



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Rapid Evidence Review

Can ‘Work-for-the-Dole’ programmes increase employment outcomes?

April 2010

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Executive summary

Work-for-the-dole refers to compulsory programmes where participants work on community or environment projects run by not-for-profit or government organisations.

This review summarises evidence on the effects of work-for-the-dole programmes. Using evidence from evaluations of programmes implemented in New Zealand and other countries, it draws several lessons that may increase the likelihood of delivering effective work-for-the dole programmes.

Work-for-the-dole programmes can influence the off-benefit outcomes of jobseekers in three ways:

- a certain proportion of jobseekers may decide to exit benefit rather than participate in work-for-the-dole programmes (**Compliance effect**)
- while participating in a programme, jobseekers have less time available to look for work and may become less motivated to look for work if they enjoy the projects they are working on, resulting in longer periods on benefit (**Lock-in effect**)
- on completion, participants may be more likely to exit benefit for employment through the work history and skills they gained through their placement (**Post-participation effect**)

Most evidence shows work-for-the-dole programmes do not increase participants' chances of moving off benefit and into employment. Instead, participants remain on benefit longer than would otherwise be the case.

Work-for-the-dole programmes may have large compliance effects that may help offset any increase in the time participants' spend on benefit.

There are practical steps to increase the likelihood work-for-the-dole programmes of being effective, including:

- have work-for-the-dole at a defined point late in the benefit spell and tell clients starting benefit of the requirement to participate
- include participation in job search programmes at earlier points in the benefit spell
- restrict placement duration, the number of hours each week and require evidence of job search while on work-for-the-dole.

Because of the doubt over the effectiveness of work-for-the-dole programmes, any introduction of such a programme **should include an evaluation of its cost-effectiveness.**

Purpose

This rapid review provides an overview of:

- **expected impacts** of work-for-the-dole programmes
- evidence on **the effects of work-for-dole-programmes**
- lessons for **delivering effective work-for-the-dole programmes**, based on experience in New Zealand and internationally
- **Evidence by country** on specific work-for-the-dole programmes in New Zealand, Australia, and the United Kingdom (Appendix 1)
- **What we don't know** about the effects and costs of work-for-the-dole programmes.

What are work-for-the-dole programmes?

Work-for-the-dole programmes are one type of compulsory participation employment programme. The principle behind compulsory participation is to ensure that jobseekers are actively engaged in finding employment.

Work-for-the-dole also implies a social contract in that the unemployed person receiving income support should reciprocate by helping with community or environment projects run by not-for profit or government organisations.

Expected impacts

We expect work-for-the-dole programmes to influence the off-benefit outcomes of jobseekers in three ways:

1. **Compliance effect:** a certain proportion of jobseekers may decide to exit benefit rather than take part in work-for-the-dole programmes. These jobseekers may either exit to work or instead choose to rely on non-state financial support.
2. **Lock-in effect:** while participants are on work-for-the-dole programmes they have less time available to look for work and may become less motivated to look for work if they enjoy the projects they are working on. As a result, work-for-the-dole programmes can 'lock-in' participants, resulting in longer periods on benefit than would have otherwise been the case.
3. **Post-participation effect:** on completion of their placement we would hope participants are more likely to exit benefit for employment because of the work history and skills they have gained.

Evidence on the effects of work-for-the-dole programmes

Compulsory work-for-the-dole programmes have several different effects that together determine their overall effectiveness:

Compliance¹ effects are potentially large. There is a growing body of evidence that work-for-the-dole and other compulsory programmes have potentially large compliance effects (Beale, Bloss, & Thomas, 2008; OECD, 2005). However, cheaper programmes such as compulsory job search programmes produce similar compliance effects at a lower cost than work-for-the-dole programmes (OECD, 2007). Further, the size of compliance effects will in part depend on the ability of jobseekers to respond (eg less so for disadvantaged clients, those in low employment areas or during economic downturn) (Borland & Tseng, 2003; CSRE, 2010; OECD, 2005).

Lock-in effects tend also to be large. New Zealand and international evaluations have found work-for-the-dole programmes to have large locking-in effects (Borland & Tseng, 2004; Card, Kluve, & Weber, 2009; CSRE, 2009). As a result over the duration of their placement, participants are less likely to exit benefit than comparable non-participants.

Little evidence of post-participation benefits. There little evidence for increased benefit exits, employment or earnings when participants complete their placement (Crisp & Fletcher, 2008). In New Zealand we found some participants go on to participate in further work experience placements, increasing the time they are on benefit (CSRE, 2005). However, in Australia, the evidence is mixed on the impact of work-for-the-dole programme on participant's off-benefit outcomes (see Appendix 1: Evidence by country).

