Evaluation of the Indigenous Employment Policy

Learning to balance contrasting realities

The stage one report of the Indigenous Employment Policy (IEP) evaluation was released by Minister Tony Abbott in February 2003. The report covers the first two years of performance of the policy’s specialised programmes. A second stage evaluation is underway, examining the effectiveness of both specialised and mainstream employment assistance for Indigenous job seekers.

Over the last ten years, much has been learnt in this department about balancing the requirements of evaluation and the realities of Indigenous culture and circumstance. The techniques used for evaluation of specialised assistance need to respond to the actual experience of Indigenous people and also meet the requirements for rigorous measurement and comparison with labour market programme performance for all Australians. In this presentation, the findings from the progress report will be covered, along with discussion of the measurement issues involved in collecting credible evidence which is culturally valid but still allows robust analysis.

Three main types of information are collected:

1. Indigenous job seekers’ experiences of employment services, through specially designed surveys conducted face-to-face rather than by phone, using Indigenous interviewers as far as possible. These studies have been augmented by qualitative data collection with a range of stakeholders including Indigenous job seekers, Indigenous community representatives, and service providers such as Centrelink and Job Network staff.

2. Participating employers’ views on the IEP programmes, through phone surveys of employers of Wage Assistance participants and those sponsoring project agreements under the Structured Training and Employment Projects (STEP) or Corporate Leaders Initiative. This is complemented by qualitative case studies of employment projects which examine the performance of individual projects from a wide range of stakeholder perspectives.

3. Indigenous people who have participated in programmes are surveyed three months after participation. Employment outcomes are compared with those for similar Indigenous people who have not participated in assistance to establish whether the programmes make a difference to job seekers chances of ongoing employment.

The executive summary of the stage one IEP evaluation report is shown below. The full report is available on the Internet at: http://www.workplace.gov.au under the employment/publications section.
Indigenous Employment Policy evaluation stage one

Executive summary

The Indigenous Employment Policy (the Policy) was implemented progressively from 1 July 1999 as a response to the continuing high unemployment rates among Indigenous Australians and a demographic profile which indicates that the situation will deteriorate further unless special efforts are made. The Policy includes a suite of programmes that seeks to engage employers in the process of providing assistance through the Indigenous Employment Programme, complemented by refinements to Job Network and support for small business development.

Evaluating the Indigenous Employment Policy

At the time the Policy was announced, the Government made a commitment to a full evaluation of the Indigenous Employment Programme. Recognising that it would take several years for the programme to mature the evaluation strategy adopted a two-stage evaluation process. This first stage report presents an overall assessment of implementation and early experience of the Indigenous Employment Programme and its interaction with the mainstream employment services delivered through Job Network. A second stage report is expected to focus more closely on performance once policy settings have had time to mature.

Main findings

Progress during the first two years of the Indigenous Employment Programme has laid solid ground for future developments. While the first year was affected by implementation and transition issues, the second year shows encouraging signs of growth in participation and job outcomes. Commencements in the second year averaged 7 000 per annum, reaching the levels achieved by the previous specialised Training for Aboriginals Programme (TAP). The flexibility of the Indigenous Employment Programme together with a clear focus on employment outcomes, rather than training in isolation, has delivered employment opportunities at a lower cost than under TAP.

Early performance in achieving the Policy objectives is promising, but further refinements are needed. Participation by private sector employers has increased and the employment prospects of Indigenous job seekers appear to have been improved by participation, although it is too early to measure the precise impact the programme has had. Although increasingly pro-active in dealing with this group, use of Wage Assistance by Job Network appears low. The evaluation findings point to several areas which require attention including school-to-work transition, support to keep people in jobs and wider private sector participation. Ongoing population growth means it is important to sustain and build on early progress, particularly given low school retention rates and the geographic dispersion of the population, which affects access to private sector employment.

Access and participation

Between July 1999 and June 2001, around 12 000 Indigenous people commenced in training or employment opportunities under the Indigenous Employment Programme. The majority were placed through Structured Training and Employment Projects (STEP) (6 900) and Wage Assistance (almost 4 000) with smaller numbers through the Corporate Leaders for Indigenous Employment Projects (500), the Community Development Employment Projects (CDEP)
Placement Incentive (500) and the National Indigenous Cadetship Projects (100). Growth of 31% from the first to the second year of operation indicates that good progress was made in increasing opportunities for Indigenous job seekers.

The Programme is shifting the focus of assistance away from off-the-job training courses towards more on-the-job-training within a realistic employment environment. Almost half of all STEP and Wage Assistance placements were New Apprenticeships. Combining employment and training which leads to nationally recognised qualifications is particularly important for the growing population of young Indigenous people.

