labour market saw it as a stepping stone to further advancement. One participant was thinking of starting his own cleaning company. Another participant also intended to start a business in partnership with two people, and said that the training would directly help him.

Some other participants intended to do further training. For example, one person who completed the CCO traineeship planned to do a security traineeship.

### **Community outcomes**

The Brotherhood's program had some impact on communities, through positively influencing how individuals engaged in their communities. Some participants became more active and outgoing in their community, as illustrated below.

One participant who used to spend most of his free time at home, watching television or listening to music, said he now attended more community events. Living on the public housing estate, he sometimes helped organise activities such as English classes, table tennis and Chinese groups.

Another participant, also a public housing tenant, said that doing the traineeship:

... made me open up. I never used to get along with people before. Used to just stick to myself. Embarrassed. Stay at home you know. But now I can talk to anyone. I'm more out there.

One participant said that he even initiated and managed a community event, a computer game competition aimed at children. He sought and received corporate sponsorship. In his words: 'I thought of the whole idea. Got everyone involved, got the whole community involved'.

Overall, less than half of the respondents reported any changes in their participation in community activities. However, a couple of the interviewees said that they were already heavily active in the community. For those who said that they had increased their engagement it took a variety of forms, from attending more community events, to having wider social networks and generally being more open to meeting people and getting out of the house.

### **The ILM program in general**

Most interviewees spoke very positively about their experience of the ILM program in general. One person said: 'It was my first job, I was very excited'. Other representative quotes include:

This job has been wonderful... I loved it.

One thing about this training, it's awesome.

I enjoyed it very much.

I loved my job, I truly loved my job.

However, one person who completed the program in the first year was disappointed that his traineeship did not turn into ongoing employment. He felt it should have been made clearer to him that inherent in the nature of the ILM was that it was only temporary employment. This individual spoke English as a second language; thus staff needed to pay special attention to ensure that he understood the conditions of the program.

Participants' survey and interview responses indicate that the outcomes for participants of the Brotherhood's ILM program are consistent with outcomes of other ILM programs. Points that stood out related to the support that participants received during the training, the training itself and also the influence on the participants' confidence and motivation.

## **Contracting organisations' experiences**

### **Reasons for involvement**

The primary reason for organisations engaging with the Brotherhood's enterprises was that they shared similar objectives to the Brotherhood in promoting social justice. All of the staff that we spoke to discussed the importance of providing the long-term unemployed with a pathway to mainstream employment. This was also evident in Lend Lease's reason for entering a relationship with the Brotherhood, which was driven by its corporate social responsibility agenda. The following statement from NYHS captures the mood of those interviewed:

It's a good thing to try and empower people to develop skills so that they are marketable and give them skills to find jobs.

The Office of Housing's involvement was largely driven by its broader community regeneration objectives, as the Community Contact Officer (CCO) positions were created as part of the state government's broader Neighbourhood Renewal initiative and were initially delivered by security officers. This is explained by one of the department's managers:

Then the discussion moved to what's the best way to do this. For example we could go ahead and engage Chubb Security Services to provide a security guard at the base of the each of our towers but as Neighbourhood Renewal was operating in those two spaces, and one of the key components of NR is creating employment opportunities for our tenants, then we decided this would be a good opportunity to explore looking at engaging an NGO to provide an employment program around the concierge services and therefore employ our tenants—meeting two of our objectives. One is to provide the concierge service and the other to generate employment opportunities for our tenants to address the economic and social issue of long-term unemployment.

Interestingly, another factor that appeared to influence the City of Yarra and NYCH's decision to offer the contract to the Brotherhood was dissatisfaction with the service offered by previous providers. This was highlighted by staff at the City of Yarra and NYCH:

We could have just continued with [our previous provider]. We weren't happy with this service. We wanted to see some innovation. They failed to deliver that ... We wanted an option that ensured that we achieve the outcomes we wanted both for the council and for the community. (City of Yarra)

We hadn't been that satisfied with the standards of our cleaning with our previous providers. (NYCH)

While Lend Lease initially outlined CSR motives for working with the Brotherhood's enterprises, they also pointed out that skill shortages were another driving factor:

The construction industry suffers terrible trade shortages. It's something like 20–25% of people in trades in Australia are 50+; for every five of them we're taking in one apprentice.