We do not know if work-for-the-dole is cost-effective. Because we have little information on the potential size of any compliance effects we do not know whether it will outweigh the likely negative participation effects. Further the cost of running an effective work-for-the-dole programme may well mean the programme is not cost-effective when compared to other interventions such as compulsory job search programmes.

Delivering effective work-for-the-dole programmes

Based on experience in New Zealand and internationally, we can draw several lessons on delivering effective and possibly even cost-effective work-for-the-dole programmes:

Have work-for-the-dole participation at defined benefit durations. Using a defined intervention strategy clearly signals expectations for jobseekers over the course of their unemployment spell. These strategies have been shown to reduce the number of people starting benefit, with Work for You pre-benefit seminar as well as the Job Search Service reducing the number of people starting Unemployment benefit (CSRE, 2008). Also, a growing body of international evaluation shows increased benefit exits before participation in compulsory programmes (OECD, 2007; Wilkinson, 2003).

Set participation in work-for-the-dole late in the benefit spell. Setting participation late in the benefit spell (eg after 12 months on benefit) will help in three ways:

1. **Increase compliance effects:** having compulsory participation later in the benefit spell gives jobseekers more time to look for work before participating and increasing the chances jobseekers will exit benefit before the requirement to participate.

¹ Compliance effect refers to people exiting benefit in anticipation of the requirement to participate in a compulsory programme.

2. **Reduce participant numbers:** at a practical level setting participation too early in the benefit spell may mean the volume of participants will make the programme unmanageable. Because participation is compulsory administrators need to be able to identify enough places to cope with demand. One way to manage this problem is to identify the period from benefit grant when the size of the inflow has reduced enough to be able to place all jobseekers on the programme. It would then be possible to adjust when participation occurs in line with projected inflows. For example, during an economic downturn, administrators could extend the period before participation as greater numbers of jobseekers remain on benefit longer.
3. **Reduce potential negative participation effects:** on average the evidence suggests work-for-the-dole programmes increases the time participants are on benefit. Limiting the total number of participants will help to:
 - limit potential negative impact of programme participation
 - allow the programme to be run effectively by not exceeding available resources and capacity to absorb large numbers of participants.

Use work-for-the-dole with compulsory job search training. There is good evidence that compulsory job search programmes are both cheaper to run and have strong compliance effects (OECD, 2007) and therefore can be used before participation in work-for-the-dole programmes. For New Zealand, this may involve extending the current Job Search Service beyond its current 13 week period from benefit grant.

Restrict the duration of work-for-the-dole placements. Previous evaluations of Community Taskforce found participants enjoying their placement and wanting to continue to work on the community project after their placement ends (Bellett & Fisher, 1997). Also sponsors may become dependent on the skills or knowledge of participants and try to extend the placement. Both these behaviours will act to increase the lock-in effect of the programme and reduce the chances it will be effective. To avoid these practices, policies need to restrict programme duration, frequency of participation and repeats sells with the same sponsor and programme administrators need to strictly enforce these policies.

Maintain job search while on work-for-the-dole. Often participants regard their work experience placement as a 'job' and stop looking for paid employment (McNab, Roorda, de Boer, Wong, & Anderson, 1999). To maintain job search levels, participants need to be actively managed while on work-for-the-dole. In the Australian case participants in WfD are required to report every two weeks on their job search activities. In addition, participation should be for no more than two or three days a week, to leave enough time for job search.

Determine the cost-effectiveness of work-for-the-dole programmes. From the evidence we cannot be confident that a work-for-the-dole programme will be cost-effective or even effective in reducing the number of jobseekers on benefit. Therefore, it will be important that an evaluation of cost-effectiveness accompanies any introduction of work-for-the-dole programme in New Zealand. The evaluation should identify the different programme impacts (compliance, lock-in and post-participation) as well as provide good information on the cost of administering such a programme.

What we don't know

- Whether any compliance effects of work-for-the-dole will outweigh the likely negative impacts on the time participants remain on benefit.
- There is little information on the social and economic benefits of work undertaken by work-for-the-dole participants.
- Whether work-for-dole displaces economic activity and therefore paid employment (eg organisations using participants for work they previously had to pay for).
- The extent public organisations use participants to cross-subsidise operating costs (eg schools using work-for-the-dole for grounds maintenance to allocate funding to other activities).

