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THE COMMUNITY DEVELOPMENT PROGRAMME

EVALUATION OF PARTICIPATION AND
EMPLOYMENT OUTCOMES

The Community Development Programme: Evaluation of Participation and Employment Outcomes

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EXECUTIVE SUMMARY

The Community Development Programme (CDP) is an Australian Government employment and community development program serving more than 1,000 remote communities across Australia. These are typically small communities (more than three-quarters of which had a population of less than 50 people in 2011 (PC 2017a)) and are often characterised by limited labour market opportunities and limited access to services.

Many CDP participants face significant barriers to employment. In March 2016, close to three in four participants were classified as having *moderate to extreme barriers* to employment based on the Job Seeker Classification Instrument. In part this reflects the high share of CDP participants living in very remote areas with limited labour market opportunities. Nearly 70 per cent of participants live in very remote Australia. Of those living in very remote locations, over 90 per cent identified as Aboriginal or Torres Strait Islander.

Commencing on 1 July 2015, the CDP was designed to improve employment outcomes in remote communities by increasing participation in work-like activities, improving employability and increasing sustainable work transitions among program participants. This report draws on administrative data to assess the effectiveness of the CDP in increasing participation in work-like activities and improving employment outcomes over its first two years of operation. To better understand the broader views and possible contributing circumstances, fieldwork was also undertaken in eight remote communities. The fieldwork was undertaken by Winangali in partnership with Ipsos (2018).

Enrolment and attendance in activities

The introduction of the CDP in mid-2015 brought a range of changes to remote community and employment services. This included an increased focus on ensuring that participants are engaged in a routine of work-like activity for up to 25 hours a week, across a five day week, year round. At the same time, broader changes to the compliance framework enabled providers to make greater use of payment suspensions and financial penalties to increase attendance.¹

The proportion of remote income support recipients enrolled in Work for Dole and other activities steadily increased under the Remote Jobs and Communities Program (RJCP) and has further increased under the CDP. Among those enrolled, the majority (between 70 and 80 per cent) attend or provide a valid reason for not attending on any given day. The remaining 20 to 30 per cent do not attend and do not provide a valid reason for not attending (invalid non-attendance). Younger participants and some subgroups facing

¹ A suspension is a temporary hold on a participant's income support payment due to failure to meet mutual obligation requirements. A financial penalty is a permanent loss of a proportion of a participant's income support payment due to failure to meet mutual obligation requirements.

barriers to employment and participation – including those with no post-school education, those with a criminal conviction, those with no private transport, and those who are not contactable by phone – are more likely to not attend without a valid reason.

Communication and health issues may play a role in explaining high rates of *invalid non-attendance* among some, particularly Indigenous, CDP participants.

In the fieldwork, stakeholders reported that some participants had undetected health barriers due to lack of adequate assessments (Winangali and Ipsos 2018). Further, while people identifying as Indigenous and those living in remote locations have a higher burden of disease (AIHW 2016), those living in CDP regions have a relatively low rate of medical exemption from their mutual obligation requirements. In June 2017, only five per cent of activity-tested income support recipients living in CDP regions had a medical exemption, compared with ten per cent of those living in non-CDP regions. For those living in CDP regions who identify as Indigenous, the rate of medical exemptions was only three per cent.

Better assessments of CDP participants in remote areas – including increased access to medical assessments – could help to ensure that participants' attendance requirements match their abilities, and that potential barriers to participation are identified.

Since January 2016, in any one quarter, approximately 60 per cent of CDP participants received at least one suspension, and a third of participants received one or more financial penalties. Among those penalised, there is considerable variation in the proportion of Australian Government payments lost to penalties. Since mid-2016, in any one quarter, around half of those penalised lost less than five per cent of their Australian Government payments. However, just under one in ten penalised participants lost twenty per cent or more of their payments – this equates to between two and three per cent of all CDP participants per quarter.

Younger participants, men and some sub-groups with a range of reported participation barriers, were more likely to be penalised. These groups were more likely to be impacted by penalties in terms of both frequency and the total amount lost to penalties.

The fieldwork suggests that part of the reason for high rates of penalties among participants with barriers to participation is that many do not fully understand the compliance system, and have difficulty communicating with the Department of Human Services or their provider when they have a valid reason for not attending (Winangali and Ipsos 2018). There is, therefore, a potential role for CDP providers to focus on preventing and managing non-compliance through improved communication and co-ordination of contact between the Department of Human Services and participants.

Participation in the program

To the extent that penalties encourage participation in Work for the Dole and other program activities, penalties have the potential to support the development of skills and confidence for jobseekers and improve employment outcomes.

Data were not available to assess the extent to which CDP participants' attendance is affected by the possibility of a penalty (that is, whether they attend to avoid a possible penalty). However, analysis of the administrative data suggests that the *application of a penalty* may, to some extent, improve subsequent attendance among some CDP participants. The most highly penalised CDP participants in the first quarter of 2016 increased their subsequent attendance rates over the year; however attendance rates for this group were still well below average. Over the year, this group was penalised an average of ten per cent of their annual income support payments, double the average rate.

Of those CDP participants penalised in the first quarter of 2016, an estimated six per cent *disengaged* from the income support system over the year (to December 2016) without record of a prior employment outcome. Two in five of these *disengaged* participants were men under 30 years old.

It is not clear if participants *disengaged* due to issues around the quality of activities provided, as a result of penalties and payment suspensions, or obtained employment but did not report this to their CDP provider or the Department of Human Services. Fieldwork undertaken in eight remote communities suggests that the quality of activities – that is, whether surveyed participants considered activities to be suitable and useful – can have an effect on attendance and participation in those activities (Winangali and Ipsos 2018).

Between the RJCP and the CDP, the share of all participants who *disengaged* from income support benefits in a given year (without a recorded employment outcome) was estimated to have increased by one percentage point to 4.5 per cent of CDP participants in the program on 1 January 2016. More data are needed to better understand outcomes for these participants.

Developing and reporting on measures of the quality of activities – including measures of skills attainment, employment outcomes, and participant perceptions of quality – could identify the types of activities that best support participation in the program and outcomes for participants. Quality measures could also be linked to activity payments as part of an outcome-based provider payment model.

Employment outcomes

As with other employment programs, CDP providers receive a payment when a participant achieves a defined employment outcome. In comparison to RJCP, the CDP payment model places greater weight on 26 consecutive-week employment outcomes, with the aim of encouraging sustained employment.

Employment outcomes will reflect a range of factors, including the employment services and training participants receive from their provider, as well as the characteristics and circumstances of individuals and the prevailing labour market conditions.

After controlling for the individual characteristics of participants and labour market conditions, modelling suggests that the program has led to around a one percentage

point increase in 26-week outcomes under CDP, from a base of around 5.7 per cent under the RJCP. This result is consistent with the greater weight placed on 26 consecutive-week employment outcomes in provider and employer payments under the CDP.

The CDP has only been operating for a short time, and employment effects may take a few years to be realised, particularly for participants with *extreme barriers* to employment and in remote communities where there are limited job opportunities. In the first two years of the program, as may be expected, participants with *low barriers* to employment had the highest estimated increase in 26-week outcomes under the CDP (up 3.4 percentage points).

Employment outcomes over the long term could be improved by modifying provider payments for employment outcomes to better reflect local labour market conditions and opportunities (including seasonal work), and by increasing incentives for providers to place those with high barriers into employment.

Where the outcomes are more uncertain, there may be benefits from first piloting and evaluating innovative payment models and labour market programs. Well-designed program pilots can provide key insights into what works, for whom, and in what circumstances and provide robust evidence to inform any potential roll out. However, where pilots require extensive time to set-up, run and evaluate, the benefits of refining policy through pilot programs needs to be balanced against the benefits of providing earlier access to new policy arrangements.

Measuring, monitoring and evaluating outcomes

The evaluation and the ongoing monitoring of the efficiency and effectiveness of the program is an important part of understanding and improving outcomes for people living in remote Australia.

As highlighted above, better measures of the quality of activities are key to a better understanding of the overall effect of the program, and to improving outcomes for participants. Measuring and reporting on what happens to people exiting the CDP could also improve understanding of longer-term employment outcomes and any *disengagement* from the program; as well as the impact of penalties and activities. This requires that outcomes are monitored across the CDP and income support administrative systems.

1. AN OVERVIEW OF THE COMMUNITY DEVELOPMENT PROGRAMME

Key Points

- The Community Development Programme (CDP) is an employment and community development program servicing 60 regions including more than 1,000 remote communities. These are typically small communities and are often characterised by limited labour market opportunities and limited access to services.
- The introduction of the CDP in mid-2015 brought a range of changes designed to increase participation in work-like activities and improve employment outcomes in remote Australia. This included a requirement that all activity-tested income support recipients aged 18 to 49 years be engaged in a routine of Work for the Dole, five days a week, year round.
- Changes were also made to provider payments to place greater weight on 26 consecutive-week employment outcomes. Activity payments were also increased for Work for the Dole participants, and made conditional on enrolling, recording and reporting participants' attendance. Under the CDP, providers can be paid a higher amount for participants attending Work for the Dole activities throughout the year than for achieving a 26-week employment outcome.
- This report draws on administrative data to examine whether the CDP has been effective at increasing participation and employment outcomes over the first two years of the program.

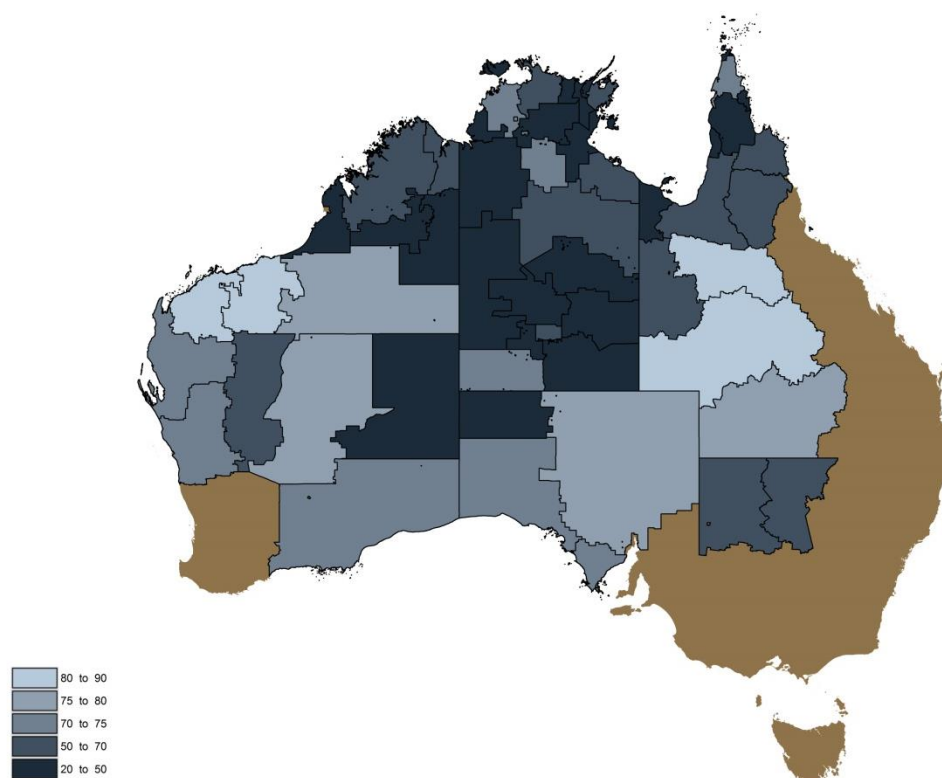
The Community Development Programme (CDP) is an Australian Government employment and community development program. The CDP commenced on 1 July 2015, replacing the Remote Jobs and Communities Program (RJCP).² The CDP was designed to increase participation in work-like activities, increase sustainable work transitions and the employability of program participants living in remote areas.

The CDP operates across 60 regions covering more than 1,000 remote communities (Figure 1.1).³ The geographical boundaries of the program take into consideration a number of factors, including labour market characteristics, existing geographical and administrative boundaries, and cultural relationships between communities.

² The RJCP was introduced in July 2013, replacing four existing programs then operating in remote areas: Job Services Australia; Disability Employment Services; the Indigenous Employment Program; and the Community Development Employment Projects program.

³ It is roughly confined to those portions of the country defined as *Remote* and *Very Remote* Australia under the ABS Australian Statistical Geography Standard (ASGS), but excludes the *Remote* (excised) cities and towns of Broome, Geraldton, Kalgoorlie, Esperance, Port Lincoln, Port Augusta, Whyalla, Alice Springs, Broken Hill and Mt Isa, where participants are serviced by jobactive providers.

Figure 1.1 Proportion of working age population who are employed in CDP regions, 2016^a



Source: Census (2016).

Notes: (a) Small excised cities and towns have been excluded from the map.

In March 2018, 39 providers serviced the CDP, of which 26 were Indigenous owned and operated. A single provider serviced each CDP region (with the exception of the Warruwi community, which was serviced by a separate employment provider).

Within each region, providers are responsible for servicing towns and communities of varying remoteness, populations, and labour market conditions. Of the more than 1,000 remote communities serviced by CDP providers, more than three-quarters had a population of less than 50 people in 2011 (PC 2017a).

The average unemployment rate across all CDP regions was around eight per cent in 2016, compared to seven per cent for Australia as a whole (Census 2016 unpublished data).⁴ However, the level of unemployment varies significantly between CDP regions, and many regions have unemployment rates far above the national average. More than half of the CDP regions recorded unemployment rates above ten per cent and approximately a third had rates above 20 per cent in 2016.

⁴ Based on seasonally adjusted estimates from the Labour Force Survey, unemployment rates across Australia were below six per cent in 2016 (ABS 2017a). Census estimates are used here to enable comparison with small populations in CDP regions (ABS 2017b).

The area covered by the CDP also had a marked concentration of regions with low levels of employment. In 30 out of the 60 CDP regions, less than half of the population was employed in 2016 (Figure 1.1).

1.1 HOW CDP CHANGED THE DELIVERY OF REMOTE EMPLOYMENT SERVICES

The introduction of the CDP saw a range of changes aimed at increasing community participation and providing pathways to more stable employment. The main changes introduced under CDP included an increased focus on Work for the Dole to meet mutual obligation requirements and changes to the provider payment model.

Mutual obligation requirements

Mutual obligation requires that people receiving certain activity-tested income support payments⁵ participate in an employment program and, as part of this program, be actively looking for work or participating in activities that will help them into employment. Mutual obligation requirements vary by age, assessed work capacity, and caring responsibilities.

When participants fail to meet their mutual obligation requirements, under the *Job Seeker Compliance Framework*, they can have their income support payments temporarily withheld (*suspended*) and/or can lose a proportion of the income support payment (i.e. be *penalised*) (DSS 2018a, sec. 3.1.13). The compliance framework applies to all income support recipients with mutual obligation requirements and is administered by the Department of Human Services.

While a common compliance framework is applied across mainstream and remote employment programs, the type of activities that participants must undertake to fulfil their mutual obligation are set separately in each program.

The introduction of the CDP - increased focus on Work for the Dole

Under the RJCP, full-time activity-tested participants were typically expected to undertake 40 hours of activities per fortnight (20 hours for principal carers and those with a partial or reduced work capacity) (PMC 2014b).⁶ To meet these required hours of

⁵ Activity-tested payments include Newstart Allowance, Youth Allowance (other) and Special Benefit (nominated visa holders). Some Parenting Payment recipients (those whose youngest child is six or above) and Disability Support Pension recipients (those aged under 35 years with a work capacity of eight or more hours per week and without a child under six years) have part time mutual obligation requirements.

⁶ In addition to any job search that may be required (PMC 2014b:3).

activity, RJCP participants had flexibility to work across the week in a range of community activities and training programs as well as Work for the Dole.⁷

The introduction of the CDP saw increased focus on participants meeting their mutual obligations through Work for the Dole, and ensuring that participants are engaged in work-like activities up to their assessed capacity, across a five-day week. Specifically, under the CDP, those with mutual obligation requirements who are aged between 18 and 49 years and receive the full rate of income support are required to attend Work for the Dole activities across five days each week, year round, up to 25 hours per week (DSS 2018a, sec. 3.2.9.70). This is an increase from 20 hours per week of activity under the RJCP. Participants can access up to six weeks of leave per year, in addition to a two-week shut down around Christmas, and additional leave to participate in cultural business (PMC 2016, p.22).

CDP participants who are required to undertake Work for the Dole can receive training for literacy and numeracy and support to obtain a driver's licence if they require it. Further education and training can be undertaken as part of their Work for the Dole activities if it is directly linked to a job or Work for the Dole activity, or if it directly meets the needs of an employer (PMC 2016).

Other income support recipients with mutual obligation requirements – those who are *activity tested but not required to undertake Work for the Dole*⁸ – can meet their mutual obligations by participating in Work for the Dole or other available activities (PMC 2016). People without mutual obligation requirements can *volunteer* in any part of the program.⁹

Throughout this report, these three groups of CDP participants are referred to as *required to undertake Work for the Dole*, *activity tested but not required to undertake Work for the Dole*, and *volunteers*.

⁷ The term 'Work for the Dole' was not used under RJCP, but rather 'Structured Activities' which were employment and participation activities that were as work-like as possible. Examples included work experience and integrated employment-focused training, environmental activities or development and maintenance of community infrastructure (PMC 2014). RJCP structured and CDP Work for the Dole activities are similar in that they are both required to be fully supervised and 'as work-like as possible'. The key difference is that CDP Work for the Dole activities need to be structured to allow for 25 hours of activity across 5 days a week, to establish a daily work routine. Guidelines also specify that CDP Work for the Dole activities should: develop and enhance participants' ability to work independently; improve or enhance participant's communication skills, motivation, and dependability; and where possible, provide participants with experience working as part of a team (PMC 2016:7).

⁸ This includes people on the above activity-tested payments who are not receiving the full rate of payment, are aged under 18 or over 49 years, exempt from mutual obligation requirements and/or unable to participate in Work for the Dole due to illness, injury or disability.

⁹ People on non-activity-tested income support payments who reside in CDP regions are not required to participate in CDP, but can volunteer and are fully eligible for CDP services. People who are not on income support payments can also volunteer to participate in CDP, but providers can only receive full payment for those who are not on income support payments ('CDP ineligible participants') if they first obtain approval from the department (PMC 2016).

How the CDP arrangements compare to mainstream requirements

The CDP also differs from jobactive, the mainstream employment program, where there is less emphasis on Work for the Dole, and more emphasis on job search as the main activity through which people fulfil their mutual obligation requirements.

After they have been looking for work for 12 months, jobactive participants are required to undertake activities for six months of the year. For jobactive participants aged 18 to 49 years, Work for the Dole is the principal activity for participants to meet their activity requirement (unless they have arranged to meet their requirement through part-time paid employment or education and training). While in a Work for the Dole phase, their required hours per week vary depending on their age, caring responsibilities, and assessed work capacity. Generally, jobactive participants aged under 30 years need to complete 25 hours per week for six months each year; while those aged 30 to 59 years need to complete 15 hours per week for six months each year. From September 2018, jobactive participants aged 30 to 49 years will have a 25 hours per week activity requirement for six months each year (Australian Government 2017).

