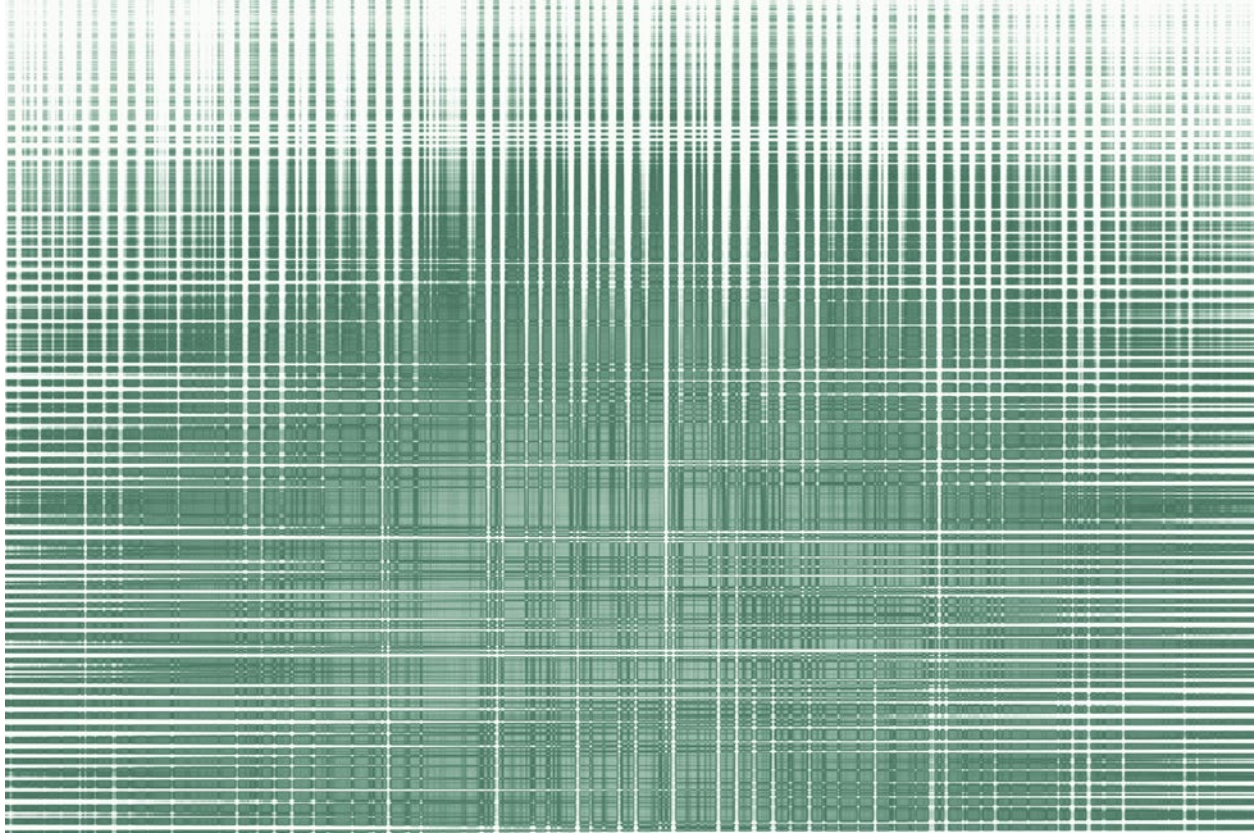




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The short-term effect of a compulsory Work for the Dole trial

N. Biddle and M. Gray

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February 2018

The short-term effect of a compulsory Work for the Dole trial

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Abstract

This paper summarises the results from an evaluation of the impact of an Australian active labour market program – Work for the Dole (WfD) – on employment and income support receipt outcomes of participants. The WfD program is part of the Australian system of ‘mutual obligation’ requirements that relate to income support recipients who are able to work, and are required to be actively seeking employment and taking steps to improve their chances of finding employment. From 1 July 2014 to 30 June 2015, the Australian Government implemented a new form of WfD in 18 geographic areas. WfD14–15 made it mandatory for employment service providers in the selected areas to refer eligible jobseekers aged 18–29 years to WfD. This paper estimates the short-term impact of WfD14–15 on (i) intermediate outcomes directly related to participation in WfD and the program’s mutual obligation objective, and (ii) participant outcomes related to indicators of the employability of jobseekers.

WfD14–15 had substantial positive and statistically significant short-term impacts on the probability of being referred to a work experience activity, and part-time and casual employment reported. A much smaller positive impact on job placements and exiting income support was found. Our analysis strongly suggests that the effect of WfD14–15 on part-time and casual employment was due in part to a reporting effect and in part to a threat/behavioural effect of prompting those who can find employment but choose not to find employment to move into paid employment.

An ongoing challenge faced by those running social security systems is underreporting of paid employment, particularly part-time employment. The findings reported in this paper do suggest that requiring income support participants to attend work-like activities can induce a reporting of previously undisclosed employment and that the level of additional reporting, if replicated nationally, would result in a significant reduction in social security expenditure.

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Acronyms

ALMP	active labour market program
DiD	difference-in-difference
JSA	Job Services Australia
PEA	priority employment area
WfD	Work for the Dole
WfD14–15	mandatory Work for the Dole trial, 2014–15

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1 Introduction

This paper summarises the results of an evaluation of the impact of an Australian active labour market program, Work for the Dole (WfD), on employment and income support receipt outcomes of participants. The WfD program is part of the Australian system of ‘mutual obligation’ requirements that relate to income support recipients who are able to work, and are required to be actively seeking employment and taking steps to improve their chances of finding employment.¹ These obligations can be met by attending job interviews and accepting offers of suitable work, and participating in approved education or training courses, or programs designed to address barriers that a jobseeker may have to entering the workforce. WfD is one of these programs.

WfD is a community-based work experience program that is designed to give participants experience in a work environment and enable them to establish work habits, with the intention of increasing their chances of finding paid employment.² WfD was introduced in 1997 on a pilot basis and then expanded to the rest of Australia in 1998. It initially applied to all unemployed people aged 18–24 years who had been receiving income support payments for 6 months or more. The coverage of WfD was expanded over time to include older unemployed people, single parents with school-aged children and Disability Support Pensioners with mild incapacities. WfD also became one of the options for meeting mutual obligation requirements, rather than being mandatory for young unemployed people.

Between July 2014 and June 2015, in 18 geographic areas, the Australian Government trialled making WfD a mandatory activity for jobseekers aged 18–29 years. Failure to commence, complete or comply with the conditions of a WfD activity can result in payment being reduced or stopped. This was referred to as ‘Work for the Dole 2014–15 in Selected Areas’ (WfD14–15). WfD14–15 required jobseekers aged 18–29 years living in the 18 trial

areas who had been registered with a Job Services Australia (JSA) provider (these are organisations that assist jobseekers to find employment) for 12 months or more to be referred to a WfD host organisation and to undertake activities for 12–15 hours a week for 6 months. In other areas of Australia, WfD remained as one option for jobseekers to meet their mandatory participation requirements; thus the key difference is the mandatory nature of WfD in the trial areas.

The WfD14–15 trial (and the pre-existing WfD program) may affect participants’ labour market/income support outcomes in four main ways:

- **Direct effects** – WfD14–15 increases employability either by providing labour market experience or by the signal it gives to employers.³
- **Behavioural or threat effects** – people may change their behaviour based on the threat of having to participate in WfD. That is, individuals may have already had the capacity to obtain part-time employment or move off income support, but the changes to the requirements gave an extra impetus to do so.
- **Reporting effects** – not reporting labour market income can increase the amount of social security payments received. This is particularly the case for those who are working in family businesses and those who are not fully incorporated in the tax system. Given that paid employment is a way to reduce activity requirements, the greater focus on WfD within the selected areas may induce the reporting of employment already being undertaken.
- **Lock-in effects** – requiring participation in the program may mean that individuals have less time to undertake active job searching or training because of the time commitment involved in WfD, and this may have a negative impact on their chances of finding paid employment.