Under the Indigenous Employment Programme, the focus has shifted to achieving employment outcomes using flexible approaches that allow project sponsors to design strategies appropriate to local circumstances. This has produced over 440 STEP projects sponsored by a wide range of employers and labour market intermediaries.

The growth in the number of job seekers placed in jobs using Wage Assistance in 2000–01 is encouraging, but the rate of growth will need to increase to make a significant difference to the challenge presented by a growing population of Indigenous people. The CDEP Placement Incentive has had limited impact in assisting the movement of Indigenous people into mainstream employment. The reasons are complex and are related to the long-term participation in CDEP of many participants.

**Early performance in achieving objectives**

**Progress in increasing private sector employment**

In line with the policy focus of the Programme, there has been a strong shift towards private sector companies’ participation compared with the level of participation in previous Indigenous programmes.

- The majority of employers involved in Wage Assistance (87%), employers sponsoring STEP projects (80%) and Corporate Leaders companies sponsoring projects (95%) are from the private sector – this compares to about half from the private sector under previous programmes. Some increase in opportunities in non-traditional industries is evident, particularly for Wage Assistance, in Retail and Property and business services – industries that are predicted to show the strongest growth over the coming years.

- Notwithstanding the progress made in recent years, there appears to be considerable scope to increase the targeting of private sector employers, particularly in STEP, to raise the number of labour market opportunities to meet the expected Indigenous population growth over the coming years. Job Network could assist by attracting employers who have not traditionally employed Indigenous people, particularly in the non-traditional industries mentioned above, to better capitalise on emerging private sector employment opportunities.

- Employers expressed a high level of satisfaction with the administration of Wage Assistance and generally consider the subsidy level to be ‘about right’. This indicates that the paperwork involved in obtaining the subsidy payments need not be a barrier to take-up, provided that ease of access is communicated effectively to potential employers.
**Indicators of sustained employment opportunities**

Outcomes achieved three months after participation in Wage Assistance or STEP (post-assistance outcomes) compare favourably with those achieved under previous labour market assistance arrangements for Indigenous people, although comparison on a like-for-like basis is limited by changes in measurement techniques and programme requirements. In 2000–01, positive outcomes (those either employed or studying) were 73% (68% employed) for Wage Assistance and 60% (52% employed) for STEP.

- High outcome levels may be partly due to assistance being taken up by less disadvantaged Indigenous people, due to self-selection into placements by job seekers who are more confident in approaching employers and the propensity of employers to hire work-ready applicants. There are also some indications that Indigenous people who are harder to place do not access assistance to the extent that their register profile would warrant.

  - Both Wage Assistance and STEP assist a lower share of job seekers with less than Year 10 education than the share among Indigenous people registered as looking for work. Indigenous people with less than Year 10 education get significantly lower employment outcomes in both programmes.

  - Wage Assistance also assists a larger share of short-term unemployed Indigenous people, while unemployment history is not available for most STEP participants.

- Indigenous job seekers who stay with an employer for the full period of Wage Assistance are almost twice as likely to be employed three months after assistance as those who do not. Completion of the placement and retention with an employer are likely to be improved by better preparation for the workplace and support for both the employee and employer to deal with difficulties which may arise during the subsidy period.

- Differences in the type of STEP projects funded produces wide variations in the likelihood of being retained with the placement employer. Employer sponsored projects which are responsive to the workforce needs of the employer seem to offer the best chance of a job seeker retaining employment. Training and brokered projects run by intermediaries appear to offer mixed scope for retention.

These outcomes are achieved at a lower cost than previous labour market assistance. In 2000–01 the cost-per-job following assistance was $3 460 for Wage Assistance and $11 370 for STEP.

Due to the propensity of employers to hire work-ready applicants, and self-selection into assistance by more confident job seekers, outcome levels alone do not provide an indication of the level of increased employment prospects due to the programme itself, as they do not control for deadweight (i.e. job seekers who would have got a job in the absence of assistance). This requires a measure of net impact.

It has only been possible to measure the net impact on sustained outcomes for Wage Assistance. The difference the subsidy makes to the prospects of returning to unemployment payments was estimated using income support status one year after placement. This preliminary estimate shows that job seekers’ chances of staying off unemployment payments increased (compared to Indigenous people in unsubsidised jobs) by around 11 percentage points, one year after starting a subsidised job. This net impact was found to be higher for job seekers with less than Year 10 education and for those receiving unemployment payments for two years or more. It should be noted that these results are preliminary, however, and they need to be interpreted with caution due to data limitations.
The evaluation also presents an estimate of the effect of Wage Assistance on employers’ recruitment decisions. Using an estimate of the difference the subsidy makes to an individual being employed (through the impact on the behaviour and decisions of the employer), Wage Assistance appears to yield net employment gains for 12% of placements.