Appendix 1: Evidence by country

New Zealand: Community Work

During the late 1990s large numbers of unemployed people participated in compulsory work experience programmes (ie Community Taskforce and Community Work). The objectives of these programmes were to:

- provide eligible registered jobseekers with the opportunity to gain work experience in a workplace or work-type environment while developing or keeping work skills, self-esteem, motivation, and self-confidence;
- enable sponsors to complete projects of benefit to the community or environment that could not be done otherwise.

Because participation was compulsory, case managers could use referrals to Community Work as a way to work test jobseekers. If work tested jobseekers refused to participate then they could face a range of sanctions including cancellation of their benefit. However, unlike Australia and United Kingdom (see below), referral was at case manager's discretion rather than at a set point in a jobseeker's benefit spell.

Community Work increased the time participants are on benefit. Our analysis of Community Work shows the programme *reduced* rather than improved the chances of participants moving off benefit (CSRE, 2005; CSRE, 2009). The increased time receiving Work and Income assistance was because of **large lock-in effects** as well as the **absence of any positive post-participation effect**. In other words, on completion of the programme participants were no more likely to exit from the benefit than if they had not participated. Instead we found that a significant proportion of participants had repeat work experience participation spells which further increased the overall lock-in effect of the programme.

Both Bellett and Fisher (1997) and McNab, Roorda et al. (1999) found direct evidence of behaviours among Community Taskforce participants that would lock them in to the programme. Some participants considered their placement as a 'real job' and were unwilling to look for work during this time. In addition, some sponsors wanted to extend the placements for participants whose skills and talents they had become dependent on.

Australia: Active Participation Model and Work-for-the-Dole

Australia's Active Participation Model (APM) is based on increasing the support relative to jobseeker disadvantage combined with requirements to participate in compulsory activities at specific periods of unemployment. At six, 18 and 30 months, jobseekers are required to participate in Work-for-the-Dole (WfD) if they choose no other Mutual Obligation Activity. Work-for-the-Dole requires participants to work on a project for up to two-and-a-half days a week for six months. Further, while on WfD participants are still required to make fortnightly contact to ensure they maintain their job search activities.

There is mixed evidence on WfD increasing participants' off-benefit outcomes.

In 2000, an Australian government evaluation showed WfD to have a large positive impact on participants being independent of income support after completing the programme (DEWR/SB, 2000). However, the **methodology has been criticised** for ignoring lock-in effects and selecting participants who had exited from income support at the end of the programme (Borland & Tseng, 2004; Dockery & Stromback, 2000; OECD, 2001: 220). These biases in the method meant the findings overstated the true impact

of the programme on participants' outcomes. A later independent analysis found WfD **decreased participants' chances of moving off benefit** (Borland & Tseng, 2004). The negative participant impact was attributed to substantial programme lock-in effects.

In 2006 the Department of Employment and Workplace Relations completed an updated impact evaluation of WfD (DEWR, 2006). The evaluation reported that one year after programme commencement, WfD participants were **more likely to be in employment** (39.4 percent compared to 32.1 percent for the comparison group) and to be off benefits (on this measure participants' outcomes were 4.9 percentage points higher than the comparison).

United Kingdom: New Deal for Youth

New Deal for Youth is compulsory for all 18 to 24 year olds who have been unemployed and claiming Jobseeker's Allowance (JSA) for six months. Like the Australian Active Participation Model, New Deal for Youth takes a sequential approach involving three distinct phases:

- **Gateway** lasts for around four months during which participants receive intensive job search support and help to overcome possible barriers to work.
- **Options** involves selecting one of four activities: Employment Option (EO) for up to six months, Full-time Education and Training (FTET) for up to 12 months, work in the Voluntary Sector (VS) for up to six months and work as part of an Environment Task Force (ETF) for up to six months. If participants select no option they are assigned to either Voluntary Sector or Environment Task force.
- **Follow-through** is a three month period of intensive job search support, before participants leave the programme.

New Deal for Youth reduced time on benefit and employment. Evaluations of the overall programme found it reduced the time participants spent on benefit or receiving employment assistance (Beale et al., 2008). However, of the four options, participation in Voluntary Sector and Environment Task Force had lower positive impacts than the other two options. However, Beale, Bloss et al (2008) recognise these results may be biased since they could not fully control for selection effects and suspect less able or motivated participants were more likely to take these two options rather than Employment Option or Full-time Education and Training.

As well as these positive participation effects, Wilkinson (2003) found positive compliance effects with fewer young people remaining unemployed for six months (the start of New Deal for Young People) than in previous years.

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