WfD fits within the broad category of active labour market programs (ALMPs). There is an extensive literature on the impacts of ALMPs, but no consensus as to their impacts. The lack of consensus on their effectiveness has meant that they are controversial (Gerfin & Lechner 2002, Card et al. 2010). Heckman et al. (1999) summarised lessons learned from 30 years of evaluation activity conducted in the United States and Europe, and reviewed the results of these studies. They concluded that the studies, taken as a whole, show that government employment and training programs have at best a modest impact on adult earnings and almost no (or negative) impact on youth earnings in the United States (Heckman et al. 1999). In Europe, by raising rates of transition out of unemployment, ALMPs have had a positive impact on the employment rates of economically disadvantaged youth. In addition, results from experimental evidence are quite mixed and suggest impact heterogeneity (Heckman et al. 1999). A similar meta-analysis by Greenberg et al. (2003) showed that, in the United States, government-sponsored training programs targeting people from a disadvantaged background have had large, modest and negligible earning effects on women, men and youth, respectively. They also found that classroom skills training persistently improves earnings, whereas short courses aimed at basic education do not have a significant effect.

Regarding the effectiveness of European ALMPs, Kluge (2010) analysed 137 program evaluations from 19 countries and concluded that it is the specific program type that matters. According to Kluge, wage subsidies and 'services and sanctions' improve participants' employment probability, whereas training has a modest impact, and direct employment programs in the public sector are detrimental (Kluge 2010). Friedlander and co-authors argued that 'considerable uncertainty remains about the kinds of training that work best, the effectiveness of training for certain demographic groups, and the appropriate policies for increasing aggregate program effects' (Friedlander et al. 1997). A review of studies by Calmfors and co-authors showed that the large-scale ALMPs of the 1990s in Sweden reduced open unemployment at the expense of reducing regular employment; hence, the authors concluded that ALMPs are not efficient

and suggested small-scale implementations instead (Calmfors et al. 2002).

Evidence from randomised experiments also shows strong externality effects of ALMPs (Crépon et al. 2012, Gautier et al. 2012). Ferracci and co-authors found that the average effect on the employment rate of training programs in France decreases as the proportion treated increases (Ferracci et al. 2010). These studies show that ALMPs could have both intended positive and unintended negative outcomes.

There are few independent evaluations of Australian ALMPs, including work experience labour market programs such as WfD. The main evaluation of the WfD program is by Borland and Tseng (2011), who examined the impacts of the pilot phase of WfD (1997–98) and found that participation in WfD had quite large and significant adverse effects. Three months after starting WfD, participants were 12.1 percentage points less likely to exit from the unemployment benefit income payment than a matched sample of nonparticipants.

This paper contributes to the aforementioned literature by estimating the impact of WfD14–15 on participants' short-term employment and social security payment outcomes using government administrative data. A novel feature of this paper is to use data on the timing of reporting of jobs to estimate the extent to which the requirement to participate in WfD14–15 resulted in potential WfD participants reporting pre-existing employment. The estimation strategy used is to compare outcomes for jobseekers living in areas in which WfD14–15 applied with outcomes for similar jobseekers who lived in areas in which the standard WfD applied (that is, where it was one of a number of mutual obligation requirements that could be undertaken) using a difference-in-difference (DiD) methodology. This approach makes use of the fact that WfD14–15 was implemented in only selected areas, which allows the experience of jobseekers in other areas to be used to construct the counterfactual of outcomes in the absence of WfD14–15. Furthermore, by including data from both the treatment areas and the control areas from before the implementation of the program (via a DiD approach), as well as observable characteristics of the individuals in scope, it is

possible to control to a large extent for other time-invariant area and person-level characteristics that may affect participation in WfD and the outcomes of WfD.

The remainder of this paper is structured as follows. We begin with a more detailed overview of the structure and characteristics of WfD14–15, and then move on to describing the data and the method used in this paper. We then present results from the analysis of the effect of WfD14–15 as a whole, followed by analysis of how the estimated effect of WfD14–15 varies by jobseeker characteristics. Section 6 provides some concluding comments.



2 Overview of WfD14–15

Australian jobseekers who receive an income support payment with an activity requirement (e.g. an unemployment-related benefit) are attached to a JSA provider who is responsible for assisting them to find employment. The JSA provider is required to report to the government on the extent to which the jobseeker complies with their job search and mutual obligation requirements. Jobseekers who have been registered with a JSA provider for 12 months or more enter what is known as the ‘work experience phase’, which requires them to undertake specific activities to continue to receive income support payments. The activity requirement can be met in a variety of ways, including through part-time paid employment or study, Drought Force, Green Corps, voluntary work, Defence Force Reserves and participation in WfD.

The Australian Government trialed making WfD mandatory for jobseekers aged 18–29 years who had been registered with a JSA provider for 12 months or more and lived in one of the 18 WfD14–15 trial areas. They were referred to a WfD host organisation to participate in WfD for 12–15 hours a week for 6 months.⁴ Failure to commence, complete or comply with the conditions of a WfD activity could result in payment being reduced or stopped. If a jobseeker found paid employment for enough hours, they were not required to complete their WfD placement, although they could choose to do so. In other areas (and for other age groups in the WfD14–15 areas), WfD was available for individuals to participate in at any time while they were registered with JSA.

WfD activities are designed to help jobseekers prepare to take up employment. The program is intended to provide work-like experiences, skills that are in demand within the local labour market, and/or training relevant to the specific activity. WfD can take place in not-for-profit organisations; or local, state or territory, or Australian Government organisations and agencies.

In each of the selected areas, at least one WfD coordinator was contracted by the Australian Government Department of Employment to engage with community organisations, governments and other eligible organisations to source suitable WfD places. The coordinators were required to work closely with JSA providers in the selected areas to ensure that these placements were made and that the host organisation’s needs were met.

The 18 geographic areas in which WfD14–15 was implemented were all priority employment areas (PEAs), which were selected by the Australian Government on the basis that they are regions experiencing labour market disadvantage or at risk of experiencing labour market disadvantage. The selection was based on analysis of labour market indicators (e.g. unemployment rate, proportion of population on income support, educational attainment, industry structure, performance in previous economic downturns) that correlate with a region’s likelihood of experiencing labour market disadvantage.⁵ The locations were spread across all six Australian states, with no locations in the Australian Capital Territory or the Northern Territory (Table 1).

**Table 1 Mandatory Work for the Dole trial
2014–15 selected areas**

State	Employment service areas
New South Wales	Fairfield, Liverpool Nepean, Outer Western Sydney Central Coast Shoalhaven Tweed, North Coast, Richmond, Clarence Valley Coffs Harbour, Macleay, Hastings
Victoria	Westgate Goulburn Valley Mornington Peninsula Geelong
Queensland	Bundaberg Fraser Coast Outer North Brisbane Cairns Logan
South Australia	Northern Adelaide, Gawler
Western Australia	Central and West Metro
Tasmania	West and North West

Source: Australian Government Department of Employment



3 Methodology and data

3.1 Methodological approach

The central question for the analysis in this paper is whether the implementation of WfD14–15 in selected areas resulted in different outcomes than would have occurred in the absence of the program. The basic methodological approach is to approximate the counterfactual outcomes by using information from a different set of individuals – the comparison or control group. If by design or estimation it can be shown that this comparison group has similar outcomes to those that the ‘treatment’ group would have had in the absence of the ‘treatment’, then the average difference between the two groups can be used as an unbiased estimate of the impact of WfD14–15 (the average treatment effect – ATE). The challenge then is identifying who this comparison group should be.