Year round Work for the Dole structured across a five day week – sometimes referred to as ‘continuous’ Work for the Dole – is a key part of the design of the CDP and a key point of difference with mainstream employment programs. As well as building employment skills and a work-like routine, continuous Work for the Dole is intended to keep people active and contributing to community, in locations characterised by weak or non-existent labour markets (PMC 2016). (Appendix A provides further comparison of Job Services Australia and jobactive.)

Changes to the provider payment model

Under the CDP, providers receive three types of payments:

- *Work for the Dole fees.* These fees are payable for each Work for the Dole participant. In order to receive full payment, the provider needs to ensure that the participant is enrolled in Work for the Dole, record their attendance, and take ‘all reasonable action’ to manage non-attendance, utilizing the compliance framework where needed (PMC 2016, p.64).
- *Basic Services fees.* These fees are paid for CDP participants who are not undertaking Work for the Dole.
- *Employment Outcome fees.* These fees are paid after a CDP participant has been in paid work for 13 and 26 consecutive weeks (with some allowable breaks¹⁰), with higher payments for full employment outcomes.¹¹

¹⁰ Allowable breaks are periods of approved unpaid leave from work and can include breaks between jobs and periods of unpaid sick leave (PMC 2016). Under CDP, a participant can have a break of up to four weeks in each 13-week period, meaning that a provider can claim a 13-week Employment Outcome Payment if a participant is employed for 13 weeks over a 17-week period.

An important change in the structure (and, therefore, the incentives) of provider payments in the move from the RJCP to the CDP was making activity payments conditional on enrolling, recording and reporting of attendance at activities. In comparison, RJCP activity payments were quarterly payments for each eligible participant enrolled in the program¹², whether or not they attended activities.

While the maximum total activity payment available for an RJCP participant was higher than the payment available for a CDP participant accessing Basic Services, it was considerably lower than the maximum payment available for a CDP participant enrolled in and attending Work for the Dole (Figure 1.2).

The CDP payment model also differs from the RJCP payment model in placing greater weight on 26 consecutive-week employment outcomes over shorter employment outcomes (including 13-week outcomes), to encourage sustained employment. While under the RJCP a 26-week outcome could be achieved when a participant had been employed for 26 weeks over a 52-week period, under the CDP a 26-week outcome is required to be achieved within 26 consecutive weeks (with some allowable breaks). Unlike RJCP, the CDP has no provider payment on job placement or when the participant has remained in the job for seven weeks. Compared to the RJCP, the CDP payment model provides less incentive to place people in casual, seasonal or intermittent work or short terms jobs which may not last for 13 weeks.

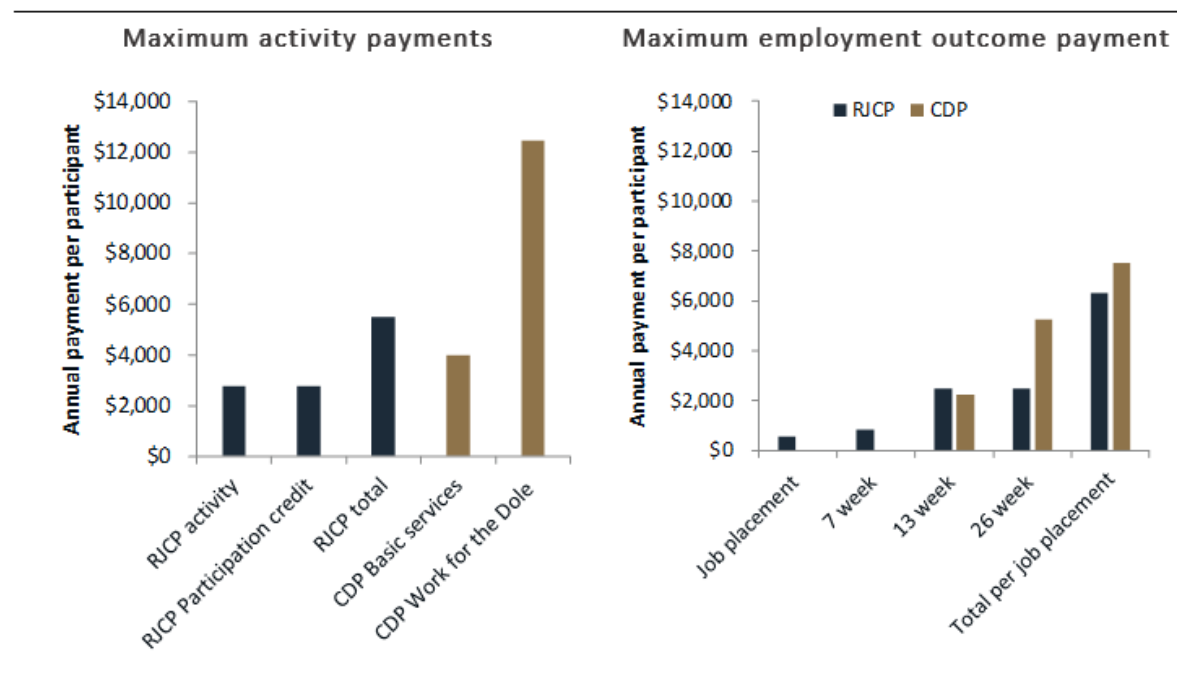
Under the CDP, annual Work for the Dole activity payments can be higher than payments for achieving a 26-week employment outcome (Figure 1.2). This aspect of the provider payment model may, in some circumstances, reduce provider incentives to transition individuals to employment (ANAO 2017). The incentive to place Work for the Dole participants in paid work is reduced where there is a lower likelihood of an individual staying in the job for 26 weeks.

Actual payments to providers in 2014 and 2016 show that employment outcome payments (particularly for a 26-week outcome) increased following the introduction of the CDP (Figure 1.3). However, as a share of total activity and employment provider payments, payments for employment outcomes decreased – from 24 per cent in 2014 to 11 per cent in 2016 – due to the substantial increase in activity payments.

¹¹ Full employment outcomes are claimable when the CDP participant is off income support or fully meets their hourly requirements. A partial outcome occurs where a CDP participant works sufficient hours to reduce their income support by at least 60 per cent or partially meets their hours based requirements (PMC 2016). The number of employment hours required to partially meet requirements is on average 10 hours per week for Newstart, Youth Allowance (other) and Parenting Payment recipients who are carers and an average of 15 hours or more per week for those who are on Newstart or Youth allowance. A full employment outcome can be claimed for an eligible participant with partial capacity to work when employed for the minimum required hours (as assessed in an Employment Services Assessment (ESAt) or Job Capacity Assessment); and a partial outcome if they are employed for an average of at least 70 per cent of their minimum hours.

¹² Referred to as *commenced* in program guidelines and the administrative system, and defined to include those who have completed the initial interview and assessment process (PMC 2013, p.45).

Figure 1.2 Maximum provider payments for activity and employment outcomes under the RJCP and the CDP^a



Source: PMC 2013, PMC 2015.

Notes: (a) Maximum rates for remote activity-tested participants with full-time mutual obligation requirements. Under the RJCP, providers received higher payments for employment outcomes for participants assessed by DHS as having a partial work capacity (PMC 2013). While RJCP activity payments were made quarterly for each participant, RJCP participation credits were additional funds available to provide activities and specific support and equipment for the participant (PMC 2013). The figure does not take into account: participation credit not claimed; or reductions in Work for the Dole payments to CDP providers when participant non-attendance at Work for the Dole activities were not recorded or actioned. Payments for education and training placements and outcomes were also available under the RJCP (\$275 on commencement and \$2,750 on completion for at least Certificate II, enrolling and completing one semester of school or an education program, and \$385 per year per job seeker to complete a non-vocational barrier course).

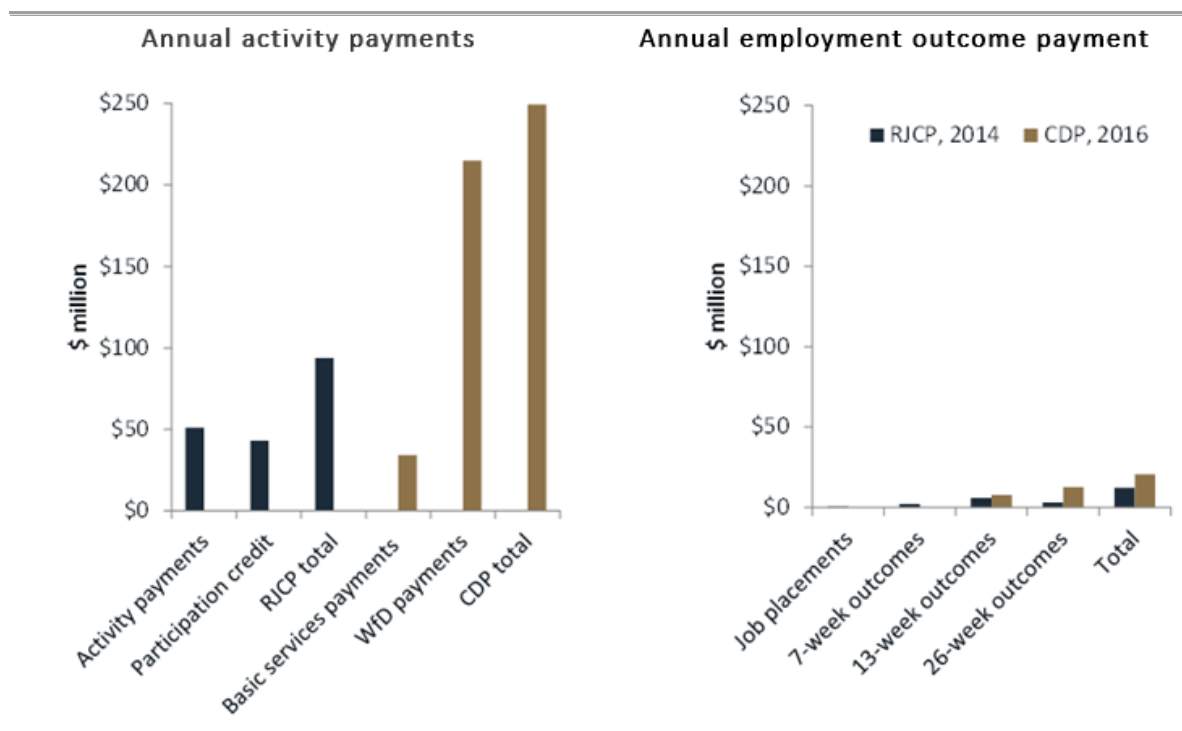
Other changes

Other changes under the CDP that were designed to improve employment opportunities for CDP participants include the introduction of *Employer Incentive Payments* and funding for the establishment or expansion of remote enterprises (*Indigenous Enterprise Development* funding) (ANAO 2017).

Under RJCP there were no incentive payments for employers, however providers were able to use funds from their normal schedule of payments (from the *participation account*) to subsidise wages, and to provide financial assistance for the costs of work related modifications and equipment for participants with a disability (PMC 2013). Under the CDP, funding is available as a one-off payment that providers pass on to eligible employers for employing a CDP participant for 26 weeks. The payment is up to \$7,500 (plus GST) for full-time employees and up to \$3,750 (plus GST) for part-time

employees (PMC 2015).¹³ The funding is designed to boost employment by reducing the cost of hiring CDP participants. As with provider outcome payments, the employer outcome payment does not incentivise casual, seasonal or intermittent work that may not last 26 weeks.

Figure 1.3 Actual provider payments under the RJCP and the CDP^a



Source: Unpublished PMC data and ANAO (2017).

Notes: (a) Provider payments are GST exclusive.

Indigenous Enterprise Development funding was designed to increase the number of commercially viable businesses in remote areas, and included:

- pre-loan business support (to turn a business idea into a mature business plan),
- grant/loan packages (where the grant provides the equity needed for an entrepreneur to access finance through a commercial lender for the remaining funds needed), and
- post-loan support for up to two years.

The viability of the applications was assessed by a commercial lender. The ANAO (2017) noted that the number of suitable IED applications was low and the program undersubscribed.

¹³ Part-time payments are payable if a participant's income support reduces by at least 60 per cent. The amount of work required to achieve this reduction will depend on the assessed work capability of the participant, the hourly wage being paid in the job, the tenure of the work (ongoing or casual) and the predictability of the work per week.

1.2 EVALUATION QUESTIONS AND DATA

This report draws on administrative data to examine whether the CDP has been effective in achieving its key objectives of increasing participation and employment outcomes in remote communities.

Evaluating the CDP against its objectives is challenging for a number of reasons. As the CDP is a universal program operating in remote Australia, it is difficult to construct a suitable comparison group, or counterfactual, to determine what would have happened in absence of the CDP changes. Changes in reporting requirements also mean that measures of participation in paid work and other community activities before and after the introduction of the CDP are only available for limited time periods.

To assess the impact of the CDP on levels of participation in work-like and community activities (that is, whether the introduction of the CDP has increased overall levels of activity or rather has displaced other activities), would require time-use data. In absence of time-use data, this report uses administrative data to consider the change in recorded levels of participation in Work for the Dole and other program activities since the CDP commenced. The primary method for assessing the effectiveness of the CDP in increasing participation is a comparison of the proportion of participants enrolled in activities during the CDP and the preceding employment program (RJCP); and an analysis of patterns of attendance at Work for the Dole activities.

Under the compliance framework, if a participant fails to fulfil their mutual obligation requirements (including failing to attend CDP activities) then they may have their income support payments suspended and/or may face a financial penalty. To assess the financial impact on CDP participants, this report also examines trends in income support payment suspensions and penalties as well as the outcomes for individuals following a penalty. Financial impact is measured by the proportion of Australian Government payments lost to penalties.

To assess whether the CDP has led to increased employment outcomes, this report uses a number of modelling approaches to estimate the change in the share of program participants obtaining employment outcomes (job placements, 13-week and 26-week outcomes) under the CDP. The analysis undertaken models changes in employment outcomes under the RJCP and CDP, and uses quasi-experimental difference-in-difference models to compare the change in employment outcomes before and after the introduction of the CDP with changes in employment outcomes in neighbouring mainstream employment regions.

The administrative data

The analysis in this report draws on data from the Department of Jobs and Small Business' *Employment Services System* and Department of Human Services' administrative system. Information on program participant's demographic characteristics, barriers to employment, participation and attendance at activities and employment outcomes are extracted from the *Employment Services System*. Information

on participant activity requirements, exemption status, and benefit histories are based on data from the Department of Human Services administrative system.

While the administrative data provides rich information on the individual characteristics of program participants, the data may be affected by measurement bias. Changes in the incentive or requirement for participants and providers to report particular characteristics or outcomes for individuals in the administrative system can lead to bias in the estimated effects of the policy.

The administrative data are also limited in the information available that can shed light on the broader effects of the CDP on the functioning and wellbeing of program participants and the community. To better understand these broader views and possible contributing circumstances, fieldwork was undertaken in eight remote communities. The fieldwork report *The Many Pathways of the Community Development Programme: Summary Report of Community Voices and Stakeholder Perspectives from Eight Communities* was undertaken by Winangali in partnership with Ipsos. Where relevant, key findings from the fieldwork have been drawn on to inform the evaluation of the effectiveness of the CDP in this report.

The remainder of this report is structured as follows:

- Chapter 2 examines program participation and attendance at Work for the Dole activities under the CDP
- Chapter 3 examines trends in financial penalties and payment suspensions, and the financial impact on participants and communities
- Chapter 4 presents findings on employment outcomes, and whether they have improved as a result of the introduction of the CDP
- Chapter 5 presents an overall discussion of findings.

2. PARTICIPATION AND ATTENDANCE

Key Points

- There were close to 33,000 people participating in the Community Development Programme (CDP) in June 2017; down from around 37,000 participants when the program commenced in July 2015. The decline in the number of program participants occurred predominantly among volunteers and those aged under 30 years.
- Close to three in four CDP participants were classified as having *moderate to extreme* barriers to employment based on the Job Seeker Classification Instrument. The high prevalence of CDP participants with barriers to employment reflects, in part, the high share of CDP participants living in very remote areas with limited labour market opportunities. This is particularly relevant for Indigenous participants, of whom 76 per cent lived in very remote communities, compared with 35 per cent of non-Indigenous participants.
- The proportion of program participants enrolled in any activity increased steadily under the Remote Jobs and Communities Program and has further increased under the CDP – from 57 per cent in June 2015 to 76 per cent in June 2017. This is consistent with the increased incentives under the CDP provider payment model to enrol, record and report attendance at activities.
- Under the CDP, attendance at Work for the Dole activities has remained fairly stable. Among those enrolled, on any given day, the majority (between 70 and 80 per cent) attend or provide a valid reason for not attending.
- On any given day, between 20 and 30 per cent of participants do not attend and do not provide a valid reason for not attending Work for the Dole activities, referred to as *invalid non-attendance*. Modelling suggests that *invalid non-attendance* is more common among those who are younger, those who are Indigenous, and some subgroups facing employment and communication barriers – including those with no post-school education, those with no private transport, and those who are not contactable by phone.
- Unidentified health issues may also play a role in explaining higher rates of *invalid non-attendance* among some, particularly Indigenous, participants. In June 2017, five per cent of activity-tested income support recipients living in CDP regions had a medical exemption, compared with ten per cent of those living in non-CDP regions. The rate of medical exemptions is lower again for those living in CDP areas who identify as Indigenous – three per cent in June 2017 – despite a higher burden of disease among Indigenous peoples and those living in remote areas.

The Community Development Programme (CDP), like its predecessor the Remote Jobs and Communities Program (RJCP), has elements of a community development and labour market program. The CDP aims to increase daily participation in community activities primarily through a program of Work for the Dole. CDP participants aged 18 to 49 years are generally expected to participate in Work for the Dole for 25 hours across a five-day week (depending on their assessed capacity to work). Participation in Work for the Dole is seen as both a pathway to employment (a means of building skills and a work-like routine) and of keeping people active and contributing to community (PMC 2016).

This chapter examines whether the CDP has been effective in increasing participation in Work for the Dole and other program activities. Changes in participants' characteristics are described, as well as the trends in the enrolment and attendance at activities.

2.1 CDP PARTICIPANTS

As at 1 January 2016, there were close to 35,000 people participating in the CDP, with the majority living in the Northern Territory, Western Australia and Queensland (Appendix A, Table A.3).¹⁴

Of these participants, around 84 per cent identified as Aboriginal and/or Torres Strait Islander. Reflecting their younger age profile (Table 2.1), a larger proportion of Aboriginal and/or Torres Strait Islander CDP participants were required to attend Work for the Dole activities – 68 per cent (as at 1 January 2016), compared to around 52 per cent of those who did not identify as Indigenous.

Over the first two years of the CDP, the number of participants (that is, the total number of people registered with a CDP provider) declined from around 37,000 in July 2015 to 33,000 in June 2017 (Figure 2.1). Most of this decline occurred in the first 12 months and was primarily due to a decline in the number of people recorded as volunteering (that is, people without a mutual obligation requirement) from around 5,000 in June 2015 to around 2,500 in June 2016 (Appendix A, Table A.4). Some of the decline in the number of people recorded as volunteering may be due to the increased administrative activity that occurs in transition between programs (including, for example, cleaning up of the program administrative data to remove non-active participants).