**Improving outcomes through Job Network**

Despite recent improvements in Job Network performance, Indigenous job seekers face more barriers to participating in mainstream assistance than any other group. Referrals and commencements in Intensive Assistance have increased notably, but the numbers participating relative to the size of the eligible population have remained relatively stable, which suggests that the take-up rate has not shown any improvements so far under Job Network’s second contract. Overall trends in employment outcome levels for Job Network services have not changed relative to other job seekers.

The level of use of Wage Assistance by Job Network members to assist Intensive Assistance clients appears low, given the incentives in place to promote use (i.e. providers can receive outcome payments for placing Indigenous people in jobs funded through Wage Assistance and STEP). Under Job Network’s second contract about 15% of the paid outcomes achieved involved use of Wage Assistance. Not all providers believe subsidies are an appropriate option – some consider that employers are not interested in subsidies as they are more concerned with getting the best person for the job. Some Job Network members are concerned that subsidies send a negative message to employers or are used to fund temporary employment. They generally treat the subsidy as a backup for interested employers where assistance is needed to offset initial wages or training costs to encourage more sustained employment outcomes.

**Improving performance**

While the overall early performance of the Indigenous Employment Programme is encouraging, this evaluation has also raised a number of challenges for consideration in the context of its future operations.

**Wage Assistance**

- The role of Job Network in increasing the take-up of Wage Assistance is vital to future growth – Job Network can provide support and advocacy on behalf of those Indigenous job seekers who have low self-confidence and experience difficulty promoting themselves to employers.

- Retention with the placement employer is a key factor in producing ongoing employment. Pre- and post-placement support for job seekers and employers can help to improve outcome levels, both for job seekers who are more disadvantaged and for industries with less experience in employing Indigenous workers.

**Structured Training and Employment Projects**

- The flexibility and variability among projects has resulted in a range of employment-related outcomes, such as completion of training or a job subsidy period, or sustained employment outcome after assistance. If effectiveness is to be assessed and performance of the programme improved, outcomes will need to be better defined. This needs to be supported by a more systematic approach to monitoring and facilitated by improved management information systems that allow better analysis of performance.
While completion rates for STEP are high, a relatively small proportion of Indigenous employees are retained with a placement employer. To improve on-going employment rates, post-placement support needs to promote retention with placement employers or to match job seekers with suitable employment opportunities once placements cease.

**Corporate Leaders for Indigenous Employment Project**

- By June 2001, 50 companies had signed up to the Corporate Leaders statement, but only 20 companies had converted this commitment into jobs delivered through project-based agreements. Translating such commitments into jobs may be improved by providing appropriate support to companies. Key factors in progress include tailoring assistance to the particular business needs of a company and encouraging head office to implement commitments through adjusting day-to-day management and human resource practices. Many companies do not have sufficient expertise to design employment strategies and find suitable job seekers for jobs.
- Companies faced with the more disadvantaged Indigenous job seekers consistently requested cross-portfolio support to address complex problems, particularly in remote communities.

**Ongoing policy adjustments and further research**

The performance of the Indigenous Employment Policy demonstrates that much has been achieved in the relatively short life of the programme, however, it necessarily remains a work in progress which needs to evolve further. The direction of this change will be influenced by the changes announced in the *Australians Working Together* package. The package was designed to improve linkages between different types of assistance, with an emphasis on tailoring services to individual needs and circumstances. These included the establishment of Indigenous Employment Centres to assist Indigenous people to move from work experience on projects to paid jobs and the introduction of Training Accounts for Indigenous people to gain work-related skills. Indigenous job seekers will have access to Personal Advisers who will work with them to find jobs. The third Employment Services Contract, to operate from July 2003, provides further opportunities for improving the Job Network services for Indigenous job seekers.

As part of an ongoing process of improvement, the evaluation has highlighted a number of issues where further research is warranted. These include:

- measuring the effectiveness of the STEP programme in improving the employment prospects of participants, particularly focussing on the effectiveness of different types of projects. The role, merits and risks of intermediaries also warrants investigation;
- assessing regional variations in access, participation and performance by examining the relationship between the Indigenous Employment Programme, Job Network and CDEPs at the local labour market level; and
- gaining a better understanding of the links between Job Network and the Indigenous Employment Programme and the impact of specialist providers on effectiveness.