The implementation of WfD14–15 in selected geographic areas means that jobseekers living in areas in which WfD14–15 was not operating can be used as a comparison group for the purposes of constructing the counterfactual. The main assumption in calculating an ATE is that the outcomes in WfD14–15 areas and other areas would be identical, were it not for WfD itself. However, because WfD14–15 targeted areas that were assessed as being at risk of adverse labour market outcomes, selection into the treatment and control groups was not random. There are therefore likely to be differences in outcomes between jobseekers living in WfD14–15 areas and those who live in the comparison areas that have nothing to do with WfD14–15. These differences can be categorised as observed or unobserved differences (Dunning 2012).

Observed differences can be taken into account in a reasonably simple manner through regression-style analyses (Greene 2008). Unobserved characteristics, by definition, cannot.

Possible sources of unobserved variation that have implications for the estimation method are:

- potentially observable individual characteristics that have been shown to influence labour market outcomes, and may vary between WfD14–15 areas and control areas, but are not available in administrative data – for example, labour market experience, social networks and social capital
- unobservable (or at least very difficult to measure) individual characteristics that may affect labour market outcomes and participation in WfD14–15, and may vary between WfD14–15 areas and non-WfD14–15 areas – for example, a person’s intrinsic motivation, views and optimism about the future, and aspects of their noncognitive ability (Heckman et al. 2006, Cobb-Clark & Tan 2011, Caliendo et al. 2015)
- unobserved area-level characteristics, which include a wide range of factors not observed in the data, such as public transport, community cohesion, and the existence of other ALMPs and government interventions. If not controlled for, these so-called area effects (Atkinson & Kintrea 2001) may cause differences in the treatment and control areas that are not related to the program itself.

In the absence of randomised design, there are several ways to control for unobserved variation between a treatment and a comparison group. Our preferred approach, given the available data, is to estimate the DiD between the treatment and the comparison group using a regression modelling approach. The impact of WfD14–15 on the relevant outcome is estimated by comparing the average change over time in the outcome variable for the treatment group with the average change over time for the comparison group, while holding constant the effect of observable characteristics (Puhani 2012).

The key advantage of this method is that it takes into account unobserved differences in pre-intervention outcomes. By modelling the rate of change in outcomes, differences pre-intervention between people in WfD14–15 areas and control areas are held constant. A comparison of the change therefore produces an unbiased estimate of the program effect. The main assumption that must be made is that any differences in the rate of change in outcomes were it not for the intervention (the so-called ‘parallel trends’ assumption) are driven by observable characteristics only.

In this paper, the primary approach to constructing the comparison groups is comparing in-scope individuals living in WfD14–15 areas (who were in theory required to be referred to WfD14–15) with people living in all non-WfD14–15 areas (for whom WfD was one option for meeting their activity requirement). Specifically, we partition the inflow data into the following groups:

- pre-treatment – jobseekers in WfD14–15 areas who commenced in the work experience phase between 1 July 2013 and 31 December 2013
- pre-control – jobseekers in comparison areas who commenced in the work experience phase between 1 July 2013 and 31 December 2013
- post-treatment – jobseekers in WfD14–15 areas who commenced in the work experience phase between 1 July 2014 and 31 December 2014
- post-control – jobseekers in comparison areas who commenced in the work experience phase between 1 July 2014 and 31 December 2014.

There are several challenges to estimating the impacts of WfD14–15. First, as outlined above, this evaluation is of the short-term impacts (measured at most 6 months after commencing WfD). Second, PEAs have been the focus of a range of other interventions designed to increase employability, and this may confound the employment effect. Finally, only just under half of eligible jobseekers in WfD14–15 areas were referred to WfD, highlighting potential issues of compliance.

The range of outcome variables examined considers the impact of WfD14–15 on people who were referred to WfD and those who ‘should’ have been referred by the JSA provider but had not been.

For these variables, we consider the difference in these outcomes between those who have the potential to, or who are supposed to, receive the intervention and those who did not. This comparison is made regardless of whether they self-select, or are selected into or out of the intervention itself. This is known in the literature as the intention-to-treat effect and often holds more external validity in circumstances in which policy makers cannot completely influence the behaviour of potential participants or administrators.

A key issue in evaluation of labour market programs is the possibility that a program might improve the employment prospects of the individuals participating in the program, but this occurs at the expense of other people who are displaced from employment (Hunter et al. 2000). This evaluation does not consider potential displacement effects.

3.2 Data, and outcome and explanatory variables

The impact of WfD14–15 is estimated using government administrative data for two periods: July–December 2013 (pre-WfD14–15 trial) and July–December 2014 (during WfD14–15 trial). The data for the period July–December 2014 comprise income support recipients who were required to participate in WfD14–15 and people living in non-WfD14–15 trial areas who would have been required to participate in WfD14–15 if they were living in a WfD14–15 trial area.⁶ The data for the period July–December 2013 comprise people in areas that subsequently became WfD14–15 trial areas and other areas who would have been required to participate in WfD14–15 had the requirement been in operation during this period.

In total, the study comprised 56 548 individual observations. Of these, 9323 were in the post-treatment group, and 19 462 were in the post-control group. For the DiD estimates, 9442 individuals were available in the pre-control group, and 18 321 in the pre-control group.

The analysis presented in this paper focuses on four outcome variables. The first is whether the jobseeker was referred to any mutual obligation activity. This outcome is important because one of

the aims of WfD14–15, and in fact a key mechanism by which WfD14–15 may increase employment rates, is to increase levels of activity. The other three outcome measures are whether the jobseeker was in part-time or casual employment reported to their

JSA provider, whether there was an anchored job placement, and whether they had moved off income support or to another form of income support that does not have an activity requirement. The outcome measures are described in detail in Table 2.

Table 2 Definitions of outcome measures

Measure	Definition
Referral to any activity	Whether the jobseeker was referred to any activity. This includes activities commenced before the work experience phase start date and activities referred at or after the start date
Part-time/casual paid employment	Whether the jobseeker received a part-time or casual paid employment referral that was reported to their JSA provider
Job placement	Whether there was an anchored job placement recorded in the reference period at or after the phase start date
Off income support	Whether by the end of the period the jobseeker was off income support or changed to another type of income support payment for which eligibility requirements were not work experience activity based

JSA = Job Services Australia

Table 3 shows the proportions for the outcomes of interest across the four treatment and comparison groups. The outcomes that were significantly different in the treatment group compared with the control group before the start of the WfD14–15 trial are ‘referral to any activity’ and ‘job placement’. Some of these differences may be attributable to differences in observable characteristics. Table 4 shows the average values for the characteristics controlled for in the estimation across the four treatment and comparison groups. The reference groups for those variables with more than two possible categories are italicised.

Focusing on the post-treatment area – that is, those who were in scope of WfD14–15 – there are slightly more jobseekers classified as being in the less labour market–disadvantaged groups (streams 1 and 2), and slightly fewer classified as being in the more labour market–disadvantaged groups (streams 3 and 4). Most individuals (close to two-thirds) are in receipt of the general unemployment payment (NewStart Allowance), and only a small proportion in receipt of a Parenting Payment. Compared with the 18–29-year-old population as a whole, there is a relatively high proportion of Indigenous jobseekers (Biddle 2012) and people with a self-reported conviction of a criminal offence (Cunneen & White 2011). Education levels, however,

are much lower than for the general population (Biddle 2013).

The distributions of characteristics across the various treatment and comparison groups are similar. There are, however, some differences that highlight the need for a modelling approach that controls for observable characteristics. Compared with the post-control group, those in the post-treatment group are slightly more likely to be in stream 3 and slightly less likely to be in stream 1. Related to this, fewer people in the post-treatment group have a degree, and slightly more are in receipt of a Youth Allowance payment. In general, however, there is considerable overlap between the four main groups within the data.