Among the activity-tested participants, there has also been a decrease in the number of participants who are required to attend Work for the Dole and a corresponding increase in the number who are not required to attend Work for the Dole (Figure 2.1). This is related to the changing age profile of participants – there has been a decline in the number of participants in all age groups under 50, with the largest proportional decline among those under 30 years (Appendix A, Table A.4).

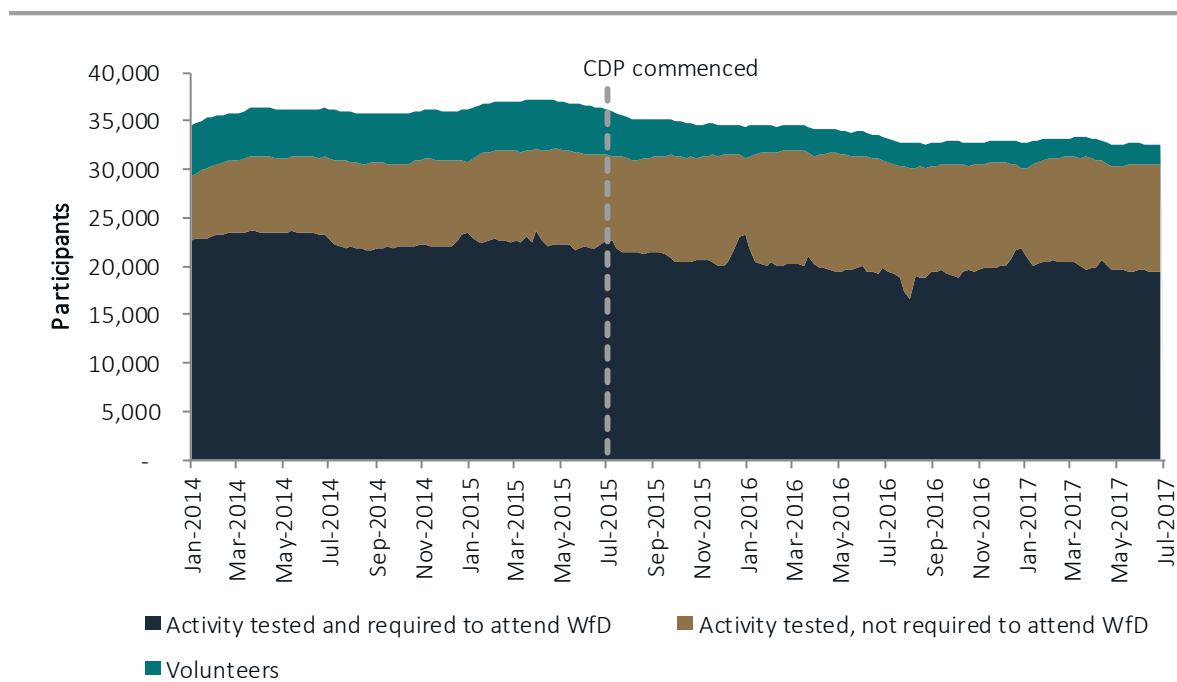
There are likely to be a range of reasons for the change in the age profile of CDP participants. Analysis in this report shows a small increase in employment outcomes among those of prime working age (Chapter 4), and a small increase in program disengagement among younger participants (that is, exits from the program without a recorded employment outcome) (Chapter 3). Other contributing factors may include increased participation in post-school education¹⁵, increased migration of young adults

¹⁴ 1 January 2016 was selected as the most appropriate time period for descriptive statistics as it is the most frequently used sampling date for analysis in this report (being the earliest date to avoid transitional issues in the administrative data).

¹⁵ Analysis of Census data (unpublished) shows that, between 2011 and 2016, there has been an increase in the proportion of adults (aged 20 to 64) who have completed post-school education in every state and territory (Indigenous and non-Indigenous).

to non-remote areas, and the changing age profile of the remote population. Between the last two Censuses, there was a decline in the Census count of people living in remote areas in every age group under 50, and an increase in the number aged over 50, consistent with the pattern for CDP participants. In addition, more people migrated out of remote areas than into remote areas, with net migration out being higher among those aged 22 or under (unpublished Census data).

Figure 2.1 The number of participants has declined since the introduction of the CDP^{a,b}



Source: PMC estimates based on unpublished Employment Services System (ESS) operational data (extracted on 5 September 2017).

Notes: (a) A small number (between 500 and 1,200 people per fortnight) of CDP participants were excluded because there was insufficient information to determine their participation requirements. (b) Spikes in the number of participants *required to attend Work for the Dole* reflect changes in the level of compliance action. Specifically, when compliance action results in the suspension of income support, an activity-tested participant's status can temporarily change from *required to attend* to *not required to attend*. Temporary changes in the number of participants *required to attend* occurred during Christmas periods (when compliance action declined) and in August 2016 (when, six months after the introduction of the revised provider payment model, comprehensive compliance assessments increased).

Table 2.1 Characteristics of CDP participants, 1 January 2016^{a,b}

	Identified as Indigenous	Non-Indigenous	Total
Total participants	28,971	5,952	34,923
Gender:			
Male	56%	58%	56%
Female	44%	42%	44%
Remoteness:^c			
Very remote Australia	76%	35%	69%
Remote Australia	21%	36%	23%
Outer regional or other	4%	29%	8%
Age:			
Less than 18 years old	3%	2%	3%
18 to 22 years	17%	11%	16%
23 to 29 years	21%	11%	20%
30 to 49 years	46%	39%	45%
50 years or older	13%	38%	17%
Time on income support over the past two decades:^d			
Less than one year	8%	11%	8%
From one to less than two years	6%	8%	6%
From two to less than five years	16%	21%	17%
Five years or more	70%	60%	69%

Source: PMC estimates based on unpublished ESS operational data (extracted on 5 September 2017) and DHS operational data (extracted on 9 October 2017).

Notes: (a) Around 380 participants were missing on remoteness of home address, 300 participants were missing on the JSCI, 170 were missing on income support duration and 500 participants were missing participation requirements. (b) Percentages do not always add to 100 due to rounding. (c) Remoteness is based on participant's home address and the ABS Australian Statistical Geography Standard. (d) Time on income support is based on the duration on income support since 1998.

CDP participants face high barriers to employment

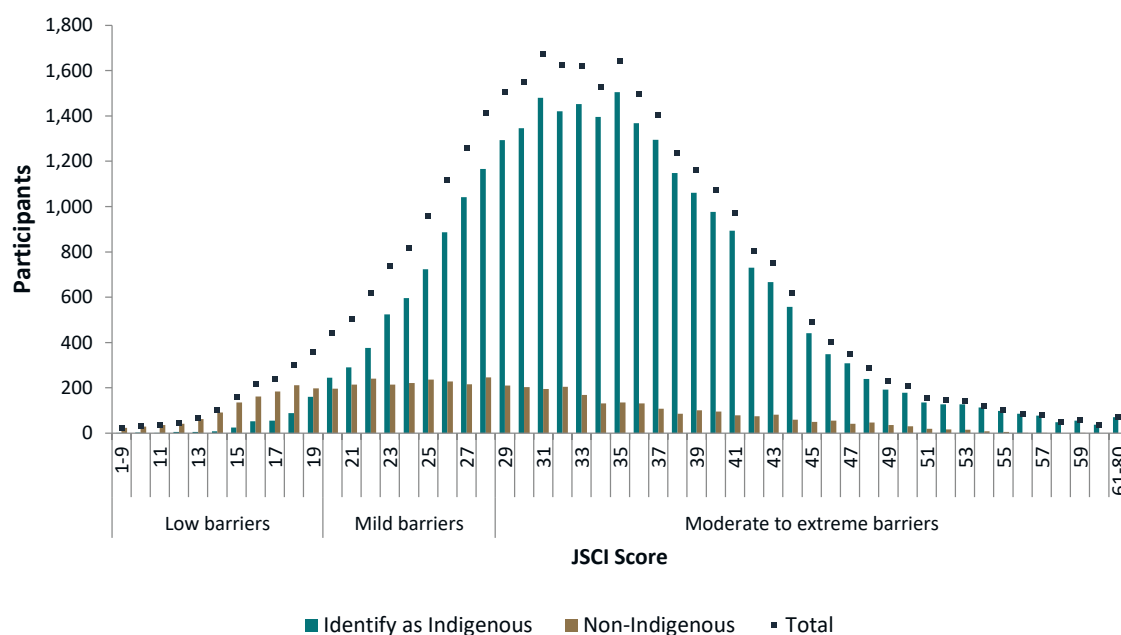
Many CDP participants face significant barriers to employment. Some 70 per cent of CDP participants have received income support for more than five out of the past twenty years (Table 2.1).

The Job Seeker Classification Instrument (JSCI) looks at a broader range of indicators to determine a participant's barriers to employment and the level of support they need to find work. These indicators include the time a participant has spent on income support as well as a number of other factors such as proximity to a labour market, age, English proficiency, access to transport, whether contactable by phone, disability, stability of residence, criminal convictions and personal factors (DJSB 2018).

Close to three in four participants were classified under the JSCI as having *moderate to extreme* barriers to employment in March 2016,¹⁶ including 77 per cent of those identifying as Aboriginal and/or Torres Strait Islander and 43 per cent of non-Indigenous participants (Figure 2.2). Only five per cent of CDP participants were classified as having *low* barriers to employment. In comparison, under jobactive, 44 per cent of participants were classified as having *moderate to extreme* barriers to employment (in March 2016), including 65 per cent of Aboriginal and/or Torres Strait Islander and 42 per cent of non-Indigenous participants (unpublished DJSB data).

One of the reasons for the high prevalence of CDP participants with *moderate to extreme* barriers to employment is their geographical location of residence, which is one of the factors that determine an individual’s likelihood of obtaining employment. Close to 70 per cent of CDP participants live in very remote Australia, with this proportion being much larger for Aboriginal and/or Torres Strait Islander participants – 76 per cent compared to 35 per cent of non-Indigenous participants (Table 2.1). Those living in more remote locations are likely to have limited labour market opportunities and more limited access to services, including health services (AIHW 2016; PC 2017a).

Figure 2.2 Distribution of CDP participants on the Job Seeker Classification Instrument (JSCI), by Indigenous status, March 2016^a



Source: Unpublished ESS operational data provided by DJSB (April 2018).

Notes: (a) Data are for CDP Participants on 31 March 2016, excluding 169 Indigenous and 40 non-Indigenous participants with a JSCI score of zero.

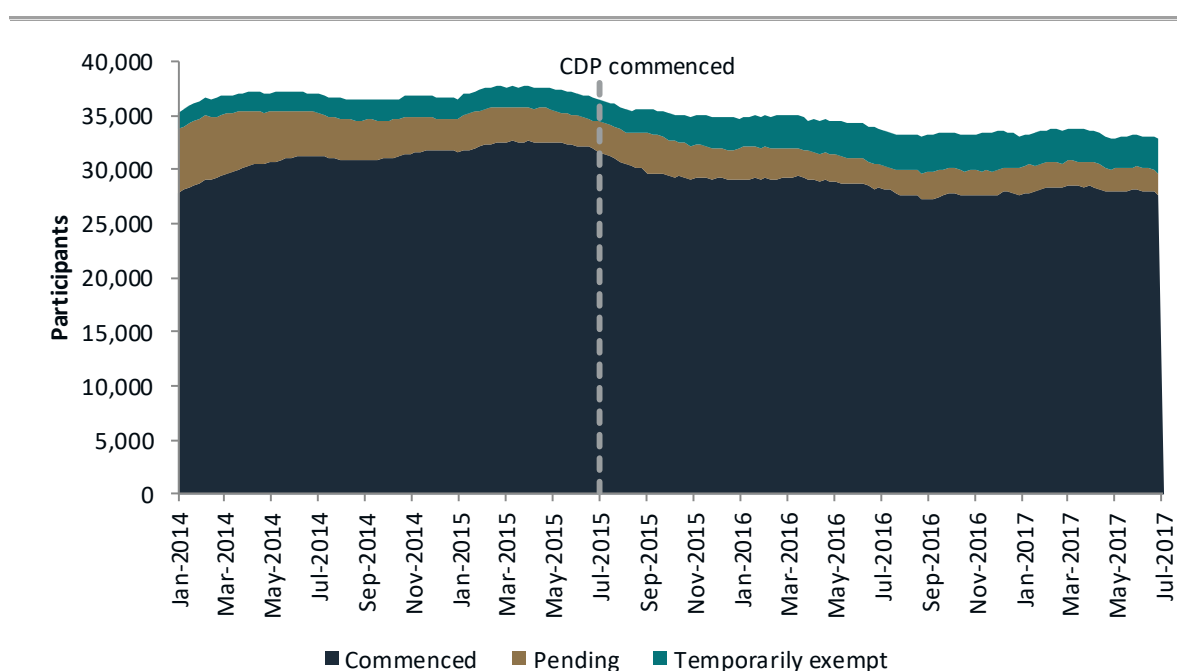
¹⁶ Participants were classified as having low barriers to employment if they had fewer than 20 points on the JSCI; mild barriers if they had 20 to 28 points; and moderate to extreme barriers if they had 29 or more points. This is consistent with the rules for classifying participants into streams under *Job Services Australia 2012-2015*.

Participant's status in the CDP

At any point in time, some CDP (and RJCP) participants will not be actively participating in the program (Figure 2.3).

- A small proportion of participants will be completing their assessment process (referred to as *pending*). Since the introduction of the CDP, at any given time typically around seven per cent of those registered with a CDP provider are pending. This is much lower, on average, than under the RJCP. The higher rate of *pending* participants under the RJCP may reflect the time taken to transition participants from the mainstream, disability and CDEP employment services to the RJCP.
- Other participants may be temporarily exempt from their activity test requirements. The Department of Human Services can provide an exemption in response to various situations or circumstances that impact an individual's ability to participate in the program (DSS 2018a, sec. 3.2.11.40).

Figure 2.3 An increasing share of remote participants are exempt from undertaking activities^a



Source: PMC estimates based on unpublished ESS operational data (extracted on 5 September 2017).

Notes: (a) Commenced are those who have completed the assessment process and signed an activity agreement (they are enrolled and expected to be actively engaged in the program), pending are those who have not yet completed the assessment process or signed an activity agreement, and temporarily exempt are those CDP participants on activity-tested payments who DHS has classified as currently exempt or temporarily not required to attend Work for the Dole.

Following the introduction of the CDP the number of participants temporarily exempt increased from around 2,000 in June 2015 to around 3,000 in June 2017 (Figure 2.3). (Due partly to the decline in the total number of CDP participants, the share of

temporarily exempt increased from around five per cent of participants in June 2015 to ten per cent in June 2017.) This increase has occurred for a range of reasons, including an increase in the number of participants who are meeting their mutual obligations through some paid work and an increase in exemptions for medical reasons (discussed further in Section 2.3) (Appendix A, Table A.5).

Analysis in this report examines outcomes for all program participants including those who were commenced, temporarily exempt or pending. This approach captures any changes in the number and composition of people participating in the program, including due to policy and program changes. However, estimates in this report (such as activity and job placement rates) may not be consistent with those reported in routine monitoring of program outcomes.

2.2 ENROLMENT IN ACTIVITIES

The proportion of total program participants enrolled in any type of activity steadily increased under RJCP and has further increased since the CDP commenced – from 57 per cent on 12 June 2015 to 76 per cent by 9 June 2017. The activity enrolment rate is highest for participants who were required to attend Work for the Dole, and has further increased for this group since the introduction of the CDP – from 59 per cent in June 2015 to around 85 per cent in June 2017 (Figure 2.4)¹⁷.

The increase in the total activity enrolment rate may be driven by the new provider payment structure and reporting requirements as well as the Work for the Dole policy change. Under the CDP payment structure, providers receive an activity payment for each Work for the Dole participant enrolled in Work for the Dole activities (conditional on the participant attending these activities). The activity payment is higher under the CDP compared to the RJCP (Chapter 1, Figure 1.2). RJCP providers were also expected to enrol participants in activities, however the payment structure was not directly linked to this outcome.

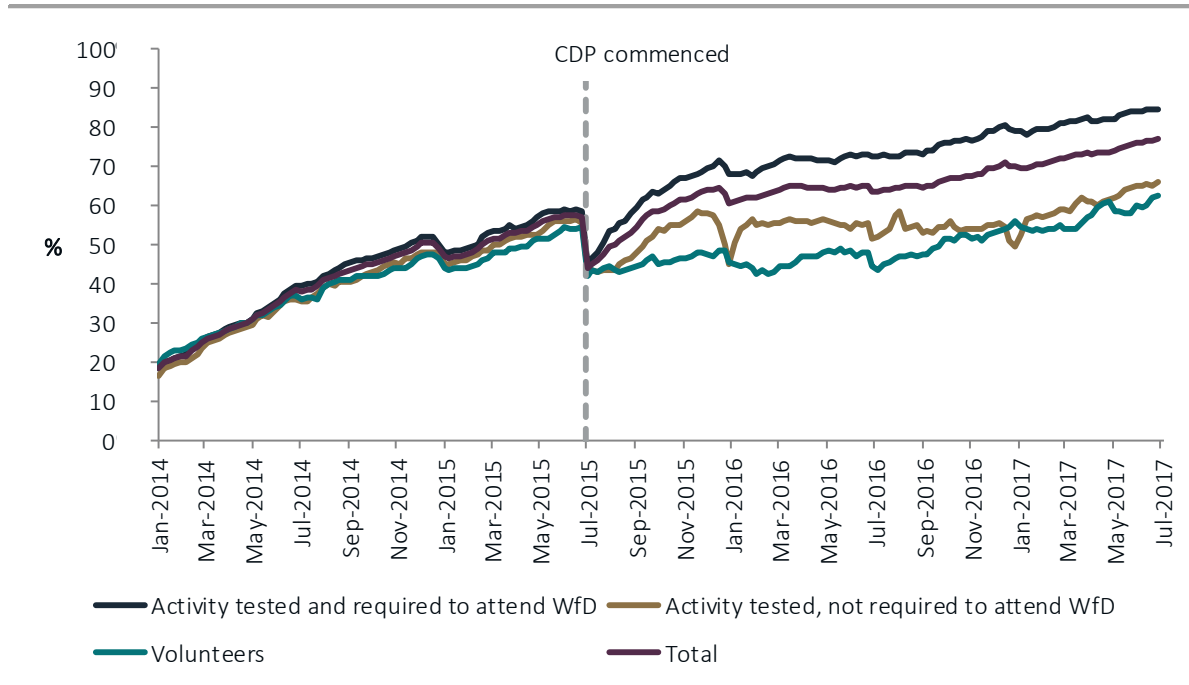
The introduction of the CDP saw changes in the share of people enrolled in activities, and a shift in the types of activities undertaken by participants.