So if we think we've got shortages now. So in a sense there's a bit of selfishness there to growing people quickly to start filling that ever-looming gap.

The more upskilling the Brotherhood can do, the better off they'd be. In today's *Financial Review* it said that carpenters could earn up to \$80-200k a year. There really is an opportunity for people in those trades to turn their lives around.

### **Value of the service**

All of those interviewed expressed satisfaction with the service from the relevant Brotherhood enterprise. For the two mainstream services, cleaning and street cleaning, the value of the service was felt to be either similar to or greater than another commercial provider would have delivered. The City of Yarra actually felt that the outcomes were much better:

I would say that the work that's been done is certainly better than the results we were getting with [previous provider].

The Office of Housing staff felt that the CCO positions on the public housing estates were more than what a standard security service would offer. . Therefore, it was suggested that the community enterprise service was difficult to put a value on:

Not an easy call to make, it's not like their making widgets. There's nothing telling us that they're doing stuff in any lesser way than a private provider. It's not like they're doing a standard security task, so it is difficult to compare.

All of the staff interviewed stated that the price for the service was about the same or slightly less than what they would have paid a mainstream provider. Price competitiveness was an important consideration for each of the contracting organisations. Because they knew that the Brotherhood's outlays were lower than those of a private provider—from paying traineeship wages and receiving other government funding—it was generally felt that this should be reflected in the price charged.

Interestingly however, when asked whether the Brotherhood should charge prices above the market rate because of the additional social benefits of the program, they did not rule it out. This was highlighted by the NYHS representative's responses to the suggestion of a premium price:

Well, we do do that in a whole range of things. We do pay more for green energy etc. I guess the question is how much more and whether we can afford it. It's not out of the question that we would pay more for a good cause. But nor could I say that we definitely could, because there are other areas where we say 'No we can't afford it'.

Ultimately however having to work within cost constraints was acknowledged. This was particularly so for Lend Lease, as suggested in the following response:

We're a publicly listed company, so we're always responsible to our shareholders. 'I don't know' is the honest answer. We would pay what we believe are fair market rates. So we wouldn't look to screw the last dollar out of the Brotherhood, we would pay a fair market rate. But we are always responsible to our shareholders.

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The findings in this section suggest that the Brotherhood's ILM programs are in line with international benchmarks and effective in getting people into mainstream employment while providing valued services in local communities.

## 7 Conclusion and policy recommendations

Mainstream employment assistance services have difficulty getting the most disadvantaged job seekers into employment. This report has outlined how Intermediate Labour Markets can be used to more effectively assist this group.

ILMs can provide a net benefit to individuals and to society by increasing the employment rates of the long-term jobless. The extent of the overall benefits is largely driven by two factors: the effectiveness of the program at moving into sustained employment people who otherwise would have not found employment and the level of displacement of other workers. A program with high effectiveness and low displacement has an estimated benefit:cost ratio of 31:1.

To maximise the effectiveness of ILM programs, Brotherhood research and experience suggests that they should include the following features:

- targeting of the most disadvantaged job seekers unlikely to gain work through existing programs. Eligibility should therefore be restricted to the long-term unemployed and those disengaged from the labour market living in areas of high joblessness.
- a short period of pre-employment training offered to gauge readiness for participation in ILM program
- a 9–12 month employment contract in social enterprises, or non-profit, government and private sector organisations in skill shortage areas. This employment, which may be offered as a traineeship, must offer placement in a real work environment, intensive personal support, accredited training and post-placement support.
- a combination of 2–4 days work per week (depending on individual capacity) and 0.5–1 day per week training/basic skills development/personal development, with a graduated increase in working hours over the course of the placement
- a good match with participant preferences and local labour market needs
- participants paid at or above the national training wage.

Although it is too early for conclusive findings, the outcomes of the Brotherhood's programs are in line with international benchmarks. Tracking a group of past participants suggests that the approach is effective in getting people into mainstream employment. As the programs grow, it is important to continue monitoring outcomes to ensure that they remains effective.