Table 3 Outcomes by treatment/control and before/after status (proportion of eligible jobseekers)

Group	Referral to any activity	Part-time/casual paid employment	Job placement	Off income support
WfD14–15 trial areas (treatment areas)				
Pre-treatment	0.592	0.130	0.158	0.100
Post-treatment	0.758	0.215	0.175	0.112
Non-WfD14–15 trial areas (control areas)				
Pre-control	0.546	0.133	0.167	0.106
Post-control	0.586	0.154	0.166	0.102

WfD14–15 = mandatory Work for the Dole trial 2014–15

Source: Australian Government Department of Employment administrative data

Table 4 Observed characteristics by treatment/control and before/after status (proportion of eligible jobseekers)

Characteristic	Pre-treatment	Post-treatment	Pre-control	Post-control
Extent of barrier to finding employment				
Stream 1 (jobseekers who are work ready)	0.243	0.337	0.289	0.368
Stream 2 (moderate barriers to employment)	0.310	0.303	0.282	0.290
Stream 3 (significant barriers)	0.182	0.152	0.156	0.133
Stream 4 (severe barriers)	0.266	0.208	0.273	0.208
Benefit received				
NewStart Allowance	0.656	0.651	0.695	0.680
Parenting Payment	0.014	0.021	0.014	0.020
Youth Allowance	0.331	0.328	0.291	0.299
Other characteristics				
Time since jobseeker (number of days)	857	773	853	757
Female	0.346	0.351	0.343	0.349
Age	23	23	23	23
Age squared	549	552	562	561
Indigenous	0.140	0.125	0.148	0.134
Non-English speaking background	0.122	0.131	0.119	0.120
Self-reported conviction of criminal offence	0.156	0.142	0.165	0.146
Has health condition or disability	0.212	0.194	0.211	0.199
Has worked in the past 2 years	0.245	0.249	0.263	0.269
Educational attainment				
Completed Year 11 or less	0.376	0.339	0.371	0.342
Does not have a post-school qualification	0.582	0.561	0.578	0.566
Has a VET qualification	0.331	0.344	0.312	0.313
Has a trade certificate or diploma	0.051	0.057	0.058	0.063
Has a degree	0.035	0.039	0.052	0.058

VET = vocational education and training

Source: Australian Government Department of Employment administrative data

3.3 Trends in referral rates

Estimating the impact of WfD14–15 requires an understanding of the timing of referrals and commencements in WfD in WfD14–15 areas and in other areas, and the WfD14–15 implementation trajectory. These results are summarised in Figure 1.

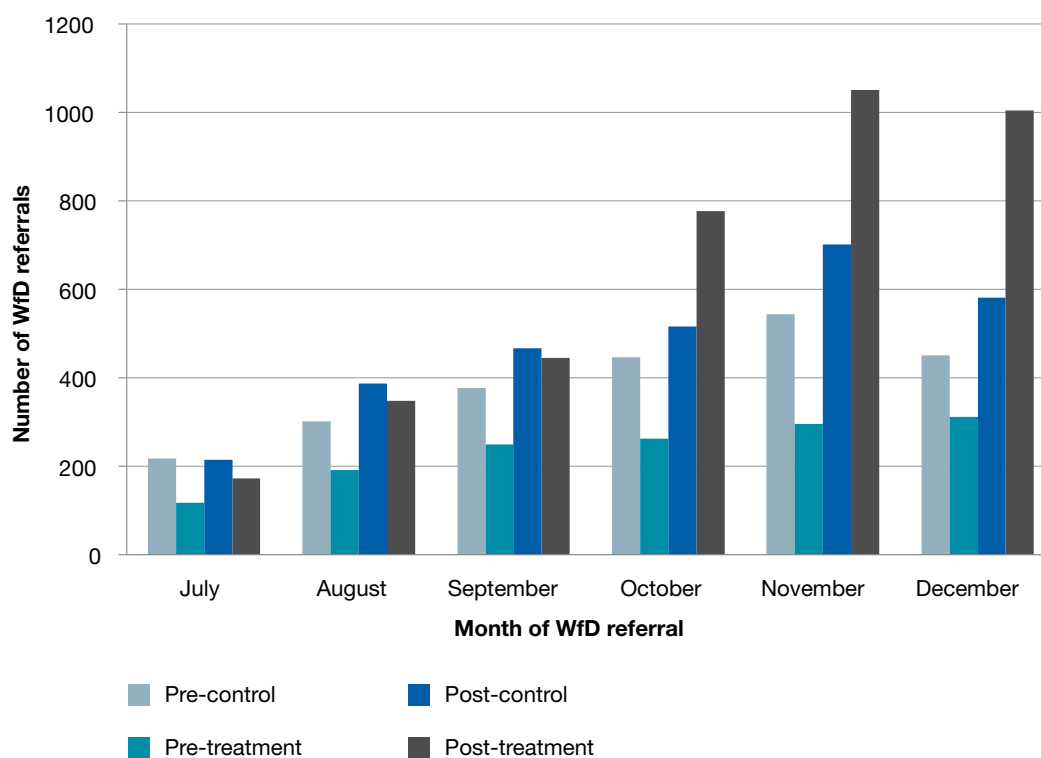
There does not appear to be any difference between the treatment and comparison groups, or before and after the introduction of WfD14–15, in the patterns of eligibility, with the median date at which individuals enter the work experience phase in the range 85–88 days after the start of the financial year. We would not expect large differences for this variable, but it does confirm that inflows into the work experience phase are similar before and after the trial, and in the treatment and control areas.

There are, however, differences through time in the rate of referrals across the four groups. The average time from when an individual was referred to WfD14–15 in selected areas (that is, the post-treatment

group) until the end of the observation window was 64.0 days. This is less than for the other three groups in the analysis (75.7 days for post-control, 77.5 days for pre-treatment and 78.1 days for pre-control). These differences are driven in part by the increased referral in the WfD14–15 trial areas. This is documented in Figure 1, which provides information on the number of referrals to WfD by month before and after the introduction of WfD14–15 (post-control and post-treatment groups).

For all areas for both periods, there is a consistent increase in the number of WfD referrals between July and December, and a slight dip in December, most likely because of the Christmas/New Year period. The increase, however, was much more rapid in the WfD14–15 selected (treatment) areas in 2014. In the post-control group, for example, there were 3.3 times as many referrals to WfD14–15 in November as in July. In the post-treatment area, on the other hand, there were 6.1 times as many referrals.

Figure 1 Number of referrals to WfD by month, by treatment/control and before/after status, July–December 2013 and July–December 2014



WfD = Work for the Dole

Source: Australian Government Department of Employment administrative data



4 Effect of WfD14–15 on referrals and participant outcomes

This section presents the estimates of the effect of WfD14–15 on referrals to any activity and on participant outcomes. Figure 2 shows the difference in probability between the pre-WfD14–15 trial groups (July–December 2013) and the post-WfD14–15 trial groups (July–December 2014) for the treatment and control groups. The statistical significance of the DiD is indicated by asterisks. The estimation results are presented as marginal effects – that is, the difference in the probability of a particular outcome occurring while holding constant the effects of observed characteristics. Figure 3 shows the predicted probabilities for each of the outcome measures pre- and post-treatment for WfD14–15 areas. The predicted probabilities are for a base-case ‘representative individual’, as described in the note to Figure 3.

We estimate that there was a statistically significant increase in the rate of referral to any activity by 12.4 percentage points, with an increase in the treatment areas of 16.9 percentage points compared with an increase in the control areas of 4.5 percentage points.⁷ One of the main rationales for the introduction of WfD14–15 was that jobseekers were not being referred to any form of mutual obligation activity (e.g. WfD, training). It would appear that the introduction of the program had a significant effect on this.