While RJCP providers had discretion over the type of activities participants were enrolled in, Work for the Dole became the main activity through which participants meet their mutual obligation requirements under the CDP (PMC 2014b). Following the introduction of the CDP, the proportion of participants enrolled in Work for the Dole

¹⁷ Among those participants who were required to attend Work for the Dole *and* commenced in the program (i.e. not pending or temporarily exempt), more than 90 per cent were enrolled in activities by June 2017.

activities increased from 35 per cent on 12 June 2015 to 74 per cent on 9 June 2017 (unpublished Employment Services System operational data)¹⁸.

Figure 2.4 Proportion of program participants enrolled in a current activity by participation requirements^{a,b,c}



Source: PMC estimates based on unpublished ESS operational data (extracted 5 September 2017).

Notes: (a) The figure includes all RJCP and CDP participants (including those who were pending or temporarily exempt) unless their participation requirements could not be determined (due to missing data). (b) Modelling indicates that the total proportion did not have a significantly different trend after the CDP. The sharp fall in enrolments in July 2015 coincides with when the CDP commenced reflecting transition arrangements from the RJCP to the CDP. (c) Spikes in the number of participants *required to attend Work for the Dole* reflect changes in the level of compliance action. Specifically, when compliance action results in the suspension of income support, an activity-tested participant’s status can temporarily change from *required to not required to attend*. Temporary changes in the number of participants *required to attend* occurred during Christmas periods (when compliance action declined) and in August 2016 (when, six months after the introduction of the revised provider payment model, comprehensive compliance assessments increased).

The type of Work for the Dole activities that CDP participants undertake varies. In June 2017, over half were enrolled in a Work for the Dole arts, community and environment, health, support for remote housing or support for remote schooling related project. The remaining Work for the Dole participants were enrolled in education or training activities.

¹⁸ Defined to include RJCP structured activities as well as CDP Work for the Dole activities. In transition to CDP, RJCP structured activities (and some other pre-existing community activities) were converted into Work for the Dole activities.

Changes under the CDP meant that participants could only undertake vocational and non-vocational training as part of a Work for the Dole activity 'if it is a necessary or a critical component of a Work for the Dole activity or a prerequisite for a job' (PMC 2016, p.8). Overall, participation in education and training activities under the CDP appears to have increased. The proportion of participants undertaking education and training – either as a main activity or sub-activity of their Work for the Dole requirements – increased from 12 per cent in June 2015 to 26 per cent in June 2017 (unpublished ESS operational data).

The next section examines patterns of attendance at Work for the Dole activities and the factors that are associated with attendance.

2.3 ATTENDANCE AT WORK FOR THE DOLE

Prior to the commencement of the CDP, RJCP providers were not required to record attendance at activities. Focussing on the post-transition period, since January 2016, reported patterns of attendance have remained generally stable for participants enrolled in Work for the Dole activities.

On any given day, the majority (between 70 and 80 per cent) of participants enrolled in Work for the Dole either attended or provided a valid reason for not attending (Figure 2.5).

- The proportion who *attended* (including partial attendance) fluctuated between 40 and 50 per cent
- A further 30 to 40 per cent of participants had a recorded valid reason for not attending (*valid non-attendance*).

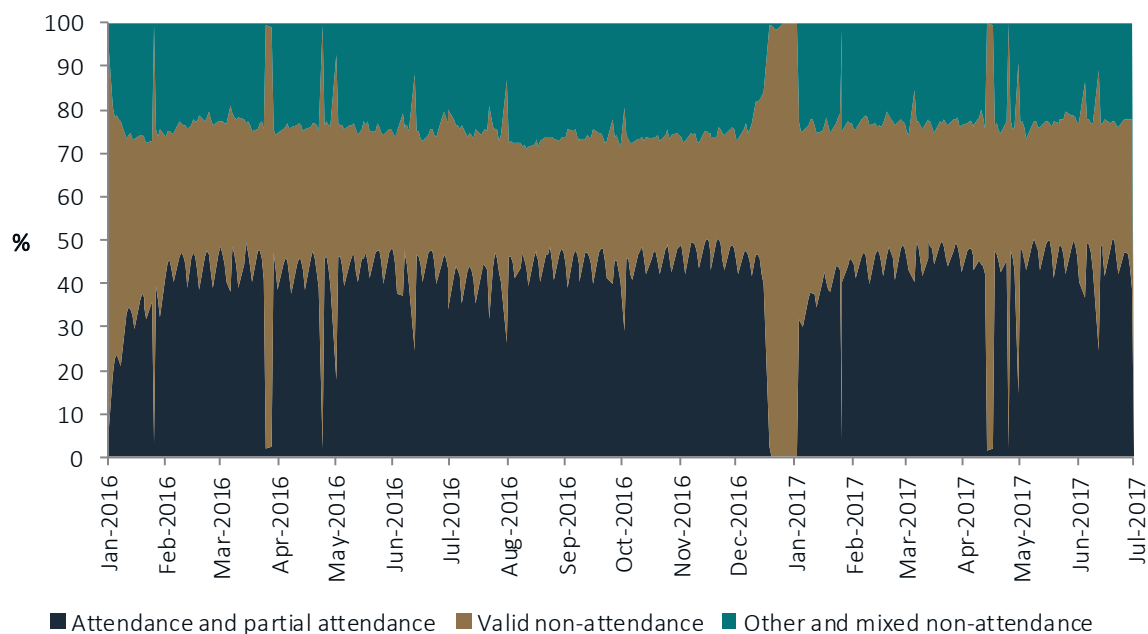
The remaining 20 to 30 per cent of participants did not provide a valid reason for not attending. This group can be further broken down into those whose non-attendance was recorded as:

- *invalid non-attendance*, where the provider determined that the participant did not have a reasonable excuse, or could not make contact with the participant to determine if they had a reasonable excuse, and initiated compliance action with the Department of Human Services (DHS)
- *did not attend discretionary*, where the provider determined that the participant did not have reasonable excuse but decided against using the compliance framework to re-engage the participant
- *did not attend*, where it has not yet been established if the participant had a valid excuse
- *mixed non-attendance*, where the participant had a combination of the above categories applied for the different morning and afternoon sessions or activities.

Invalid non-attendance comprises the vast majority (more than 98 per cent) of *other and mixed non-attendance* in Figure 2.5. Providers have some discretion as to whether to use the compliance framework to re-engage participants when they fail to attend activities

without a valid reason. That said, providers are not be paid a full service fee unless they report the instance of non-attendance to the Department of Human Services and re-engage the participant within 14 days (PMC 2018a, pp.4-5).

Figure 2.5 Daily Work for the Dole attendance rates have remained stable under the CDP^{a,b,c}



Source: PMC estimates based on unpublished ESS operational data (extracted on 2 July 2018).

Notes: (a) The first six months of the CDP are excluded as record keeping was not sufficient to accurately estimate attendance rates. (b) Estimates are based on (weekday) daily attendance data for all CDP participants with non-zero expected hours in Work for the Dole activities. Expected hours are assumed to be zero if the participant is, for example, temporarily exempt or not required to attend Work for the Dole and not volunteering. (c) Work for the Dole attendance records include two sessions per day. Participants were recorded as having ‘partial attendance’ if they attended at least one session or activity on a given day. Partial attendance affects less than 0.2 per cent of records. *Valid non-attendance* reaches 100 per cent around Christmas, Easter and on other public holidays when participants are not required to attend.

Two commonly reported reasons for *valid non-attendance* were part-time or casual employment (27 per cent in June 2017) and cultural commitments and obligations (ten per cent in June 2017) (Table 2.2). These indicators suggest that participants were often engaged in other activities in their communities.

Barriers to participation were also commonly recorded as valid reasons for non-attendance at activities, including personal or external reasons, medical or health reasons, caring duties and transport issues (representing 14 per cent, ten per cent, five

per cent and two per cent of reported reasons for *valid non-attendance* in June 2017 respectively).¹⁹

Table 2.2 Valid reasons provided for not attending Work for the Dole activities, June 2017^a

	Share of all valid non-attendance
Work related	27%
Personal or external related	14%
Medical or health related	10%
Cultural related	10%
Caring duties	5%
Transport issues	2%
Other ^b	32%
Total number of valid non-attendance records	157,013

Source: PMC estimates based on unpublished ESS operational data (extracted in March 2018).

Notes: (a) Based on CDP Work for the Dole attendance records throughout June 2017. DSS (2018 sec. 3.1.13.90) provides details on valid reasons for not attending. (b) Other includes public holidays, annual leave, and a range of other reasons the participant was not required to attend on the day (including, for example, activity cancelled or absent supervisor, in court or prison, and moving or relocated).

While most Work for the Dole participants are required to participate in activities five days per week (depending on their assessed capacity), attendance at Work for the Dole activities varies through the week and at certain times of the year. Over the course of the week, actual attendance (excluding *valid non-attendance*) is typically higher on Tuesdays and Wednesdays, with a marked dip on Fridays.²⁰ Attendance drops and *valid non-attendance* increases around Christmas, Easter and other public holidays (Figure 2.5).

In a given week, more than half of all full-time Work for the Dole participants attend or have a valid reason for not attending across the week. Specifically:

- 60 to 70 per cent attend or provide a valid reason for not attending each day
- 20 to 25 per cent have *mixed attendance* (between one and four days)
- 10 to 15 per cent of participants do not attend at all (Figure 2.6).

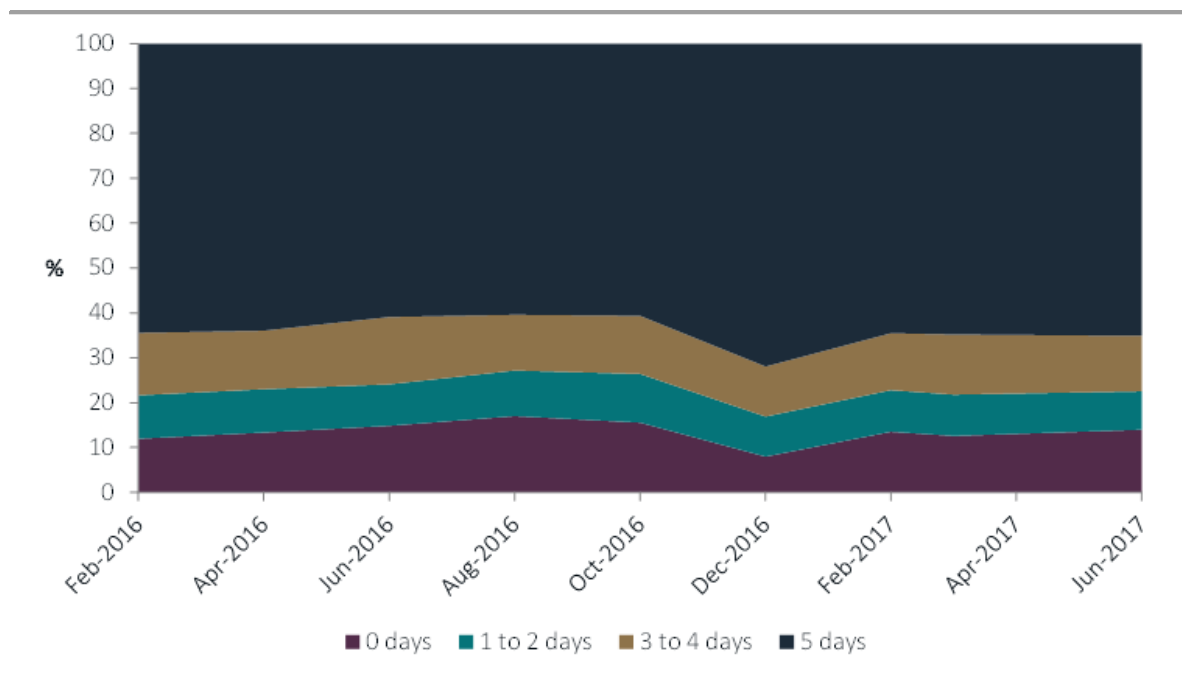
¹⁹ Similar results are observed at other times. For example, on 23 September 2016, 18 per cent of reported reasons for valid non-attendance were work related and 17 per cent were related to cultural business. A further 16 per cent were for personal or external reasons, 12 per cent were for medical and health issues, six per cent for caring duties and three per cent for transport issues.

²⁰ From 1 January 2016 to 30 June 2017, Tuesday and Wednesday had the highest attendance (with 44 per cent of participants attending on average), followed by Thursday (41 per cent), Monday (40 per cent), and Friday (37 per cent). A small number of participants attended activities on the weekends.

This analysis only captures how the attendance of individual CDP participants changes over a given week. Examining cohorts of CDP participants over a year, those with initially high attendance typically continued to have above average attendance, and those who initially have zero attendance continued to have below average attendance. For both groups, there appears to be a general trend towards the average over time.

Figure 2.6 In a given week, over half of full-time Work for the Dole participants attend daily^{a,b}

Attendance rates, including *valid non-attendance*, in selected weeks.



Source: PMC estimates based on unpublished ESS operational data (extracted on 7 November 2017).

Notes: (a) The first six months of the CDP are excluded as record keeping was not sufficient to accurately estimate attendance rates. Estimates are based on daily attendance data for all CDP participants with non-zero expected hours in Work for the Dole activities. Expected hours are assumed to be zero if the participant is, for example, temporarily exempt, or not required to attend Work for the Dole and not volunteering. Work for the Dole activity records include two sessions per day. Participants were recorded as having *partial attendance* if they attended at least one session or activity on a given day. *Partial attendance* affects only a small number of records. (b) Selected weeks are around two months apart (avoiding public holidays). High attendance in December 2016 is due to a high level of *valid non-attendance* (approved leave) during this period.

Factors that affect attendance at Work for the Dole

While the overall attendance rate at Work for the Dole activities is stable over time, there is considerable variation in attendance between regions and between individuals.

A range of factors are likely to affect an individual's attendance and participation in Work for the Dole. The quality of activities, and how well activities are matched with participant's skills, interests, motivations and circumstances, can affect attendance and participation in Work for the Dole (Social Research Centre 2015).

Barriers to employment such as disability, poor physical and mental health, caring responsibilities and transport issues are also potential barriers to participating in Work for the Dole activities (OECD 2017; Social Research Centre 2015; Ziguras and Kleidon 2005). Under CDP, these employment barriers were often reported as valid reasons for non-attendance at Work for the Dole, with medical or health reasons, caring duties, and transport issues together accounting for 17 per cent of all valid reasons for non-attendance in June 2017 (Table 2.2).

Modelling suggests an association between the characteristics and circumstances of CDP participants and their attendance at activities (Table 2.3 and Appendix B).²¹ Two attendance outcomes were modelled:

- the proportion of a participant's attendance records over a year (2016) that were recorded as *attended*
- the proportion of a participant's attendance records over a year (2016) that were recorded as *invalid non-attendance*. (The majority of remaining attendance records were recorded as *valid non-attendance*.)

While the quality of activities provided are likely to be an important influence on attendance (Winangali and Ipsos 2018), only individual and provider characteristics available in the administrative data were examined in these models.

Modelling showed that attendance is lower, and *invalid non-attendance* higher, among some subgroups of CDP participants with barriers to participation and/or employment. These groups include younger people, people with a prior sentence or conviction, people who had been unemployed for one month or longer (compared to those unemployed for a shorter duration), and people who were not contactable by phone for significant periods over the reference year (Table 2.3).

However, people who had both a disability and an identified need for support at work were more likely to attend activities, and less likely to have *invalid non-attendance*, than those without a disability (an estimated two percentage points higher and three percentage points lower respectively). This group is likely to have fewer required hours and may have more clear evidence to support a *valid* reason when they do not attend.

Invalid non-attendance was higher among those without their own transport, and lower among primary carers and those with post-school education (compared to Year 12). None of these characteristics had a significant effect on attendance.

²¹ To test the robustness of the results, the models were replicated using a different sample date for participants, from the same dataset. The results were largely similar.

Table 2.3 Estimated effects from the attendance models^a

Activity-tested income support recipients participating in CDP on 1 January 2016. The analysis is limited to those with at least one attendance record in 2016.

Participant characteristic	Estimated percentage point change	
	Attended	Invalid non-attendance
Identified as Indigenous (compared with non-Indigenous)	0.4	3.8*
Disability status (compared with No disability)		
Disability with an identified support need	2*	-3*
Disability with no identified support need	-0.7	0.1
Poor/Mixed English (compared with Good English)	0.5	0.5
Level of education (compared with Year 12)		
Below Year 10	0.03	-0.1
Years 10-11	-0.2	0.3
Trade/Vocational/Diploma/Degree	0.9	-2.1*
Has been convicted or sentenced (compared with No criminal history)	-1.8*	1.4*
Provider organisation: Indigenous (compared with Non-Indigenous)	-1.4	2.2
Female (compared with Male)	-2.5*	-0.5
Age group (compared with 25 to 34 years)		
15 to 24 years	-2.6*	3.9*
35 to 44 years	3.5*	-3.5*
45 to 54 years	12*	-12*
55 years and over	21*	-19*
Duration unemployed (compared with 1 to 6 months)		
Less than 1 month	1.6*	-1.4*
6 months to 1 year	0.2	0.002
1 year or more	0.2	0.5
Share of the year that the person had:^b		
No transport ^c	-0.6	3.3*
Public or other private transport ^c	-0.5	2.3*
Parent of a child aged 15 years or under	-1.1*	-0.1
Primary carer	-1.1	-3*
Homeless	-1.1*	0.5
Not contactable by phone	-1.4*	2.9*
Activity tested and required to attend Work for the Dole	2*	-18*
Total days actively participating (commenced) in the program	0.1*	-0.02*
Remoteness index	-0.3*	-0.2

Source: Unpublished ESS operational data (extracted on 15 August 2017) and unpublished DHS operational data (extracted from determination and circumstance files on 21 August 2017).

Notes: (a) The values report the estimated percentage points added or lost to the rate of attendance or non-attendance with no valid reason. (b) Proportion of the total days that the participant was actively participating (commenced) in the program. (c) There are three categories of transport availability recorded: 'owns transport'; 'public or other private transport'; and 'no transport'. Estimates marked as * are statistically significant at the five per cent level.

Given lack of access to transport is a valid reason for not attending activities (Table 2.2), the estimated association between lack of transport and *invalid non-attendance* may be picking up a broader socio-economic effect (such as, lack of access to resources). Only one in five CDP participants owned their own private transport. In more remote areas, the proportion of participants who owned their own transport was lower, and the proportion reporting no transport was higher (around two-thirds in the most remote areas). In these areas, some providers offered transport services to activities if necessary.

Participants living in more remote areas, parents, people who spent more of the year homeless, and women (compared to men) were less likely to attend, but these characteristics were not associated with a higher chance of *invalid non-attendance*.

After controlling for other demographic factors and the region that CDP participants live in, those identifying as Indigenous were estimated to have a higher proportion of *invalid non-attendance* (3.8 percentage points higher) than those who did not identify as Indigenous. This result could reflect a range of barriers that are not well captured in the administrative data, including communication and health barriers.

Qualitative data from eight remote communities collected as part of the fieldwork evaluation by Winangali and Ipsos (2018, pp. 12, 97) suggests that some CDP participants fail to provide a valid reason for not attending because they do not fully understand the compliance rules and have difficulty communicating with Centrelink or their provider. The characteristics associated with higher invalid attendance here may actually represent groups with more difficulty communicating with Centrelink or their provider.