Displacement of other workers is likely to be low given both the current strong economic conditions and the program focus on areas and industries with skills shortages. To minimise displacement it is important that the programs continue to target areas of concentrated disadvantage and adapt to local labour market needs.

ILMs have the potential to deliver benefits to all levels of government, to business and to society in general. Current labour shortages in a range of industries present a unique opportunity for business, government and the community sector to work in partnership to address industry needs and to improve economic and social outcomes for the long-term jobless.

As ILMs are essentially labour market programs, the majority of their funding should be provided by the federal government. For instance, ILMs could be approved as alternative employment assistance pathways for disadvantaged job seekers, with entitlements consistent with intensive support needs.

State governments' role is to promote the use of community enterprises and ILMs in their neighbourhood regeneration strategies and to adopt social procurement practices across government. They can provide resources to allow ILM providers to engage with disadvantaged communities and job seekers. They also have a vital role in funding skill acquisition that clearly matches regional and metropolitan skills shortages.

Like state governments, local governments have a vital role in promoting ILMs in their community regeneration strategies, in purchasing services from ILM Community Enterprises and adopting broader social procurement practices.

Both state and federal governments could provide potential ILM Community Enterprises start-up funding and an enabling environment within mainstream employment services to assist them to operate effectively.

Finally, all sectors could take a role in the development of ILMs through social procurement policies, for instance by offering service contracts to ILM Community Enterprises, and/or by providing direct employer traineeships for disadvantaged job seekers. Examples of these initiatives are becoming more apparent across private, government and non-government organisations. A larger commitment would multiply the opportunities for disadvantaged job seekers.

Substantial benefits can accrue to the whole community through up-front investment and facilitation by governments of Intermediate Labour Markets and the broader social economy.

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## Appendix: Framework for estimating costs and benefits

Table A.1 summarises the quantifiable costs and benefits that have been identified in Chapter 5. This framework provides the basis for assessing the net social benefit of the Brotherhood's ILMs. It includes both those quantifiable benefits that accrue to individuals and those that have wider or more distributed effects. These benefits are set against the net costs of the programs.

**Table A.1 Framework for analysis: quantifiable costs (–) and benefits (+) of ILMs**

Quantifiable costs and benefits	Participants	Impact on Government	Society
Increased lifetime earnings	+	n.a.	+
Displacement effect – reduced earnings of displaced workers	n.a.	n.a.	–
Tax on increased earnings	–	+	Nil
Reduced social security benefits	–	+	Nil
Cost of delivering ILM programs	n.a.		–

Notes: n.a. = not applicable. Nil = no net impact on society (costs and benefits cancel one another out).

Source: Adapted from M Dockery 2001, 'The economic gains from increasing VET opportunities for people with a disability', paper presented at the 30th Conference of Economists in Perth, cited in Kenyon et al. 2005, *A cost benefit analysis of vocational rehabilitation services provided by CRS Australia*, John Curtin Institute Discussion paper series, No. 2005/01, p. 9.

The formulae in this section indicate how each of these elements is calculated. The notation used is set out in Box A.1.

### Box A.1 Notation used in the cost-benefit formulae

aW	average annual wage earned by participants in employment gained after the ILM program
aUB	average annual level of unemployment benefits lost by participants as a result of gaining employment following the ILM program
aY	average number of remaining working years for participants following completion of the ILM program
e	additional proportion of remaining working years that participants spend in employment as a result of the ILM program
t	marginal tax rate paid by participants (assumed to be 31.5%)
d	proportion of additional employment of ILM participants that would have been taken by a 'displaced' worker
C	total cost of the program per participant
v	value of services provided to community through the ILM program, as a proportion of the program costs
PV (total benefit)	$(l - d) \times aY \times aW \times \{1 - (1/(1+r))^e\} / i$
	where i = the discount rate applied to benefits accrued in future years (assumed to be 3.5%)

To calculate the present value of benefits from ILM programs, we calculate the additional after-tax income (AATI) an ILM participant would receive over a lifetime. This is calculated using the formula:

$$AATI = (l - t) \times e \times aY \times (aW - aUB)$$

Here, the difference in the number of years a participant spends in employment as a result of the ILM program ( $e \times aY$ ) is multiplied by the difference in the wage earned by ILM participants over non-participants ( $aW - aUB$ ). The prefix  $(l - t)$  is used to calculate the post-tax value of income.