Turning to the impact of WfD14–15 on participants’ labour market outcomes, the DiD estimates are that WfD14–15 had a positive and statistically significant impact on part-time/casual paid employment reported to JSA providers, job placement and moving off income support, but that the effects were small.

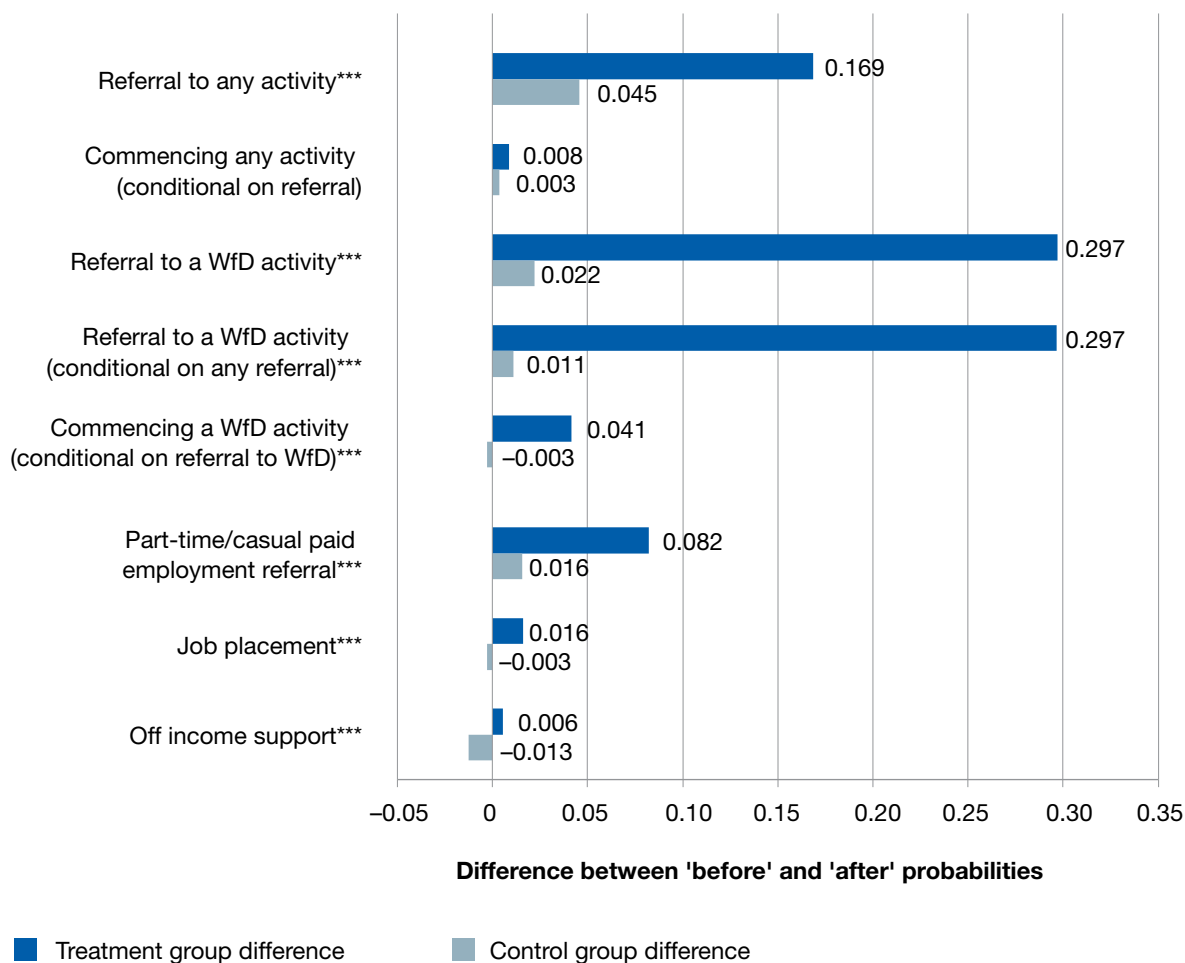
Job placement increased by 1.6 percentage points in WfD14–15 areas compared with a fall of 0.3 percentage points in comparison areas. The program effect of 1.9 percentage points was from a baseline of 14.1%. Exits from income support increased by 0.6 percentage points in WfD14–15 areas compared with a fall of 1.3 percentage points in comparison areas. This program effect of 1.9 percentage points was from a baseline of 13.0%.

Although these effects are small in absolute terms and relative to the measured impact of WfD14–15 on intermediate outcomes, it is important to bear in mind that the impacts being estimated are short-term ones, but still statistically significant and large relative to the base-case probabilities.

A slightly larger effect was found for part-time/casual paid employment reported to JSA providers, which increased by 8.2 percentage points following the introduction of WfD14–15, compared with an increase of 1.6 percentage points in the control areas. As discussed later, it appears that some of this result is likely to be due to an increase in reporting rather than substantive changes in employment.

One possible individual response to the WfD14–15 trial is to move to a nontrial area to avoid the mandatory WfD14–15 participation requirement. Using a DiD approach, it is found that WfD14–15 had no impact on rates of geographic migration.

Figure 2 Differences in referrals, commencements and participant outcomes before and after introduction of mandatory Work for the Dole trial 2014–15