Some CDP participants may also have health barriers that are not well captured in the CDP administrative system. Barriers to participation due to health issues may be particularly relevant for CDP participants identifying as Indigenous. Indigenous Australians tend to suffer a higher burden of disease (including higher rates of chronic and preventable illnesses and a higher likelihood of being hospitalised) than the non-Indigenous population (AIHW 2016). Despite their higher burden of disease, as outlined below, those identifying as Indigenous, and those living in remote locations, have lower rates of medical exemptions under the CDP.

Attendance and medical exemptions in remote Australia

Based on their research in eight remote communities, Winangali and Ipsos (2018) found that health issues play a role in explaining why some CDP participants are penalised for non-attendance. More specifically, stakeholders that participated in the fieldwork reported that some participants had undetected health barriers due to lack of adequate assessments (Winangali and Ipsos 2018, pp. 12, 55).

This is supported by exemptions data. Exemptions from mutual obligations are provided by the Department of Human Services for activity-tested income support recipients under a number of circumstances (for both the CDP and mainstream jobactive employment services).

In June 2017, a smaller share of income support recipients living in CDP regions had a medical exemption from mutual obligation requirements than those living in non-CDP regions. Five per cent of activity-tested income support recipients living in CDP regions had a medical exemption, compared with ten per cent in non-CDP regions (Table 2.4). The rate of medical exemptions is lower again for those living in CDP areas who identify as Indigenous – three per cent in June 2017.

This is in spite of the relatively high burden of disease among those living in remote and very remote Australia. People living in rural and remote Australia tend to have higher rates of disease and injury, and poorer access to health services compared with people living in Major cities (AIHW 2016). This particularly affects the Indigenous population for whom the rates of potentially preventable hospitalisation are three times higher than the non-Indigenous population. Indigenous rates of potentially preventable hospitalisation are highest in remote areas (3.7 times higher in very remote areas and 4.6 times higher in remote areas) (AHMAC 2017).

Unidentified health issues among Indigenous CDP participants may be contributing to the higher rates of *invalid non-attendance* at Work for the Dole activities found above, and the associated likelihood of receiving a penalty (discussed in Chapter 3).

Table 2.4 Medical and other activity test exemptions are lower in remote areas, especially for Indigenous people, June 2017^a

	Recipients living in a CDP region			Recipients living in a non-CDP region
	Very remote	Remote and outer regional	Total	
Share of recipients with any exemption^b:				
Identifying as Indigenous	7%	12%	8%	14%
Non-Indigenous	10%	14%	12%	14%
Total	8%	13%	9%	14%
Share of recipients with a medical exemption:				
Identifying as Indigenous	3%	6%	3%	9%
Non-Indigenous	5%	10%	8%	10%
Total	3%	8%	5%	10%
Total recipients	18,763	8,434	27,197	859,158

Source: PMC estimates based on unpublished DSS payment and demographic data for 30 June 2017.

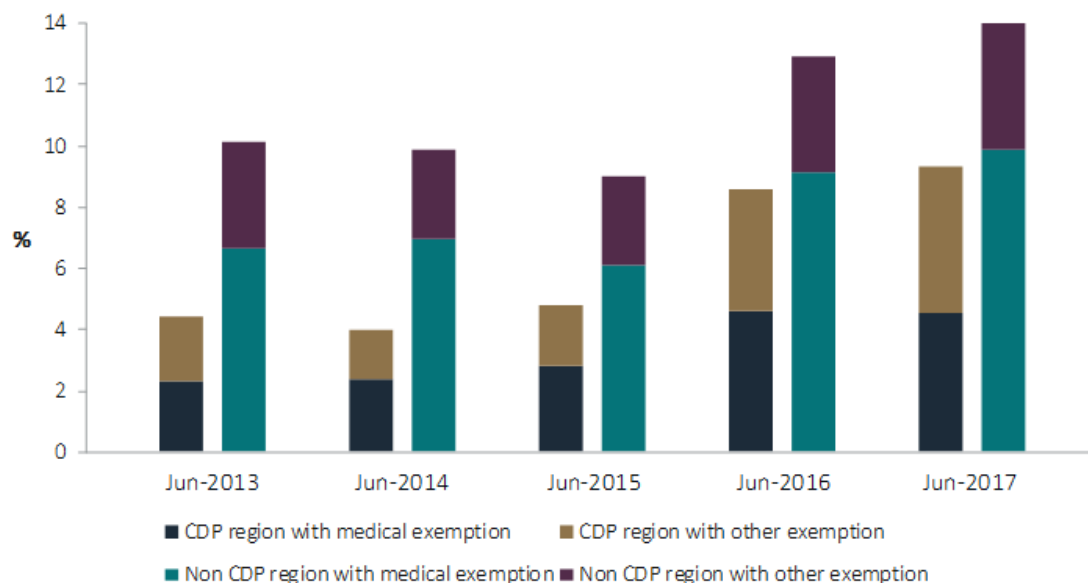
Notes: (a) Base population includes all activity-tested income support recipients in CDP and non-CDP regions. (b) Other than for medical reasons, people may be exempt from the activity test for a range of reasons including caring responsibilities; major personal crisis; being affected by declared natural disaster; or undertaking Indigenous cultural business (DSS 2018a, Sec. 3.2.11).

While exemptions from mutual obligations have increased in CDP regions since 2015, the exemption rate is still far below that in non-CDP regions (Figure 2.7). Lower rates of medical exemptions in CDP regions could be driven by limited access to medical services in remote and very remote areas, as medical exemptions can only be obtained with an approved medical certificate signed by a medical practitioner (DSS 2016, sec.

3.5.1.220).²² Looking at the rate of medical exemptions by remoteness, the more remote the location, the lower the rate of medical exemptions from mutual obligation requirements (Table 2.4).

Better assessments of CDP participants could play a role in ensuring that activity requirements adequately account for participants' circumstances and that potential barriers to participation are better identified. This could include increased access to medical assessments by qualified practitioners.

Figure 2.7 Medical and other activity test exemptions^{a,b}



Source: PMC estimates based on unpublished DSS payment and demographic data for the last Friday of each financial year.

Notes: Base population includes all activity-tested income support recipients in CDP and non-CDP regions. (b) Other than for medical reasons, people may be exempt from the activity test for a range of reasons including: caring responsibilities; major personal crisis; being affected by declared natural disaster; or undertaking indigenous cultural business (DSS 2018a, Sec. 3.2.11). A recipient may have more than one exemption, and in the case where any of these exemptions is due to medical reasons they will only be shown in the 'with medical exemption' category.

2.4 PARTICIPATION IN ACTIVITIES

One of the primary objectives of the CDP was to increase daily participation in work-like activities through a program of 'continuous' – year round, week round – Work for the Dole.

The proportion of program participants enrolled in any type of activity steadily increased under RJCP and has further increased under the CDP. Consistent with program requirements, by June 2017 this included the vast majority (85 per cent) of participants

²² Longer-term medical exemptions also require an Employment Services Assessment (ESAt) conducted by a health or allied health professional (DSS 2016, sec. 3.5.1.220).

who were required to attend Work for the Dole and almost 70 per cent of those who were activity tested but not required to attend Work for the Dole.

Being enrolled in an activity (Work for the Dole or otherwise) does not necessarily mean that participants will attend activities and, if they do attend, will actively participate in the program. A range of factors – including the quality of activities and how well activities are matched with participant’s skills, interests, motivations and circumstances – are likely to affect individuals’ attendance and participation in Work for the Dole.

Under the CDP, attendance at activities has remained stable, with the majority of Work for the Dole participants (between 70 and 80 per cent) either attending or providing a valid reason for not attending on any given day; and 60 to 70 per cent of full-time Work for the Dole participants attending (or having a *valid non-attendance* reason) every day of the week.

On any given day, between 20 and 30 per cent of participants do not attend and do not provide a valid reason for not attending Work for the Dole activities. *Invalid non-attendance* means that participants are deemed to have not met their mutual obligation requirements and can lead to a suspension of income support payments and potential financial penalties (discussed further in Chapter 3). Modelling of attendance rates suggests that *invalid non-attendance* is more common among younger participants, those with no post-school education, those with no private transport, and those who are not contactable by phone.

As outlined above, communication and unidentified health barriers may be important in explaining high rates of *invalid non-attendance* among CDP participants identifying as Indigenous. Better assessments of CDP participants – including increased access to medical assessments – could play a role in helping to ensure that activity requirements better account for participants’ circumstances.

3. SUSPENSIONS AND PENALTIES

Key Points

- The number of payment suspensions and financial penalties applied to remote employment program participants increased steadily under the Remote Jobs and Communities Program (RJCP) and the Community Development Programme (CDP), before stabilising in early 2016. Since January 2016, in any one quarter, approximately 60 per cent of CDP participants recorded at least one suspension, and a third of CDP participants experienced at least one penalty.
- There is considerable variation among participants in the proportion of Australian Government payments lost to penalties. Around half of those penalised lost less than five per cent of their quarterly Australian Government payments. Since mid-2016, however, just under one in ten penalised participants lost twenty per cent or more of their payments over the quarter – this equates to between two and three per cent of all CDP participants.
- Young people and men were more likely to be penalised. Younger participants under 35 years old, also lost more of their income support payments to financial penalties. The probability of being penalised and the total value of penalties applied is also higher for some groups with barriers to participation, including those with low education levels, longer durations unemployed, mixed or poor English literacy, without private transport, or not contactable by phone.
- Penalties may lead to a slight improvement in subsequent attendance at Work for the Dole activities among some CDP participants. The most highly penalised CDP participants in the first quarter of 2016 increased their subsequent attendance rate over the year by seven percentage points, but their attendance was still well below average. Over the year, this group lost, on average, ten per cent of their annual income support payments in penalties.
- While some program participants may respond to penalties by increasing their attendance, others may *disengage* from the program for a period. Indicative analysis suggests that the proportion of CDP participants who *disengaged* from the program and income support system without a recorded employment outcome increased by around one percentage point between the RJCP and the CDP. The reasons for *disengagement* cannot be determined from available data.
- Of those CDP participants penalised in the first quarter of 2016, around six per cent *disengaged* over the subsequent year. Young men were disproportionately represented in this group. Most of these *disengaged* participants returned to the income support system over the following year, spending an average of three months off income support. However, 14 per cent spent over a year off income support.

A participant can be deemed to have not met their mutual obligations for failing to attend an appointment, activity or job interview, or for failing to sign a job plan or to accept a suitable job (without a valid reason). Under the compliance framework, which applies to all Australian activity-tested income support recipients, if a participant fails to fulfil their mutual obligation requirements then their income support payments may be suspended until they re-engage with their employment provider. Even after re-engaging, participants can face financial penalties.

When an employment provider reports a failure to DHS, the participant's income support payments are automatically suspended. Participants with a suspension are required to re-engage with their provider and/or contact DHS to discuss the reasons. DHS decides whether to apply a penalty based on the rules set out in social security law. A failure is only investigated by Department of Human Services (DHS) if reported by the Community Development Programme (CDP) provider.

This chapter examines trends in suspensions and financial penalties for CDP participants and the regional and individual financial impact of penalties.

Box 3.1 Program changes during the study period

The compliance framework

The compliance framework applies to all Australian jobseekers, including those in regional and metropolitan areas who are serviced by jobactive. During the study period, a number of measures were introduced for providers to re-engage participants when they fail to attend compulsory provider appointments.

First, from 1 July 2014, providers have been able to submit a report to DHS to indicate that the participant has failed to attend an appointment. These *Non-attendance Reports* result in automatic suspension of the participant's income support payment until the participant attends a re-engagement appointment with their provider or compliance action ceases for another reason.

Second, a 'suspend until attend' policy was also introduced at the start of 2015. Unlike the previous Remote Jobs and Communities Program, participant's income support payments remain suspended until they attend a subsequent appointment, not just agree to attend.

Finally, from 1 July 2015, providers have also been able to recommend a financial penalty when, in the view of the providers, the participant has not provided a satisfactory reason for non-attendance at a provider appointment.

Provider incentives

Under the Community Development Programme (CDP), changes were made to the provider payment model that increase provider incentives to use the *compliance framework* to re-engage participants.

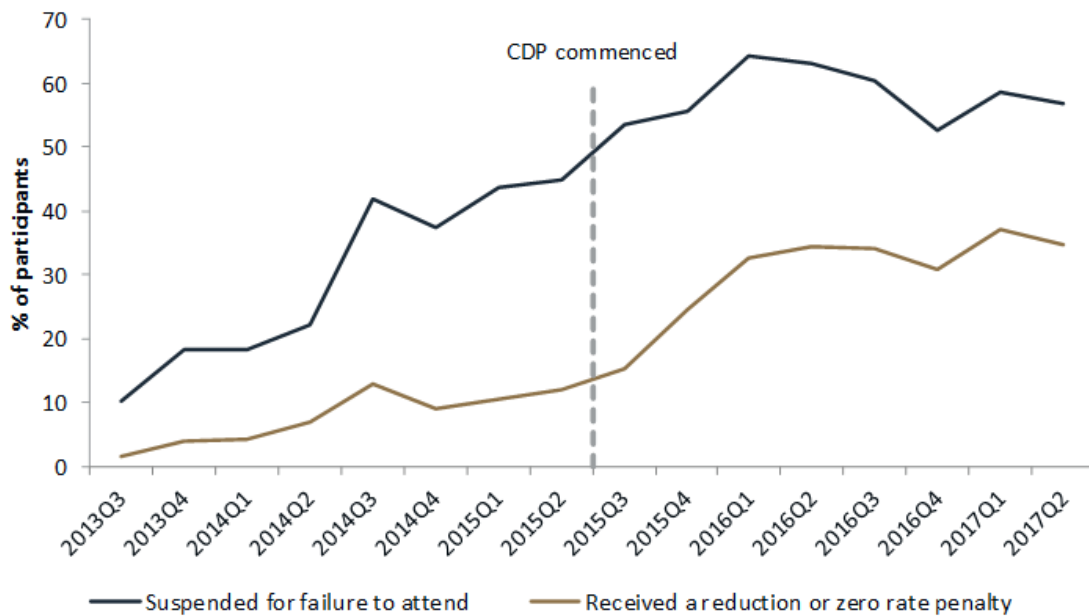
As noted in Chapter 2, CDP providers have some discretion as to whether to use the *compliance framework* to re-engage participants. However, when activity-tested Work for the Dole participants fail to attend their activities and do not provide a valid reason, the provider will not be paid a full service fee for the participant (for the period) unless they report the instance of *invalid non-attendance* to Department of Human Services, and re-engage the participant within 14 days (PMC 2018a, pp.4-5).

3.1 TRENDS IN SUSPENSIONS AND PENALTIES

The number of payment suspensions and financial penalties applied to remote employment program participants increased steadily under the Remote Jobs and Communities Program (RJCP) and the CDP, before stabilising in early 2016 (Figure 3.1).

Since January 2016, in any one quarter of the year, around 60 per cent of CDP participants experienced at least one payment suspension and approximately a third experienced at least one penalty.²³

Figure 3.1 Participants who received at least one income support payment suspension or penalty in a quarter, under RJCP and CDP^{a,b}



Source: PMC estimates based on unpublished ESS operational data (extracted on 15 August 2017) and unpublished DHS operational data (extracted from determination and circumstance files on 20 November 2017 and 21 August 2017).

Notes: (a) Estimates of the proportion of participants experiencing a suspension or penalty each quarter are derived by dividing the number of individuals with a suspension or penalty in the quarter by the total number of CDP participants at the beginning of each quarter. (b) Reductions and zero-rate penalties are penalties that reduce or stop a participant’s income support payment. (Penalty types are discussed in more detail below).

Some suspensions may be lifted before the participant’s next pay period. For this reason, it is not clear how many of these recorded suspensions have actually resulted in a delay in a participant’s income support payment. A delay in income support payments, where suspensions are applied, may have a financial impact on CDP participants.

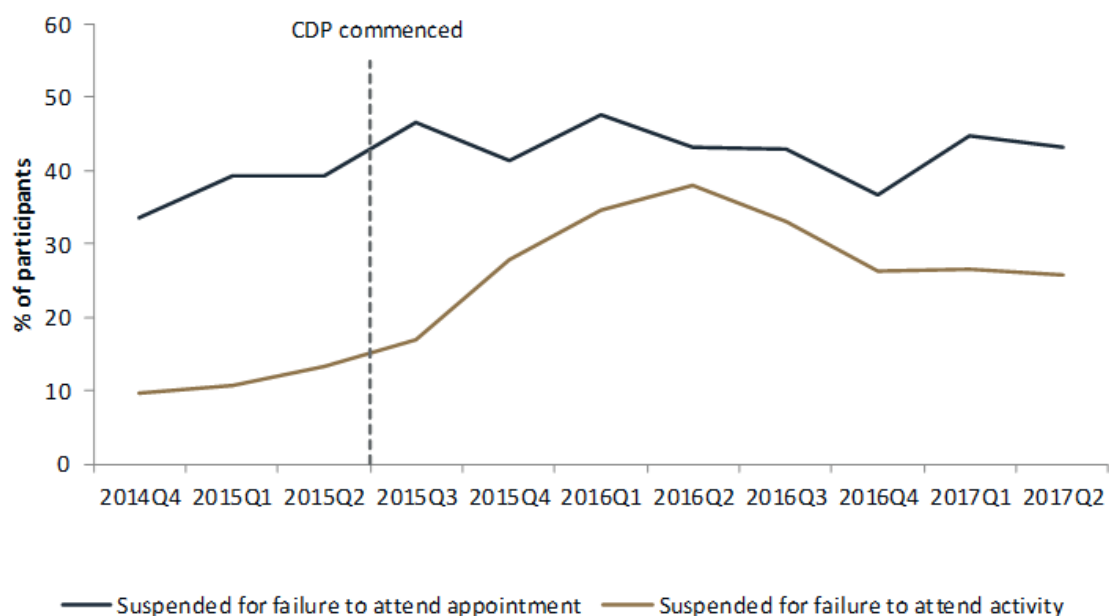
Before the CDP commenced, the share of remote participants penalised or suspended (per quarter) had been rising steadily.

²³ There is some seasonal variation in reduction penalties (penalties that reduce a participant’s income support payment), with fewer being applied in the fourth quarter of each year due to approved leave around Christmas.

The proportion suspended rose by ten percentage points in the six months prior to the commencement of the CDP. Suspensions then rose by about the same amount over the sixth month period after commencement, before levelling off from the start of 2016. The rise in suspensions since the introduction of the CDP was largely driven by failures to attend *activities* (Figure 3.2).

The proportion penalised rose by about five percentage points in the six months prior to the commencement of the CDP. After commencement, penalties accelerated – there was a rise of over 15 percentage points during the initial six months of the program, before also levelling off in 2016. Changes introduced under the CDP – including additional Work for the Dole requirements and greater incentives for providers to utilise the compliance framework to maximise attendance at Work for the Dole activities (see discussion of provider incentives in Box 3.1) – may have contributed to the increase in penalties.

Figure 3.2 Share of participants suspended from income support payments due to failure to attend appointments or activities^a



Source: PMC estimates based on unpublished ESS operational data (extracted on 15 August 2017) and unpublished DHS operational data (extracted from determination and circumstance files on 20 November 2017).