From this value, we need to subtract the displacement effects (DE) of an ILM participant on existing job seekers. This is calculated by applying a displacement rate factor ( $d$ ):

$$DE = d \times (l - t) \times e \times aY \times (aW - aUB)$$

For simplicity, this is calculated in the same way as the participant's after-tax income, which implicitly assumes that displaced job seekers lose the same amount of income over their lifetime as the ILM participant earns. This is a conservative assumption, as displaced job seekers are unlikely to be unemployed for as long as the ILM participant is employed.

The increase in tax revenues (ITR) that would accrue to the government over time is calculated as the tax payable on the participant's income, less the effects of displacement:

$$ITR = (l - d) \times t \times e \times aY \times (aW - aUB)$$

Government also benefits from lower payments (LP) of social security benefits to the ILM participant. This is calculated using the formula:

$$LP = (l - d) \times e \times aY \times aUB$$

Here,  $aUB$  represents the value of average unemployment benefits lost by the participant by gaining employment as a result of completing an ILM program.

To calculate the total benefit to society of ILM participation, we add the four above equations together. The effects of taxation and unemployment benefits are cancelled out, as these simply involve transfers between individuals and the government:

$$TB = (l - d) \times e \times aY \times aW$$

This calculates the value per participant of the ILM program over a participant's lifetime. A discount rate of 3.5 per cent is then applied to calculate the present value of those benefits. (A discussion of discount rates follows below.)

On the costs side, the total costs (TC) include the total program costs, less the value to the community of the services provided.

$$TC = (l - v) \times C$$

Here,  $C$  represents the total program costs, a proportion of which is subtracted to reflect the value of the services provided, using the value parameter ( $v$ ).

Finally, the costs (less the value of services provided) are subtracted from the present value of the benefits to give a net social benefit per participant.

Table A.2 provides the detailed equations for estimating each category of benefits and costs per participant, and the net social benefit per participant of the program overall.

**Table A.2 Estimated benefits and costs per participant**

<b>Additional after tax income</b>	<b>AATI</b>	$(l-t) \times e \times aY \times (aW - aUB)$
Reduced net earnings to displaced workers	DE	$d \times (l-t) \times e \times aY \times (aW - aUB)$
Higher tax revenues to government	ITR	$(l-d) \times t \times e \times aY \times (aW - aUB)$
Reduced social security expenditure	LP	$(l-d) \times e \times aY \times aUB$
<b>Total benefit per participant</b>	<b>TB</b>	$(l-d) \times e \times aY \times aW$
Present value of total benefit per participant <i>less</i>		PV (total benefit)
<b>Net program costs</b>	<b>TC</b>	$(l-v) \times C$
<b>Net social benefit per participant</b>	<b>NB</b>	<b>PV (Total benefit) – <math>(l-v) \times C</math></b>

Note: see notation in Box A.1, above.

### *Discount rate*

The benefits of the program accrue over the remainder of participants' working lives. To allow the lifetime benefits to be compared with the net program costs (which are incurred in a single period), those benefits accrued in future years need to be discounted so they can be expressed as a 'present value'.

There are differing views on the appropriate discount rate for social programs, and a multitude of calculation methods exist. The Victorian Government, however, provides guidance on selecting social discount rates. In the *Victorian guide to regulation*, the Victorian Competition and Efficiency Commission (2007, p. C-8) argues that the opportunity cost of capital approach is an appropriate method by which to calculate social discount rates, because:

[Government interventions] divert resources (whether they are public or private) that could be used for investment in other projects that could accrue benefits in the future—i.e. there is an opportunity cost associated with [government interventions] in terms of foregone benefits from other investments.

On this basis, we apply a discount rate of 3.5 per cent, which is the rate calculated using the opportunity cost of capital method.