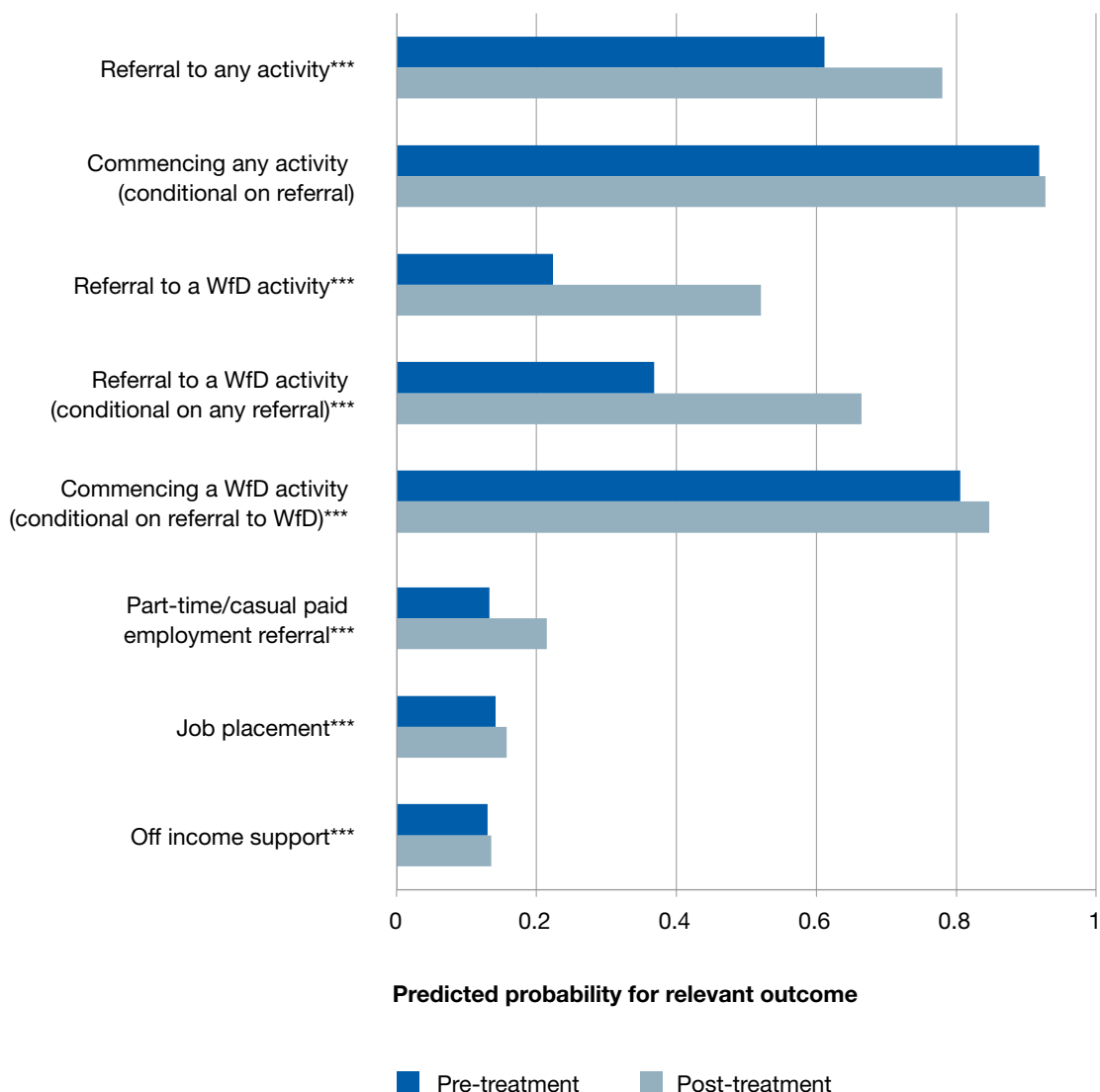


*** = differences between before and after probabilities are significantly different in the treatment group compared with the comparison group at the 1% level of significance; ** = significant at the 5% level; WfD = Work for the Dole

Note: Variables for which the difference in the treatment group is not significantly different from the difference in the comparison group have no asterisks. Relevant coefficient estimates, sample sizes and model diagnostics are available in Appendix A, Tables A1 and A2.

Source: Australian Government Department of Employment administrative data

Figure 3 Predicted probabilities for individuals with base-case characteristics in treatment group – referrals, commencements and participant outcomes before and after introduction of mandatory Work for the Dole trial 2014–15



*** = differences between before and after probabilities are significantly larger in the treatment group than in the comparison group at the 1% level of significance; ** = significant at the 5% level; * = significant at the 10% level; WfD = Work for the Dole

Note: The base-case individual is assessed as being in stream 1 (work ready), receives NewStart Allowance, has been a jobseeker for 2 years, is male, is aged 23, is non-Indigenous, was born in an English-speaking country, has no criminal convictions, does not have a health condition or disability, has not worked in the past 2 years, and has completed Year 12 but does not have a postschool qualification. Relevant coefficient estimates, sample sizes and model diagnostics are available in Appendix A, Tables A1 and A2.

Source: Australian Government Department of Employment administrative data

The large estimated positive impact of the WfD14–15 trial on part-time and casual paid employment reported to JSA providers requires further investigation. Although the available data do not allow a definitive analysis of the relative contribution of the mechanisms by which WfD may have increased part-time/casual employment, the timing

of the reporting of jobs relative to referral to WfD is useful in assessing relative contributions of the mechanisms discussed earlier, particularly whether the impact is via the direct effect on employability, or whether it is a behavioural or threat effect.

Table 5 provides information on the timing of reporting of part-time and casual employment to the JSA provider relative to the timing of referral to WfD before and after the introduction of c (July–December 2013 and July–December 2014), and according to whether the jobseeker is in a WfD14–15 area. The table also shows the DiD (net impact) estimate of WfD14–15 on the timing of reporting of part-time and casual employment to the JSA provider.

It is possible for a jobseeker who is referred to WfD to have part-time or casual paid employment recorded on the same day as, or before, their referral to WfD because part-time work does not necessarily fully meet the mutual obligation requirements, and so the jobseeker may be required to undertake additional work experience activities.

The DiD estimate is that the WfD14–15 trial had no impact on the reporting of part-time or casual employment before, or on the same day as, referral to WfD (–1.3 percentage points and not statistically significant). Among jobseekers referred to WfD who reported part-time or casual employment in WfD14–15 areas, there was a small increase in the proportion reporting part-time employment within

4 weeks of being referred to WfD (a 2.7 percentage point increase). However, among jobseekers in the non-WfD14–15 areas, there was a large decline in the relative proportion in this group (9.9 percentage points), implying that WfD14–15 may have had a particularly large effect on reporting of part-time or casual employment within 4 weeks of being referred to WfD, with a DiD estimate of a 12.6 percentage point increase.

There was a corresponding decrease (11.7 percentage points) in WfD14–15 areas in the proportion of jobseekers reporting part-time or casual employment more than 4 weeks after referral to WfD. This does not mean that WfD14–15 had less of a direct effect on employment than other forms of WfD.

The fact that there was an increase in the proportion of part-time and casual employment reported very soon after referral to WfD (13.4 percentage points within 2 weeks) makes it very unlikely that the increases in part-time and casual employment are due to the direct effect of WfD14–15 increasing employability. The main explanation is likely to be either the behavioural/threat effect or a reporting effect.

Table 5 Distribution of time between WfD referral and recording of part-time/casual paid employment in the employment services system

Timing of reporting of employment relative to WfD referral	July–December 2013 (pre-WfD14–15)		July–December 2014 (post-WfD14–15)		DiD estimate of impact of WfD14–15
	Comparison area	WfD14–15 area	Comparison area	WfD14–15 area	
Before	20.3	22.8	29.2	32.8	1.1
Same day	2.3	5.2	3.5	4.1	–2.3
Within 1 week after	10.6	5.9	7.2	9.5	7
1–2 weeks after	12.1	8.1	6.1	10.8	8.7
2–3 weeks after	8.6	8.1	7.5	5.1	–1.9
3–4 weeks after	6.6	5.2	7.2	4.6	–1.2
4 plus weeks after	39.5	44.9	39.3	33.0	–11.7
Total	100.0	100.0	100.0	100.0	
Relevant sample	256	136	346	609	

DiD = difference-in-difference; WfD = Work for the Dole; WfD14–15 = mandatory Work for the Dole trial, 2014–15

Note: The figures reported in this table are unadjusted for differences in observable characteristics.

Source: Analysis of Australian Government Department of Employment administrative data

Another way to test for the direct effects of WfD14–15 is to compare the outcomes of those (in the post-treatment group) who were referred to a type of activity other than WfD with those who were referred to WfD. Specifically, we looked at the probability of the three participant outcomes occurring (part-time employment, job placement and off income support) for those referred to a WfD activity and those who were referred to a training activity. Excluding those who were referred to both, and controlling for observable characteristics, there was no statistically significant difference in paid employment or in going off income support. There was a small significant difference (at the 10% level) in the probability of a job placement between those referred to WfD and those referred to training. The former (WfD only) was estimated to have a predicted probability of 17.2%, whereas the latter (training only) had a predicted probability of 14.9% (holding all else constant).

5 Impact of WfD14–15 by level of jobseeker disadvantage

This section presents estimates of the impact of WfD14–15 according to the level of disadvantage experienced by a jobseeker. We measure this according to the jobseeker stream, which is an assessment of the extent to which the individual faces barriers to finding employment, as follows:

- stream 1 (work ready)
- stream 2 (moderate barriers to employment)
- stream 3 (significant barriers to employment)
- stream 4 (severe barriers to employment).