Notes: (a) Estimates are derived by dividing the number of individuals with a suspension each quarter by the total number of CDP participants at the beginning of each quarter.

The proportion of participants suspended due to failure to attend *appointments* (with a provider or third party) was almost as high in the RJCP period as in the CDP period. While estimates for the first 12 months of the RJCP are excluded from Figure 3.2 due to incomplete data for this period, suspensions due to failure to attend provider appointments increased in the middle of 2014. This coincides with the introduction of the *Non-attendance Report*, which allowed providers to submit a report to DHS to indicate that the participant had failed to attend an appointment, resulting in automatic suspension of the participant (Box 3.1).

Under CDP, the increase in penalties has also largely been driven by an increase in failures to attend *activities*, referred to as ‘No Show No Pay’ failures. The proportion of payments lost depends on the number of days the participant fails to attend or engage with their provider. Participants receive one *No Show No Pay* penalty for each day they fail to attend as required. For each *No Show No Pay* penalty, participants lose ten per cent of their fortnightly income support payment (equivalent to the loss of income support payments for a single business day).

No more than three *No Show No Pay* penalties can be applied in any fortnightly period, as three applied failures of any kind within a six-month period will automatically trigger a Comprehensive Compliance Assessment (CCA), and no further penalties can be applied while a CCA is being undertaken. A CCA is a holistic assessment undertaken by a DHS officer, to determine why a participant is not meeting their Mutual Obligation requirements, including if there are unidentified barriers preventing the participant from meeting their requirements. If the participant is found to have been deliberately and persistently non-compliant, a *serious failure* penalty may be applied (discussed below).

For appointment related failures, participants lose ten per cent of their fortnightly income support per day until they attend a new appointment with their provider (PMC 2018a). It is possible for a participant to lose income support continuously for a fortnight or longer due to appointment related failure(s), however this is not common.

The other type of penalty that can be applied is a *serious failure* penalty, which can result in the participant’s income support payment being stopped for up to eight weeks. Three main situations may lead to a *serious failure* penalty: failure to accept or commence in suitable employment; leaving suitable employment voluntarily or being dismissed for misconduct; and persistent non-compliance (that is, repeated failures to attend appointments, job interviews or activities or refusing to enter into a Job Plan).

A participant can avoid or shorten a *serious failure* financial penalty by agreeing to undertake a compliance activity (DSS 2018a, sec. 3.1.12.40), which typically involves undertaking Work for the Dole for 25 hours per week. As most CDP participants are already required to undertake Work for the Dole for 25 hours per week, they can meet this requirement through re-engaging in activities.

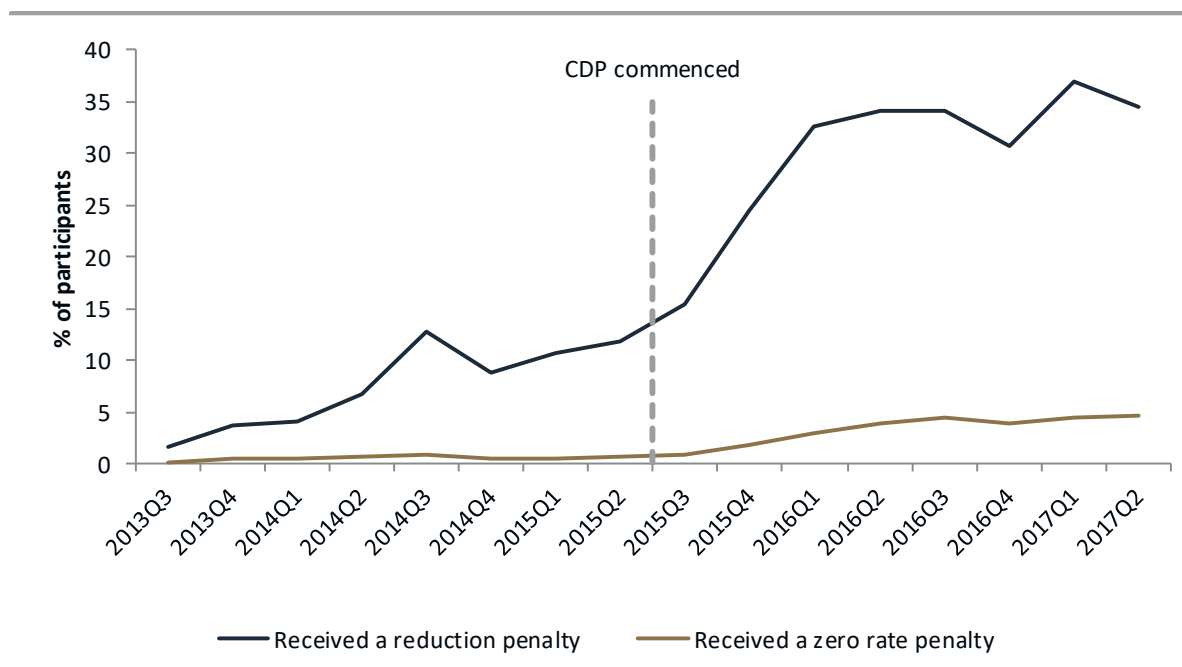
In the following analysis, penalties have been grouped into two broad categories:

- *Reduction penalties* where there has been a reduction in the participant’s income support payment due to *No Show No Pay* or appointment-related failures²⁴
- *Zero-rate penalties* where the participant’s income support payment has been stopped (reduced to zero) for a period as a result of a *serious failure* breach.

²⁴ These are usually referred to as ‘short term’ penalties in the Department of Jobs and Small Business compliance reports.

Since January 2016, in any one quarter of the year, approximately a third of CDP participants received at least one reduction penalty. Between three and five per cent received at least one zero-rate penalty (Figure 3.3).²⁵

Figure 3.3 Share of participants receiving at least one reduction or zero-rate penalty in a given quarter, under the RJCP and CDP^a



Source: PMC estimates based on unpublished ESS operational data (extracted on 15 August 2017) and unpublished DHS operational data (extracted from determination and circumstance files on 20 November 2017 and 21 August 2017).

Notes: (a) Estimates are derived by dividing the number of individuals with a penalty in the quarter by the total number of CDP participants at the beginning of each quarter.

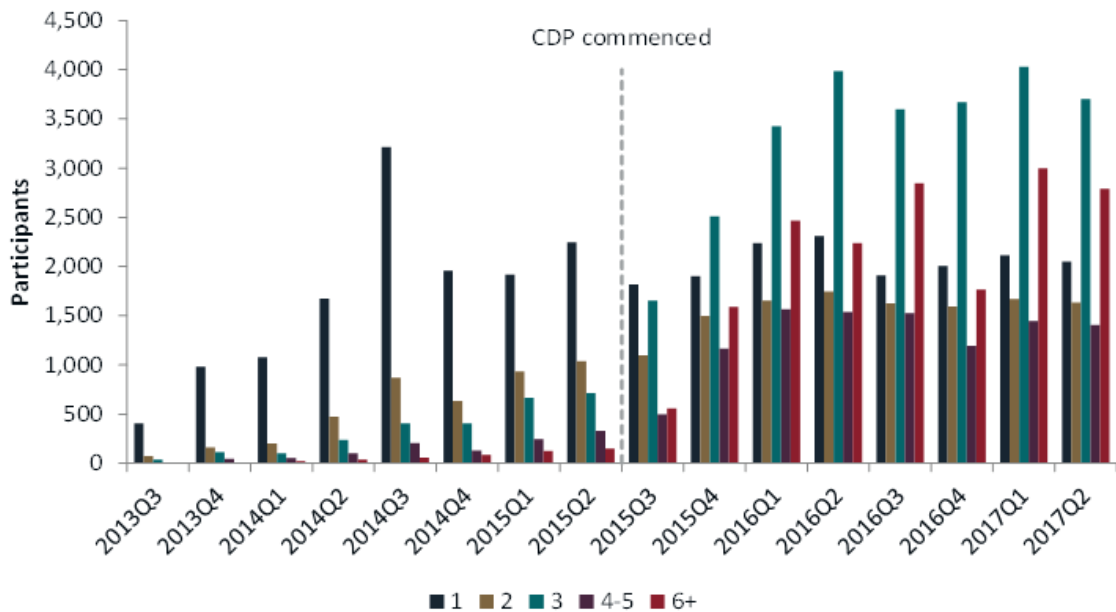
Looking over a longer time period, over half (60 per cent) of those participating in the CDP at the beginning of 2016 received one or more reduction penalties over the following year, and about one fifth experienced a zero-rate penalty.

Under the RJCP, one reduction penalty per quarter was the most common frequency per participant. However, Figure 3.4 shows a large increase in the number of people experiencing multiple reduction penalties per quarter, following the introduction of the CDP (since September quarter 2015).

Most CDP participants experience no more than one zero-rate penalty per quarter, however, a small proportion of have experienced two or more in a single quarter (about ten per cent of participants each quarter since CDP commenced).

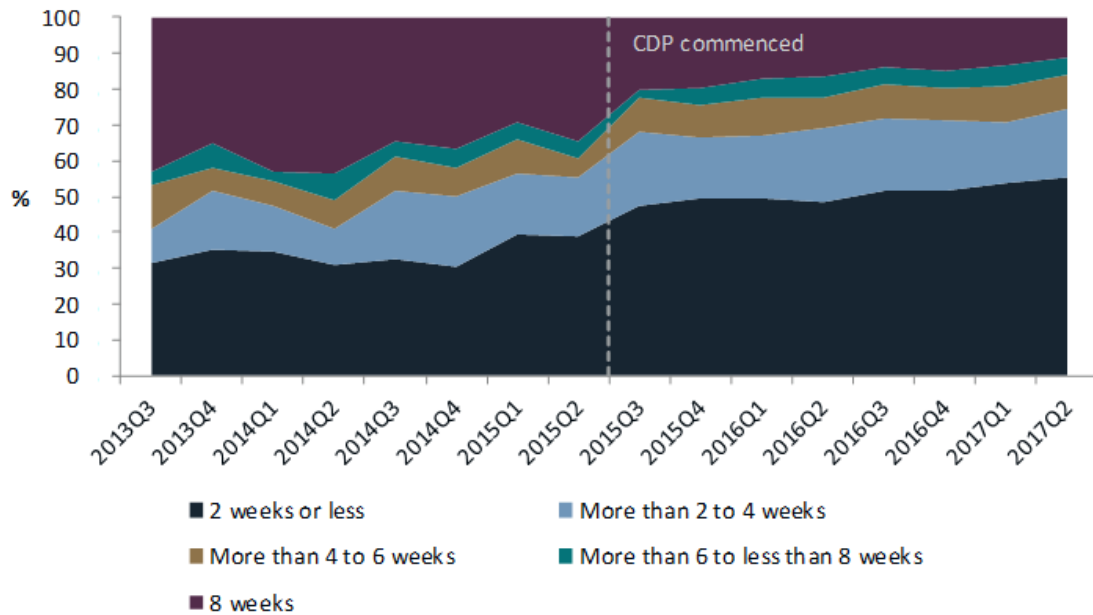
²⁵ The number of zero-rate penalties reported in this analysis may be lower than the number of *serious failure* penalties published by the Department of Jobs and Small Business, because many of the ‘applied’ *serious failures* reported in the Department of Jobs and Small Business reports do not result in a financial penalty being served.

Figure 3.4 The number of participants receiving multiple reduction penalties each quarter has increased under the CDP



Source: PMC estimates based on unpublished DHS operational data (extracted from determination and circumstance files on 21 August 2017).

Figure 3.5 Length of zero-rate penalties by weeks



Source: PMC estimates based on unpublished DHS operational data (extracted from determination and circumstance files on 21 August 2017).

While zero-rate penalties can be applied for up to eight weeks, the majority are shorter, because the CDP participant agrees to re-engage before the eight-week period is reached. Under the CDP, most applied zero-rate penalties (47 per cent to 54 per cent

per quarter) lasted up to two weeks, and the proportion that lasted the full eight weeks (Figure 3.5) decreased markedly. In 2016, a zero-rate penalty lasted 23 days on average.

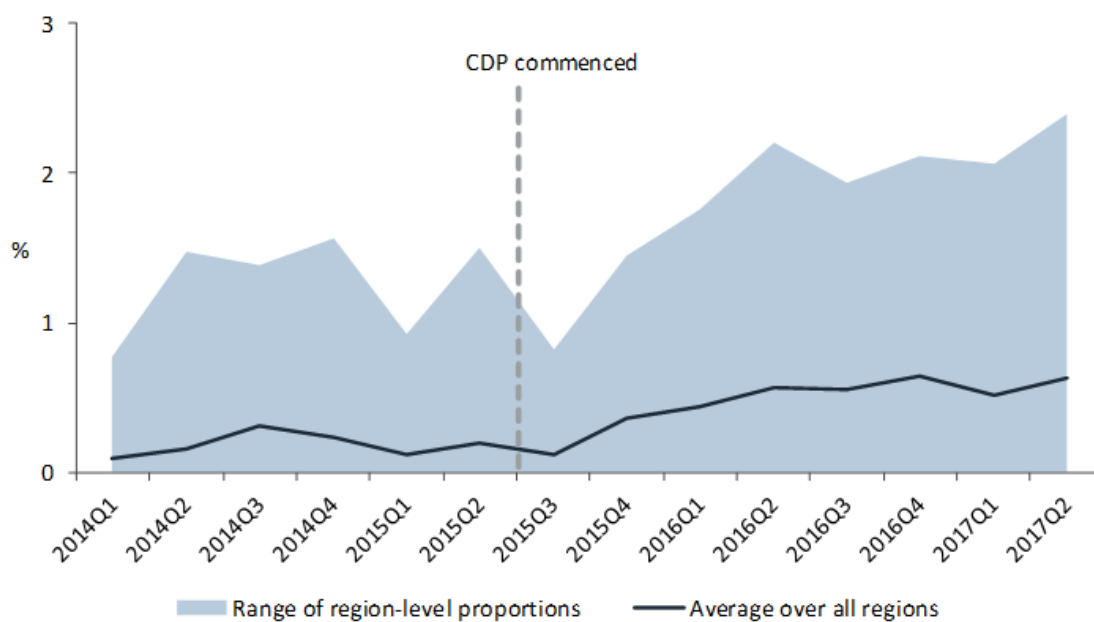
3.2 PAYMENTS LOST TO PENALTIES

Averaged across all CDP regions, financial penalties represent less than one per cent of Australian Government payments entering CDP regions. There is, however, variation between regions – with estimated penalty amounts as a proportion of total quarterly income support payments ranging from zero to almost 2.5 per cent over the 60 CDP regions by 2016 (Figure 3.6).

Since the CDP commenced, the estimated size of penalties relative to total Australian Government payments entering the CDP regions has tended to increase for individual CDP regions and the area as a whole.

Figure 3.6 The value of penalties are small as a proportion of total regional Australian Government payments^{a,b}

Quarterly data for CDP regions, including lower- and upper-bound regions



Source: PMC estimates based on unpublished DHS operational data (extracted from payment files on 28 August 2017). Data are quarterly, January 2014 to June 2017.

Notes: (a) Estimates of penalties include all reductions in pay and non-payment periods due to CDP penalties imposed in a particular time period, even where a participant may have been subsequently reimbursed. Subsequent penalty waivers appear as arrears payments, and are included in the total payment amount. (b) Total income support payments includes all non-activity-tested income support payments (Disability Support Pension, Age Pension, Carer Payment, and Parenting Payment), activity-tested income support payments (Newstart Allowance and Youth Allowance (other)), and non-income support payments (Family Tax Benefit, Carer Allowance, Dad and Partner Pay, and ABSTUDY).

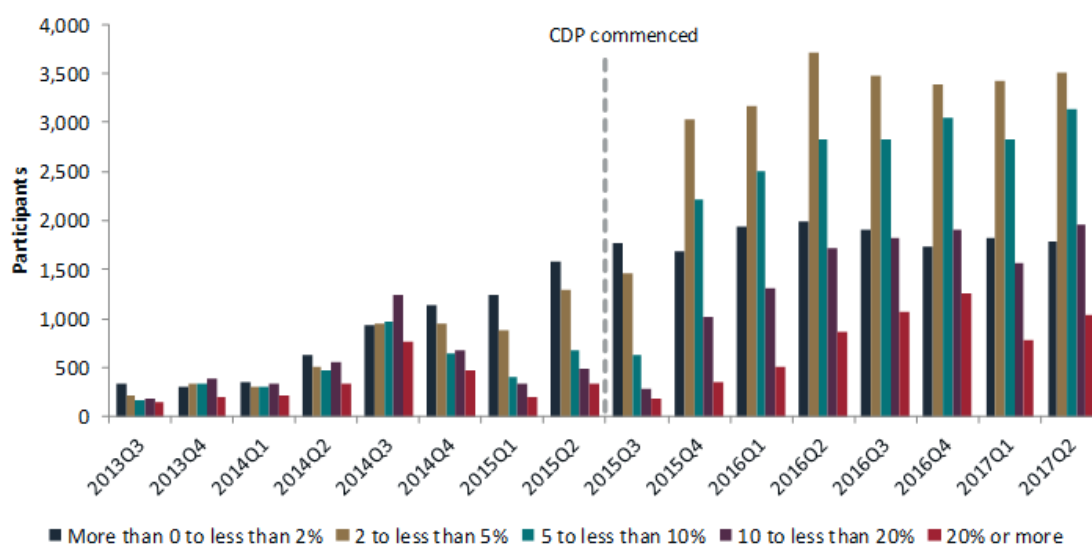
At an individual participant level, penalties as a share of payments can be much higher.

Under the RJCP, the most common amount for a penalised individual to lose in penalties (across all penalty types) in a quarter was less than two per cent of their quarterly payments (Figure 3.7). Under the CDP, the most common amount for a penalised individual to lose in penalties was between two and five per cent of their quarterly payments.

However, there is considerable variation among participants in the proportion of payments lost to penalties. For example, in the second quarter of 2017, nine per cent of all CDP participants lost between two and five per cent of their quarterly payments (Figure 3.8). A further:

- eight per cent lost between five and ten per cent of their quarterly payments (Figure 3.8). This was around 3,100 participants (Figure 3.7)
- five per cent lost between ten and twenty per cent of their quarterly payments (Figure 3.8). This was around 1,900 participants (Figure 3.7)
- three per cent lost more than 20 per cent of their quarterly payments (Figure 3.8). This was around 1,000 participants that quarter (Figure 3.7).