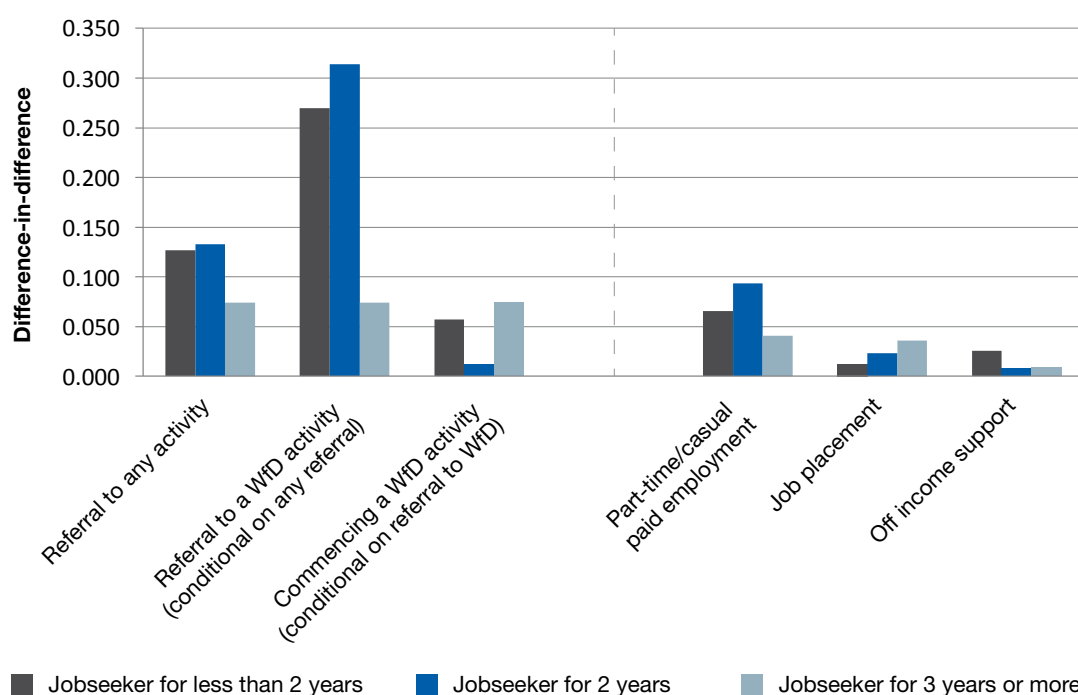
We also examine the extent to which there are differential impacts of WfD according to the length of time that jobseekers have been seeking employment.

The DiD estimates (summarised in Figures 4 and 5) are that WfD14–15 had a somewhat larger

effect on job placement for those with the greatest employment barriers, but a smaller effect on the probability of going off income support for jobseekers who have been assessed as facing the greatest barriers to finding employment.

While there are differences in the estimated impact of WfD14–15 on the different population subgroups, the main evaluation findings for the population as a whole are found for virtually all of the population subgroups. Namely, WfD14–15 was found to have a large and significant effect on referrals, a smaller and less consistent effect on commencements, a relatively large effect on reported part-time/casual paid employment, and a small and inconsistent effect on job placement and going off income support, within periods of up to 6 months.

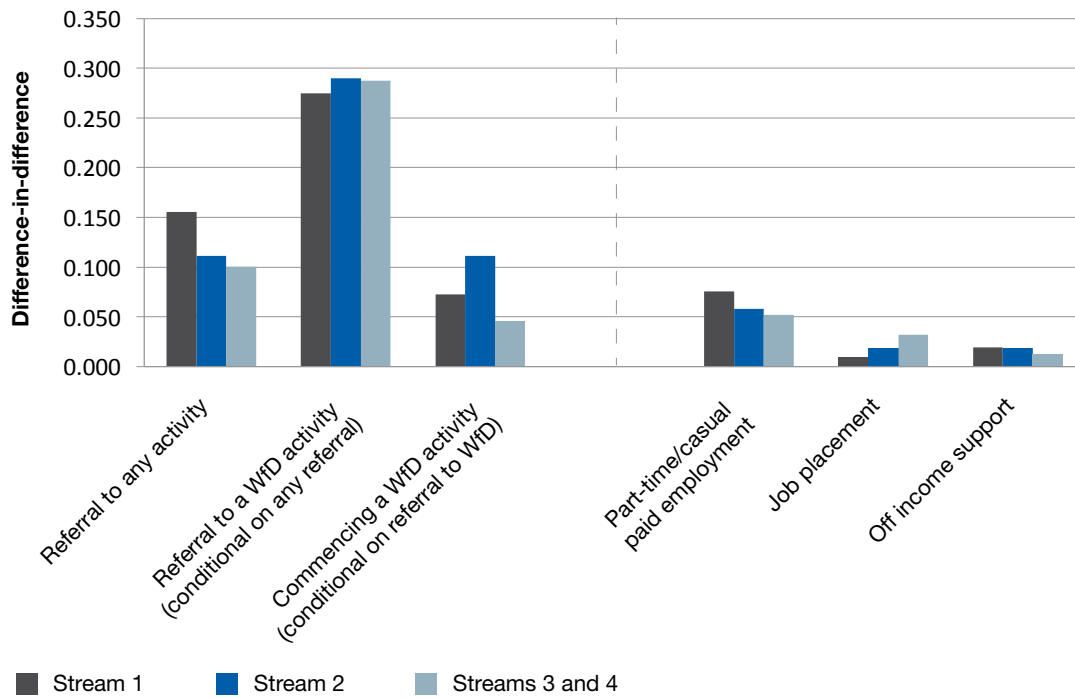
Figure 4 Variation in the measured effect of mandatory Work for the Dole trial 2014–15, by duration as jobseeker



WfD = Work for the Dole

Source: Analysis of Australian Government Department of Employment administrative data

Figure 5 Variation in the measured effect of mandatory Work for the Dole trial 2014–15, by stream



WfD = Work for the Dole

Source: Analysis of Australian Government Department of Employment administrative data



6 Summary and concluding comments

From 1 July 2014 to 30 June 2015, the Australian Government implemented a new form of WfD in 18 geographic areas. WfD14–15 made it mandatory for employment service providers in the selected areas to refer eligible jobseekers aged 18–29 years to WfD. The effectiveness of WfD14–15 was evaluated against the standard work experience phase for eligible jobseekers.

In this paper, we focused on two main aspects of WfD14–15: the impact of WfD14–15 on intermediate outcomes directly related to participation in WfD and the program's mutual obligation objective (i.e. referrals to WfD, commencements of WfD), and the impact of WfD14–15 on participant outcomes related to indicators of the employability of jobseekers. The analysis is based on administrative data from July 2013 to December 2013 (inclusive) and July 2014 to December 2014 (inclusive), and was provided by the Australian Government Department of Employment for the purposes of the evaluation.

In analysing the range of outcomes mentioned above, individual and area-level characteristics are controlled for. Given that this component of the evaluation is based on administrative data, the data on characteristics are derived from information as reported by the individual jobseekers or their JSA providers. The analytical focus is on differences in outcomes between individuals in treatment and control areas, with the latter defined in a few different ways to test the sensitivity of our conclusions to the estimation methodology.

It is estimated that WfD14–15 had a positive and statistically significant impact on the probability of being referred to a work experience activity. The magnitude of this effect was quite large, with referral to a work experience activity for someone with a defined set of characteristics increasing from an estimated 61.2% to 78.0% in the WfD14–15 areas. The increase in probability over the same period in the comparison areas was only 4.5 percentage

points, leading to an estimated program effect of 12.3 percentage points.

A statistically significant positive impact on part-time and casual employment reported to JSA providers, and (to a lesser extent) job placements and exiting income support was found. Our analysis strongly suggests that the effect of WfD14–15 on employment was due in part to a reporting effect and in part to a threat/behavioural effect of prompting those who can find employment, but choosing not to find employment, to move into paid employment.

Although the analysis of WfD14–15 found that the program had only a relatively small impact on job placement and exiting from income support, the substantial impact of the threat/behaviour effect in increasing the reporting of part-time employment is important. An ongoing challenge faced by those running social security systems is underreporting of paid employment, particularly part-time employment. The findings reported in this paper do suggest that requiring income support participants to attend work-like activities can induce a reporting of previously undisclosed employment and that the level of additional reporting, if replicated nationally, would result in a significant reduction in social security expenditure.

The findings reported in this paper relate to short-term impacts. It will be important to extend this study to look at the long-term impacts of WfD14–15, particularly in light of the existing evidence that the impact of ALMPs over the medium to longer term can differ from the short-term effects (e.g. Card et al. 2010).

Furthermore, we were only able to look at the intention-to-treat effects, with the mechanism of the effect of WfD itself inferred from observational analysis. Finally, with regard to any scaling-up of WfD14–15, it is important to keep in mind that there is the potential for displacement effects of such a

program, there is no analysis in this report of the benefits of WfD14–15 relative to the costs, and there is no guarantee that the effects will hold with a different cohort of jobseekers.

Despite these caveats, the analysis has shown that WfD14–15 had a substantial effect on whether individuals were referred to and commenced certain jobseeker activities, and that the effects on employability were unlikely to have been negative, and were most likely small but positive.

Appendix A Ancillary tables

Table A1 Coefficient estimates and standard errors for difference-in-difference estimators, referrals and commencements

Explanatory variable	Referral to any activity		Part-time/casual paid employment		Job placement		Off income support	
	Coeff	SE	Coeff	SE	Coeff	SE	Coeff	SE
Pre-control	-0.109	0.016	0.018	0.020	0.042	0.019	0.018	0.022
Post-treatment	0.489	0.019	0.324	0.022	0.069	0.022	0.026	0.025
Post-control	0.008	0.016	0.087	0.020	0.030	0.019	-0.043	0.022
Stream 2 (moderate barriers to employment)	0.047	0.015	0.032	0.018	0.154	0.018	-0.178	0.020
Stream 3 (significant barriers)	0.067	0.021	-0.008	0.026	0.134	0.025	-0.281	0.029
Stream 4 (severe barriers)	0.091	0.019	-0.271	0.024	0.014	0.023	-0.319	0.026
Parenting Payment	-0.143	0.043	-0.068	0.055	-0.212	0.057	-0.317	0.078
Youth Allowance	0.073	0.026	0.125	0.031	0.085	0.030	0.242	0.034
Time since jobseeker	4.7E-04	2.8E-05	1.5E-04	3.6E-05	6.1E-05	3.4E-05	-1.7E-04	4.0E-05
Time since jobseeker squared	-1.0E-07	7.8E-09	-4.4E-08	1.1E-08	-3.7E-08	1.0E-08	2.4E-08	1.2E-08
Female	-0.045	0.012	0.013	0.014	-0.125	0.014	-0.133	0.016
Age	0.109	0.038	0.005	0.045	0.156	0.044	0.246	0.050
Age squared	-2.2E-03	7.5E-04	-4.8E-06	9.0E-04	-3.1E-03	8.9E-04	-4.9E-03	1.0E-03
Indigenous	-0.116	0.017	-0.191	0.022	-0.150	0.020	-0.053	0.024
Non-English speaking background	-0.088	0.017	-0.151	0.021	-0.039	0.020	0.072	0.022
Self-reported conviction of criminal offence	-0.106	0.016	-0.028	0.020	-0.045	0.019	0.053	0.022
Has health condition or disability	-0.109	0.014	-0.104	0.018	-0.053	0.017	-0.052	0.020
Has worked in the past 2 years	0.043	0.013	0.250	0.016	0.208	0.015	0.074	0.017
Completed Year 11 or less	-0.069	0.016	-0.066	0.019	0.021	0.018	-0.001	0.021
Has vocational education qualifications	-0.001	0.015	0.033	0.018	0.079	0.018	0.015	0.020
Has a trade certificate or diploma	-0.008	0.025	0.113	0.029	0.092	0.029	0.111	0.032
Has a degree or higher qualification	0.040	0.028	0.117	0.032	0.086	0.032	0.086	0.035
Constant	-1.329	0.468	-1.311	0.555	-3.036	0.550	-4.086	0.621
Sample size	56 482		56 482		56 482		56 482	
Pseudo R-squared	0.0262		0.0294		0.0114		0.0255	

SE = standard error

The robustness of the findings about the impact of WfD14–15 to the estimation method and approach to constructing the counterfactual has been tested by comparing the findings from the DiD approach preferred in this paper with the findings from our main estimation method (labelled 3 in Table A2) and eight alternative estimation methods (1–2 and 4–9). The alternative methodologies tested are: DiD without covariates (1); DiD with the comparison group drawn from income support recipients living in the two PEAs in which WfD14–15 was not trialled (without covariates – 2, with covariates – 4);

regression adjustment, with the comparison group drawn from income support recipients in all other areas (5) or in PEAs (6); propensity score matching, observable individual-level characteristics used for matching, with the comparison group drawn from all other areas (7) or PEAs (8); and propensity score matching, with observable individual characteristics and rates of referral to WfD of area over the period July to December 2013, with the comparison group drawn from all other areas (9). The results from the alternative estimation methods are broadly similar (see Table A2).

Table A2 Summary of effects of WfD14–15 across nine estimation methods

	Referral	Commencement given referral	WfD referral	WfD referral given any referral	WfD commencement given WfD referral	Referral to part-time or casual employment	Job placement	Off income support	Changed area
Difference in difference									
1 No covariates – all ESAs	***	0	***	***	***	***	***	***	0
2 No covariates – ESAs in PEAs	***	0	***	***	0	***	*	*	0
3 Covariates – all ESAs	***	0	***	***	***	***	***	***	0
4 Covariates – ESAs in PEAs	***	0	***	***	0	***	*	*	0
Regression-adjusted treatment effects									
5 All ESAs	***	0	***	***	**	***	**	***	0
6 ESAs in PEAs	***	0	***	***	0	***	0	0	0
Propensity score matching									
7 All ESAs	***	0	***	***	***	***	0	**	0
8 ESAs in PEAs	***	0	***	***	0	***	0	0	0
9 All ESAs and matched on baseline WfD rates	***	0	***	***	**	***	***	*	0

*** = positive effect on the dependent variable from WfD14–15 at the 1% level of significance; ** = positive effect at the 5% level of significance; * = positive effect at the 10% level of significance; 0 = no significance effect even at the 10% level of significance; ESA = employment service area; PEA = priority employment area; WfD = Work for the Dole

Note: There are no variables that have a statistically significant negative effect.

Source: Analysis of Australian Government Department of Employment administrative data

Notes

1. Mutual obligations requirements apply to all jobseekers in receipt of Newstart Allowance, Youth Allowance (Other), Parenting Payment Single (when their youngest child turns 6) and Special Benefit.
2. Examples of WfD activities are retail work in not-for-profit stores, administrative tasks, gardening or maintenance activities in schools or aged care facilities, and restoration of community facilities.
3. Specifically, WfD may increase employability by developing on-the-job skills, demonstrating abilities to potential employers, obtaining references from work experience employers, making new work contacts, taking part in training and staying connected to the workforce.
4. Jobseekers aged 18–20 years have an activity requirement of 310 hours over 6 months, and those aged 21–39 years have an activity requirement of 360 hours over 6 months. Under WfD14–15, participants receive a supplement of \$20.80 per fortnight.
5. Answer to Senate Standing Committee on Education, Employment and Workplace Relations, Questions on Notice, Supplementary Estimates 2009–10 (DEEWR Question No. EW454_10. http://www.aph.gov.au/~media/Estimates/Live/eet_ctte/estimates/sup_0910/answers/QoN_EW454_10-FINAL.ashx)
6. The data were provided by the Australian Government Department of Employment.
7. Examination of the fraction commencing in any activity (conditional on referral) finds no impact of WfD14–15. The DiD estimate is that WFD14–15 increased referrals to WFD activity by 27.7 percentage points.

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