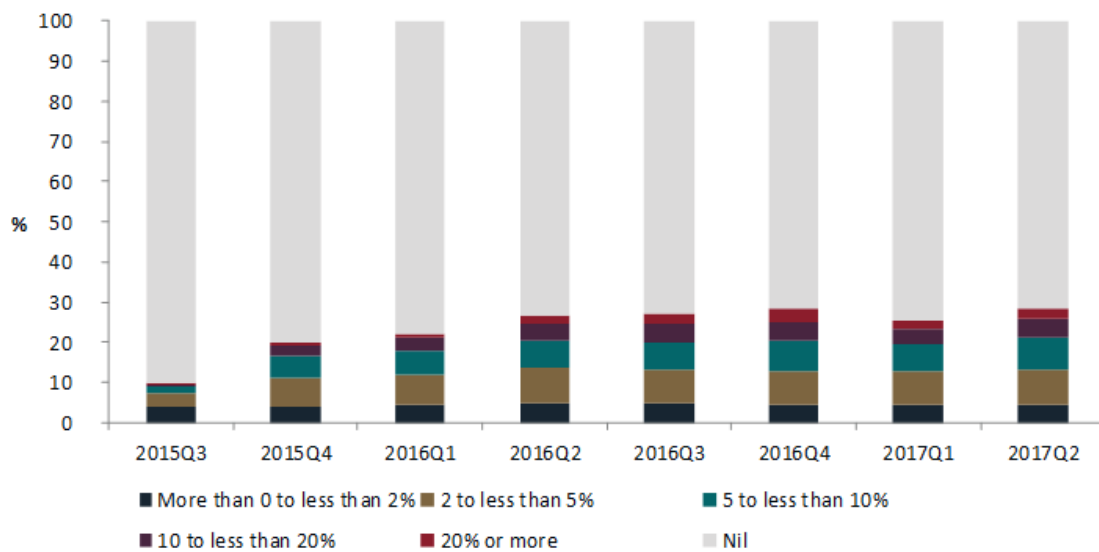
Figure 3.7 Number of participants with penalties by proportion of payments lost^a



Source: PMC estimates based on unpublished DHS operational data (extracted from payment files on 28 August 2017).

Notes: (a) Estimates exclude the total amounts of penalties per quarter for participants for whom financial penalties were not imposed (this is, overturned for the quarter).

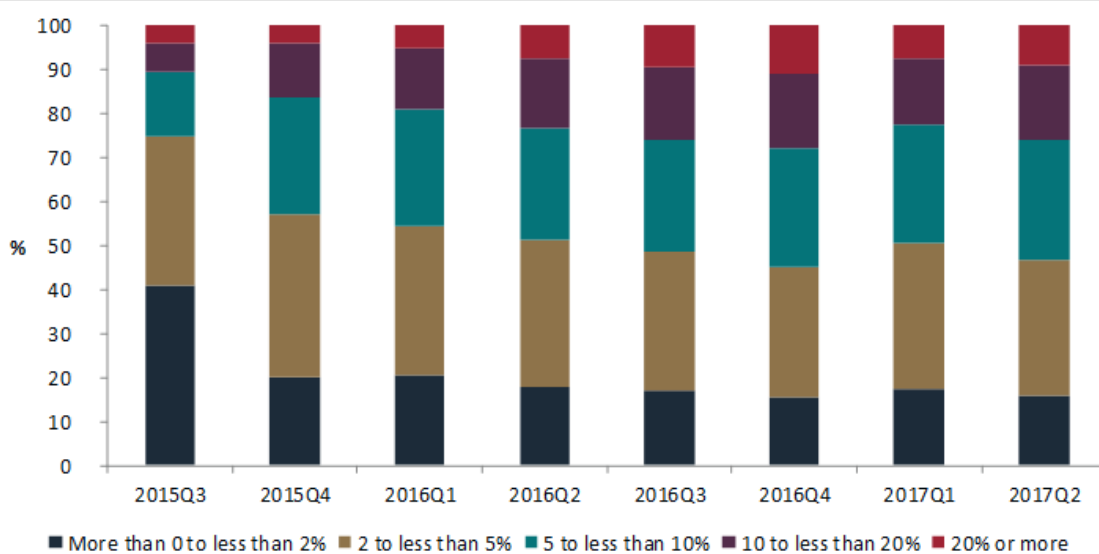
Figure 3.8 Penalties as a proportion of payments for all CDP participants^a



Source: PMC estimates based on unpublished DHS operational data (extracted from payment files on 28 August 2017).

Notes: (a) Estimates includes all penalties for all CDP participants, including those who were not penalised at all in the quarter (referred to as *nil penalties*).

Figure 3.9 Penalties as a proportion of payments for penalised participants^a



Source: PMC estimates based on unpublished DHS operational data (extracted from payment files on 28 August 2017).

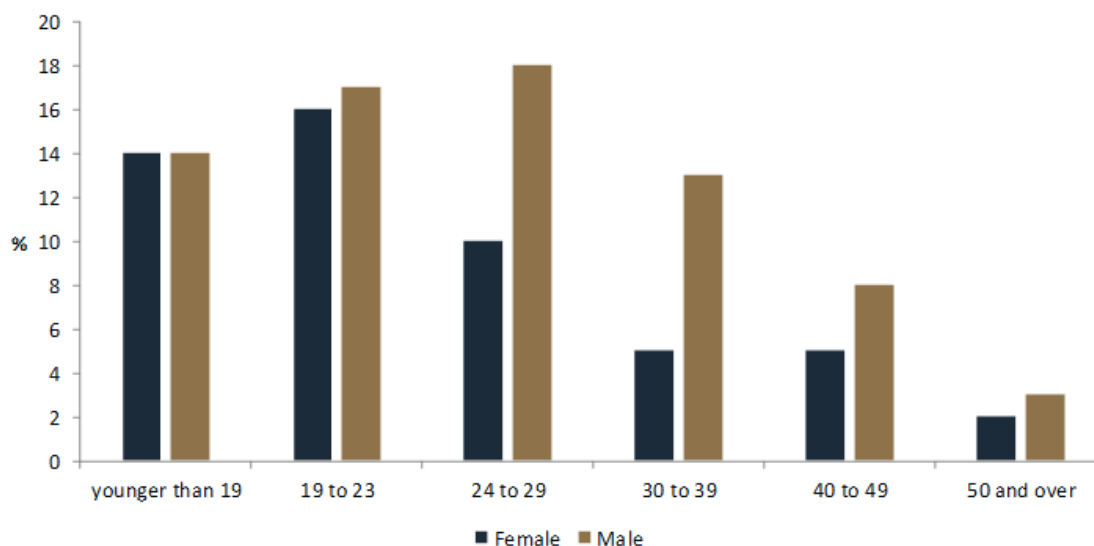
Notes: (a) Estimates includes all penalties for CDP participants for whom any financial penalty was imposed in the quarter.

Focusing only on those penalised, since mid-2016, around half of *penalised* participants lost less than five per cent of their payments to penalties within a given quarter (Figure 3.9). For the remainder, roughly a quarter lost between five and ten per cent of their payments to penalties, about 15 per cent lost 10 to 20 per cent of their payments, and just under ten per cent lost twenty per cent or more of their payments.

Looking across a year, the proportion of CDP participants that lost ten per cent or more of their payments was higher among younger age groups and highest for men aged under 30 years old (Figure 3.10).

Figure 3.10 Proportion of penalised CDP participants who lost ten per cent or more of their payments in 2016^a

By age and gender



Source: PMC estimates based on unpublished DHS operational data (extracted from payment files on 28 August 2017).

Notes: (a) Includes all CDP participants for whom any financial penalty was imposed in 2016.

Who is losing the most payments to penalties under the CDP?

Modelling suggests that CDP participant's individual characteristics are related to the probability of being penalised, receiving a zero-rate penalty, and the amount of Australian Government payments lost to penalties over the year (Table 3.1 and Appendix B). Three penalty outcomes were modelled:

- the probability that a participant was ever penalised throughout the year (any type of penalty)
- the probability that a participant who was ever penalised, ever had a zero-rate penalty throughout the year
- the total amount that a participant who was ever penalised lost to penalties throughout the year.

The estimated effects of an individual characteristic (Table 3.1) are expressed as: a ratio of the probability (compared to the probability with a reference characteristic) for the

first two models; and the dollar amount added to or subtracted from the total value of penalties for the third model.²⁶

In particular, younger participants and men were estimated to have a higher probability of being penalised. Among those penalised, the probability of receiving a zero-rate penalty, and the total value of dollars lost to penalties, decreased after about 35 years of age. One possible reason for this is that attendance at activities is lower among younger participants (Chapter 2 and Appendix B).

After controlling for age and gender, participants with certain observed employment and communication barriers were found to have a higher probability of being penalised, a higher probability of having a zero-rate penalty, and a higher total value of penalties. This includes participants who: had been unemployed for longer; had poor or mixed English skills; who were not contactable by phone for more of the year; and spent a larger share of this time without access to private transport.

Conversely, participants with post-school education, those with a disability and identified workplace support need, and those who were primary carers (for more of the year) were less likely to be penalised. This is consistent with the results from the attendance modelling (Chapter 2 and Appendix B), which found that these groups were more likely to have a valid reason recorded by their provider when they did not attend their Work for Dole activities.

Transport availability was strongly related to the likelihood of being penalised. Spending a higher share of the year without private transport increased both the likelihood and total amount of penalties. As discussed in Chapter 2, given transport issues are a potential valid reason for non-attendance, it is possible that the estimated association between transport availability and penalties are picking up broader socio-economic effects. However, having access to your own private transport may make it easier to attend or to report reasons for non-attendance and, as such, these participants may be less likely to be penalised.

²⁶ To check the robustness of the results, the models were replicated using a different sample period for participants, from the same dataset. The results were largely similar.

Table 3.1 Estimated effects from the penalties models^a

Activity-tested income support recipients participating in CDP on 1 January 2016. The zero-rate probability and penalty amount models (last two columns), are limited to those with at least one penalty in 2016

Participant characteristic	Odds ratio		+ \$
	Penalty	Zero-rate	Penalty
Indigenous (compared with non-Indigenous)	3.3*	2.7*	166*
Disability status (compared with No disability)			
Disability with an identified support need	0.5*	0.6*	-228*
Disability with no identified support need	0.8	0.9	-73*
Poor/Mixed English (compared with Good English)	1.3*	1.2*	85*
Level of education (compared with Year 12)			
Below Year 10	1.2*	0.9	9
Years 10-11	1.2*	0.9*	6
Trade/Vocational/Diploma/Degree	0.9*	0.7*	-110*
Has been convicted or sentenced (compared with No criminal history)	1.3*	1.1	-4
Provider organisation: Indigenous (compared with Non-Indigenous)	0.1*	0.3	-160
Female (compared with Male)	0.8*	1.05	-29
Age group (compared with 25 to 34 years)			
15 to 24 years	1.3*	0.9*	-36
35 to 44 years	0.7*	0.6*	-229*
45 to 54 years	0.4*	0.3*	-636*
55 years and over	0.1*	0.03*	-1182*
Duration unemployed (compared with 1 to 6 months)			
Less than 1 month	0.8*	0.9*	-74*
6 months up to 1 year	1.1	1.2*	105*
1 year or more	1.2*	1.2*	75*
Share of the year that the person had:^b			
No transport ^c	1.8*	1.5*	148*
Public or other private transport ^c	1.6*	1.3*	79*
Parent of a child aged 15 years or under	1.1	0.96	-22
Primary carer	0.6*	0.7*	-114*
Homeless	1.1*	1.04	-13
Not contactable by phone	1.8*	1.6*	180*
Activity tested and required to attend Work for the Dole	2.5*	0.4*	-478*
Total days the participant was actively participating (commenced) in the program	1.01*	1.004*	2*
Remoteness index	1.01	1.01	5

Source: Unpublished ESS operational data (extracted on 15 August 2017) and unpublished DHS operational data (extracted from determination and circumstance files on 21 August 2017).

Notes: (a) The first two columns report the estimated multiplier of the probability of being penalised (or of receiving a zero-rate penalty) compared to the reference value, where a multiplier greater than one indicates increased probability and a multiplier less than one indicates decreased probability. The last column reports the expected dollar amount of extra or reduced penalties relative to the reference value. The estimates of participant income support payments lost to penalties are based on administrative data sourced from the DHS payment files; these files identify the actual amounts of payments withheld due to penalties. (b) Proportion of the total days the participant was actively participating (commenced) in the program. (c) There are three categories of transport availability recorded: Owns transport; Public or other private transport; and No transport. Estimates marked as * are statistically significant at the five per cent level.

While participants who had been convicted or sentenced and those who spent more time homeless were more likely to be penalised, once penalised there was no significant effect on zero-rate penalties or amount lost. Participants with an Indigenous provider were much less likely to have been penalised, without a significant effect on zero-rate penalties and amount lost for those penalised.

CDP participants that identify as Indigenous were estimated to be 3.3 times more likely than other participants to experience a penalty, and 2.7 times more likely to go on to experience a zero-rate penalty. Among those penalised, participants identifying as Indigenous were estimated to have a higher value of total penalties over the year (\$166 higher).

As noted in relation to attendance at Work for the Dole activities (Chapter 2), this may reflect a range of barriers that are not well captured by other factors in the administrative data. In particular, as discussed in Chapter 2, communication barriers and health barriers may explain some higher *invalid non-attendance* at CDP activities among Indigenous participants, which has the potential to lead to a higher penalisation.

3.3 FINANCIAL PENALTIES AND ATTENDANCE

The CDP Guidelines on managing participant attendance and compliance (PMC 2018a) note that the *Job Seeker Compliance Framework* is designed to encourage participants to actively engage with their providers at appointments, undertake activities that prepare them for paid employment, and actively look for work. The possibility of being penalised could increase participation in mutual obligation activities. *Serious failure* penalties, which a participant can choose to 'work off' if applied (DSS 2018a, sec. 3.1.12.40), may also encourage participants to re-engage with the program in order to avoid or limit loss of payments.

By encouraging participation in employment and community activities (including Work for the Dole), penalties have the potential to support the development of skills and confidence for jobseekers, and to improve their employment outcomes.

Penalties and attendance among CDP participants

Measuring the effect of penalties on attendance for participants living in remote Australia is difficult. Without a comparable group of remote participants that have not been exposed to penalties, it is not possible to estimate the *compliance* effect of penalties on attendance (that is, the impact of potential financial penalties, whether or not they are applied).

To gain some insight into the relationship between *applied* penalties and attendance, the analysis below looks at attendance patterns for those CDP participants who were penalised in the first quarter of 2016. The analysis tracks outcomes for the same sample of CDP participants as the regression analysis in Section 3.2 (that is, those participating in the program on 1 January 2016).

In addition to penalties, a range of other factors, including the quality of activities provided, are likely to influence attendance patterns. Without a measure of the quality of activities, the observed effect of penalties and the quality of activities cannot be separately identified.

Attendance following a penalty

Close to 30 per cent – or 10,080 out of 34,726 participants on the CDP on 1 January 2016 – were penalised in the first quarter of 2016. On average, these participants lost nearly six per cent of their income support payments to penalties over the year (Table 3.2).

For those CDP participants who were penalised in the first quarter of 2016, tracking their attendance (including attendance at Work for the Dole activities or valid non-attendance) and outcomes over the remainder of the year (to December 2016) shows a slight increase in the average attendance rate of penalised participants – from 66 per cent in the first quarter of 2016 to 69 per cent during the remainder of the year (Table 3.2). This suggests that for those who are penalised, the application of a penalty may to some extent improve subsequent attendance among some CDP participants.

Participants that received a penalty in the first quarter of 2016 were grouped based on the total value of penalties applied in that first quarter (Table 3.2). Low, Medium and High penalty categories are based on quartiles. The low group is the bottom quartile – the least penalised over the quarter. The high group is the top quartile – the most penalised over the quarter. That leaves the medium group as the half that sits between the Low and High groups (Table 3.2).

Those penalised a comparatively low amount in the first quarter of 2016 show almost no change in their overall rate of attendance in the remaining three quarters of the year.

Participants with the largest penalties in the first quarter of 2016 increased their average attendance rate from 52 per cent in the first quarter of 2016 to 59 per cent over the remainder of the year (Table 3.2). Even so, these participants had the lowest average rate of attendance at Work for the Dole activities. Further, this group were on average penalised around \$1,090 or ten per cent of their annual income support payments – double the average rate.

Disengaged participants

Participants may respond to penalties in a number of ways, including by increasing their attendance at required activities (noting that attendance does not necessarily imply active participation in activities, as discussed in Chapter 5) or by providing a valid reason prior to not attending.

Table 3.2 Characteristics and outcomes for CDP participants who received a penalty in the first quarter of 2016 over the following year

CDP participants on 1 January 2016

	Total	Penalised in the first quarter of 2016 by size of penalty ^a			
		Total	Low	Medium	High
Count of CDP participants	34,726	10,080	2,872	4,690	2,518
CDP participant characteristics:					
Average JSCI score	34	36	34	36	37
Average age	36	32	32	33	31
Male	56%	61%	60%	61%	61%
Identified as Indigenous	84%	97%	95%	97%	99%
<i>Share by remoteness category:</i>					
- Very remote	69%	74%	71%	73%	78%
- Remote	23%	23%	25%	24%	20%
- Outer regional or other	8%	3%	5%	3%	2%
Patterns of attendance and penalties:					
<i>Attendance rate (including attendance at activities and valid non-attendance):</i>					
- First quarter	77%	66%	77%	67%	52%
- Remaining three quarters	76%	69%	76%	71%	59%
<i>Average penalties over the year:</i>					
- Number	4	10	6	10	16
- Value of penalties applied	\$525	\$644	\$335	\$581	\$1,091
- As a share of total Australian Government payments	4.9%	5.9%	3.3%	5.1%	10.2%
Outcomes for CDP participants over the year:					
Job placement	22%	26%	29%	27%	21%
13-week employment outcome	10%	11%	13%	10%	8%
26-week employment outcome	7%	7%	9%	6%	4%
<i>Total exits from the income support system:</i>	37%	45%	45%	44%	45%
- Failed to re-engage ^b	25%	32%	32%	32%	33%
- Obtained employment	3%	1%	2%	1%	1%
- Went to prison	3%	3%	3%	4%	3%
- Other reasons ^c	7%	7%	8%	7%	8%

Source: PMC estimates based on unpublished ESS operational data (extracted on 5 September 2017) and unpublished DHS operational data (extracted from determination and circumstance files on 21 August 2017).

Notes: (a) Low, Medium and High penalty categories are based on quartiles for total penalties applied in first quarter of 2016. Low group is the bottom quartile – the least penalised. High group is the top quartile – the most penalised. (b) The Failed to re-engage category includes benefit exit (as recorded by DHS) due to a participant: failing to lodge form; failing to report (auto); failing to re-engage with the provider; and failing to re-engage (with DHS). Some of these individuals may have obtained employment, but failed to report this to DHS. (c) Other combines the remaining categories of DHS cancellations.

Some participants may disengage from the program (Box 3.2), which can lead to the cancellation of income support payments.

Of those penalised in the first quarter of 2016, 32 per cent had their benefits cancelled with the reported reason being a failure to re-engage with either the Department of Human Services (DHS) or their provider (Table 3.2). Some of these participants may have obtained employment but not reported this to their CDP provider or DHS.

To gain a better understanding of how many CDP participants may be disengaging from the program despite not having paid employment, an estimated measure of disengagement was developed. The disengaged participants were measured as those who: were recorded as exiting the income support system (that is, their benefits ceased) due to failure to re-engage with DHS or their provider; *and* did not have an employment outcome recorded by their CDP provider in the nine months prior to exiting the income support system (Box 3.2).

Box 3.2 An indicative measure of disengagement in remote Australia

The share of program participants exiting off income support payments is often used as a measure of employment outcomes in evaluations of mainstream employment programs. However, the assumption that individuals exit benefits because they have obtained paid employment is less likely to hold in a remote context. Markham and Biddle (2018) found that across Australia 12 per cent of those who identified as Indigenous in the 2016 Census reported having no income at all in 2016. This group had grown from nine per cent in 2006.

This analysis has identified people who have *disengaged* from the CDP and the income support system despite not having paid employment.

As an indicative measure of disengagement, the disengaged group has been defined to include those who both:

- were recorded as exiting the income support system (that is, their benefits ceased) at least once in 2016, and the recorded reason for benefits ceasing was either failure to: lodge form; report (auto); re-engage with the provider; or to re-engage (with the Department of Human Services). Participants therefore exited benefits without reporting an employment outcome to the Department of Human Services
- did not have an employment outcome recorded by their CDP provider in the nine months prior to their benefits ceasing.

By considering employment outcomes in the nine months prior to disengagement, the analysis captures 26-week outcomes (with allowable breaks) for CDP participants. Restricting the definition of the disengaged group to include only employment outcomes three or six months prior to the cancellation event, the group was largely consistent (with only about 25 additional people removed for each longer time span).

The group of CDP participants used in this analysis were those who were registered with a CDP provider on 1 January 2016.

By this measure, six per cent (about 600) of all CDP participants penalised in the first quarter of 2016 (10,080) *disengaged* at some stage over the year. That is, of those participants penalised in the first quarter of 2016, one in sixteen exited off income

support payments that year without having any record of an employment outcome in either the DHS or employment services system. This rate was higher for men than women – four per cent of women penalised in the first quarter of 2016 exited benefits that year with no record of having a job, compared with eight per cent of men (PMC estimates based on unpublished DHS data).

People who *disengaged* (Box 3.2) are disproportionately men (Figure 3.11). Young men, under 30 years old, accounted for 43 per cent of all those who disengaged from the income support system following penalties. For both men and women, the disengaged group were disproportionately young people – this is consistent with the identified drop in the overall number of CDP participants for younger age groups (Chapter 2).

Of this group that exited income support benefits without a prior employment outcome recorded, nearly 15 per cent did not come back on benefits within the next 12-month period. Among those that came back onto the income support system, on average they went 92 days without receiving income support payments.

There was a high rate of variation in days off income support payments. Of the identified disengaged group (close to 600 people who disengaged in 2016 without a job outcome in the prior nine months and were penalised in the first quarter of 2016):

- one per cent returned to the income support system within two weeks
- eleven per cent spent between two weeks and one month off income support
- 45 per cent spent one to three months off
- 30 per cent spent three months to 12 months off
- 14 per cent still had not returned within a year.

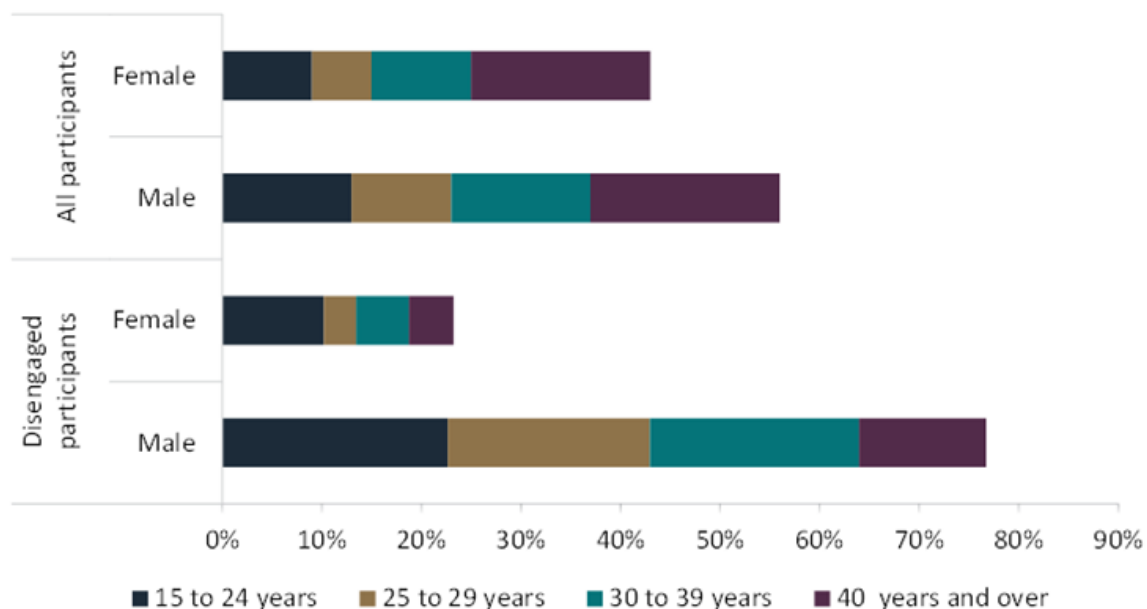
Changes between the RJCP and CDP

Participants may have responded to the increased application of penalties under CDP in a number of ways, including by maintaining or increasing their attendance (or valid non-attendance) in order to meet their mutual obligation requirements; or by disengaging from the program.

Indicative analysis of the share of RJCP and CDP participants who *disengage* from the income support system (without a recorded employment outcome), suggests that *disengagement* in a given year has increased by one percentage point. Of those participating in the RJCP on 1 January 2014, 3.5 per cent of participants disengaged at some time during 2014. In comparison, of those participating in the CDP on 1 January 2016, 4.5 per cent disengaged during following year.

Figure 3.11 Men were disproportionately represented among CDP participants who disengaged following a penalty^a

Participants disengaging from the income support system in the first quarter of 2016 without a prior recorded employment outcome



Source: PMC estimates based on unpublished ESS operational data (extracted on 5 September 2017) and unpublished DHS operational data (extracted from determination and circumstance files on 21 August 2017).

Notes: (a) Disengaged participants includes all those penalised in the first quarter who disengaged in 2016 without a job outcome recorded by their provider or DHS (N=586). Five per cent of the penalised group had zero penalties recorded against them.

Table 3.3 Estimates of disengagement under the RJCP and CDP

Participants in the scheme on 1 January 2014 (RJCP) and 2016 (CDP)

	RJCP, 2014		CDP, 2016	
	Count	Per cent	Count	Per cent
Of those participants penalised in the first quarter of the year:				
Disengaged from the income support system without a recorded employment outcome in the preceding nine months	87	5.4	586	5.8
Of all participants:				
Disengaged from the income support system without a recorded employment outcome in the preceding nine months	1,256	3.5	1,580	4.5
Total number of participants	35,543		34,726	

Source: PMC estimates based on unpublished ESS operational data (extracted on 5 September 2017) and unpublished DHS operational data (extracted from determination and circumstance files on 21 August 2017).

3.4 BETTER UNDERSTANDING THE EFFECT OF PENALTIES IN CDP REGIONS

It is not possible to determine from current data why some CDP participants have high rates of *invalid non-attendance* or *disengage* from the program.

Modelling shows that penalties are more common among young people, men, and some groups with identified barriers to employment (including those with low education levels, longer durations unemployed, mixed or poor English literacy, without private transport, or not contactable by phone). These outcomes could be driven by a number of factors, such as unidentified barriers to participation, or could reflect participants' responses to the quality of activities provided, to penalties and payment suspensions, or factors outside the program.

Fieldwork undertaken in eight remote communities suggests that the quality of CDP activities (that is, whether surveyed participants considered activities to be suitable and useful) can have an effect on attendance and participation in those activities (Winangali and Ipsos 2018). Qualitative data from the fieldwork also suggests that many CDP participants have difficulty communicating with Centrelink or their provider when they do have a valid reason for not attending. And that failure to re-engage can occur for a range of reasons, including that some participants do not realise they need to contact their providers to re-engage (Winangali and Ipsos 2018).

More data are needed to better understand the drivers of participants' outcomes.

Measuring the quality of activities, in particular, could identify the types of activities that best support attendance and participation in the program and outcomes for participants. There are a number of ways of measuring the quality of activities, including: measures of the skills attained, employment outcomes, and participant-reported measures of activity quality and suitability. A combination of multiple measures could be used to capture different aspects of activity quality.

Measuring and reporting on what happens to people exiting off the CDP (and who are therefore no longer recorded in the CDP provider data) could improve understanding of the impact of penalties, activities and the program more broadly. This requires that outcomes be monitored across the CDP and income support administrative systems.

4. EMPLOYMENT OUTCOMES

Key Points

- The Community Development Programme (CDP) aims to provide participants with skills and experiences to make them more job-ready and able to move into, and remain in, paid employment.
- A number of modelling approaches were undertaken to estimate the effect of the introduction of the CDP on employment outcomes after controlling for the characteristics of participants and changes in labour market conditions. In addition to before to after modelling, quasi-experimental techniques were used to compare changes in employment outcomes for participants in remote regions with changes for jobseekers in neighbouring jobactive regions.
- Three outcomes were examined including the share of participants who obtained at least one job placement, 13-week and 26-week employment outcome, over an 18-month period. Across the modelling results and sensitivity tests:
 - no conclusive evidence was found for the effect of the introduction of the CDP on job placements and 13-week outcomes;
 - however, a statistically significant improvement of around one percentage point was estimated for 26-week outcomes. In the before to after modelling, for example, 26-week employment outcomes increased by 1.2 percentage points under the CDP from a base of 5.7 per cent under the RJCP.

This is consistent with the greater weight placed on 26 consecutive-week employment outcomes in provider and employer payments.

- Close to three in four CDP participants have *moderate to extreme barriers* to employment based on the Job Seeker Classification Instrument (JSCI). This reflects, in part, the:
 - high share of participants living in very remote areas with more limited labour market opportunities
 - limited experience many CDP participants have in the labour market – of those participating on 1 January 2016, one in five had spent at least 70 per cent of their adult life on income support (over the past 20 years).
- Achieving employment outcomes for CDP participants with *extreme* employment barriers is likely to require an investment over time.
- The CDP has only been operating for a short time and the estimated employment effects will therefore not capture any long-term changes in employment outcomes. In the first two years of the program, participants with *low barriers* to employment had the highest estimated increase in 26-week outcomes under the CDP (up 3.4 percentage points based on the before to after modelling).

One of the aims of the Community Development Programme (CDP) is to provide participants, through Work for the Dole and other activities, with skills and experiences that will make them more job-ready and able to move into, and remain in, paid employment (Chapter 2).

Work for the Dole activities are designed to build participants' skills and employability and can include placements in real workplaces or, where the activity has capacity to generate income, the creation of local businesses or social enterprises (PMC 2016). Complementary employment programs, including the *Employer Incentive Payments* and the *Indigenous Enterprise Development Fund*, were also set up to improve employment opportunities for CDP participants. Employer incentive Payments provides payments to employers who employ a CDP participant for 26 consecutive weeks.

Changes made to the provider payment model under the CDP were designed to improve stable employment outcomes for remote CDP participants (ANAO 2017). In particular, employment outcome payments for providers were shifted to focus on achieving longer-term employment for remote participants. Specifically, under the CDP, providers are paid when participants are continuously employed for 13 and 26 weeks (with some allowable breaks) (Figure 1.2). No provider fee is available for either a job placement or seven-week employment outcome.

A critical question for evaluating the effectiveness of the CDP is whether the changes to the program improved employment outcomes for more participants than the Remote Jobs and Communities Program (RJCP).

This chapter examines how employment outcomes have changed over the first two years of the CDP. In doing so, it is important to recognise that employment outcomes will depend on an individual's past experience in the labour market, education and training, and other individual characteristics, as well as the employment opportunities available in the local labour market.

A diversity of people participate in the CDP. Some may only require minimal support from an employment provider to find work (low barriers), while others face substantial barriers (vocational and non-vocational) to participating in the labour market. This latter group may require a larger investment from their employment provider to help them to be ready to take-up and retain a job. For some people, addressing long-term entrenched social problems and skill deficiencies may require long-term interventions (Borland and Tseng 2011).

Measuring long-term employment outcomes of the CDP in this report is limited by two factors. First, the CDP has only been operating for two years and so the evaluation period may not be long enough to fully see changes in skills that lead to increased employment outcomes. This is particularly true for participants with high barriers to employment. Second, the administrative systems do not record long-term employment outcomes, tracking 26-week outcomes at most.

4.1 EMPLOYMENT OUTCOMES

The share of program participants moving off income support payments is frequently used to measure the success rate of mainstream employment programs. However, there are many reasons why an individual may stop receiving income support payments (including failure to fulfil mutual obligations or report to Centrelink). Income support

administrative data do not contain sufficient information to distinguish between those that have moved off income support because they have obtained paid employment, and those who have moved off income support for other reasons. Future work may consider linking income support data with other administrative data to develop an indicator of long-term (beyond 26 weeks) employment outcomes.

CDP service providers record participant placements in a job and whether they remained working in that job for 13 and 26 weeks. In remote labour markets, these records can more accurately identify employment outcomes than examining the share of participants moving off income support payments.

These CDP administrative records show that employment outcomes increased slightly for remote activity-tested participants following the introduction of the CDP, for both 13-week and 26-week outcomes (Table 4.1). Of the 33,901 CDP participants as at 1 January 2016, ten per cent had been placed in a job for at least 13 weeks over the eighteen months to June 2017, and around seven per cent had been placed in a job for at least 26 weeks. This is an increase compared with the RJCP, where under eight per cent had been placed in a job for at least 13 weeks over the eighteen months to June 2015, and just under six per cent had been placed in a job for at least 26 weeks.²⁷

Slight improvements in employment outcomes are also observed in selected neighbouring mainstream employment areas over the same time period (Table 4.1).

Under the CDP, employment outcomes have improved across all age groups and for remote participants with varying levels of employment barriers (Table 4.2). The largest increase in job placements was among participants aged 25 to 34 years, and the largest increase in 26-week employment outcomes was observed for participants with low barriers to employment (Table 4.2). Remote participants with the highest barriers to employment – including participants with *moderate to extreme barriers* to work (as recorded by the JSCI and those longest on income support – have lower employment rates under both the RJCP and the CDP (Table 4.2).

Identifying how the introduction of the CDP policy has changed employment outcomes needs to take account of the effect of other factors – namely the participants' characteristics, labour market conditions and changed reporting incentives for providers. The next section presents the methodology and results of modelling used to try to isolate the effect of the CDP on employment outcomes.

Changes in employment outcomes can be driven by a number of factors including employment services policies, as well as changes in the (measured and unmeasured) characteristics of participants and labour market conditions (which vary over time and across regions).

²⁷ These rates will differ from those included in routine reporting as the base population for this analysis includes all registered program participants on selected sampling dates (including those who never commenced into the program).

Table 4.1 Employment outcomes have improved for remote employment programs between 2014 and 2016^a

Share of the 1 January participants that achieved one or more outcome

	Placed % (n)	12/13 week^b % (n)	26 week % (n)	Number of participants
Remote employment services:				
RJCP, 2014	16.8% (5,800, of which 961 had multiple outcomes)	8.1% (2,584, of which 95 had multiple outcomes)	5.7% (1,960, of which 33 had multiple outcomes)	34,611
CDP, 2016	18.4% (6,252, of which 1,246 had multiple outcomes)	10.3% (3,480, of which 183 had multiple outcomes)	6.9% (2,349, of which 54 had multiple outcomes)	33,901
Neighbouring mainstream employment services:				
Job Services Australia (JSA), 2014	30.1% (4,989, of which 1,655 had multiple outcomes)	13.2% (2,187, of which 145 had multiple outcomes)	7.7% (1,272, of which nine had multiple outcomes)	16,558
jobactive, 2016	30.6% (5,271, of which 1,729 had multiple outcomes)	16.9% (2,919, of which 509 had multiple outcomes)	7.8% (1,353, of which six had multiple outcomes)	17,245

Source: PMC estimates based on unpublished ESS operational data (extracted on 3 October 2017).

Notes: (a) Employment outcomes are measured by tracking individual outcomes (as recorded by employment providers) over an 18-month period. The base population includes all registered program participants on respective sampling dates. The methodology and estimates differ from that used in routine reporting which excludes those who never commenced (ie actively started participating) into the program. (b) Under jobactive, employment outcomes are available for 4-week, 12-week and 26-week outcomes. In comparison, under JSA (and RJCP/CDP's) providers were paid when participant's were in a job for 13 and 26 weeks.

Table 4.2 Employment outcomes for participants under the RJCP and the CDP

Share of the 1 January participant cohort that achieved one or more employment outcomes, by selected characteristics

	RJCP, 2014			CDP, 2016		
	Placed (%)	13 week (%)	26 week (%)	Placed (%)	13 week (%)	26 week (%)
Age groups:						
15 to 25 years	15.3	6.6	4.2	16.5	8.7	5.6
25 to 34 years	17.0	8.0	5.6	20.4	10.7	7.0
35 years plus	17.0	8.8	6.4	18.0	10.6	7.4
Barriers to employment, based on the JSCI:						
Low barriers	25.7	13.3	8.8	23.6	15.7	11.9
Mild barriers	20.4	10.0	6.8	20.8	12.2	8.5
Moderate to extreme barriers	15.7	7.5	5.3	17.7	9.3	6.0
Time on income support payments:						
First quintile (shortest time on income support)	18.1	9.9	7.0	18.6	12.1	9.1
Second quintile	17.3	8.7	5.8	19.2	11.3	7.7
Third quintile	16.5	8.0	5.6	18.1	9.4	6.1
Fourth quintile	16.4	7.4	5.4	18.7	9.9	6.4
Fifth quintile (longest time on income support)	14.3	5.9	4.1	16.5	8.1	4.9

Source: PMC estimates based on unpublished ESS operational data (extracted on 3 October 2017) and DHS operational data (extracted on 9 October 2017).

4.2 ESTIMATING THE EMPLOYMENT EFFECT

CDP regions are the same as the RJCP regions, with the boundaries for both programs based on remoteness measures. This provides the opportunity to compare employment outcomes before and after the introduction of the CDP.

To estimate the employment impact of the CDP independent of the changes in the characteristics of participants and labour market conditions, two different modelling approaches were undertaken.

The first model estimated the change in employment outcomes (job placements, 13-week and 26-week outcomes) from before to after the introduction of the CDP. This modelling controls for the characteristics of participants, as well as changes in labour market conditions using the unemployment rate in the region over the two time periods (using 12 monthly average Small Area Labour Market (SALM) unemployment estimates, available on a quarterly basis).

The before to after analysis may not adequately separate out the changes in employment outcomes that are driven by changes in labour market conditions from those driven by the introduction of the CDP. As an alternative specification, the second model uses quasi-experimental difference-in-difference techniques to compare changes in employment outcomes for participants in remote regions (treatment group) with changes for jobseekers in neighbouring mainstream regions (comparison group).

For both models two groups of participants were defined:

- The *point-in-time* group includes all registered participants (commenced, temporarily exempt or pending) on 1 January of each analysis year (2014 for the RJCP and 2016 for the CDP).
- The *newly commenced* group commenced on the program between 2 January and 30 June of the relevant year. As would be expected, the newly commenced sample contains a larger share of participants with low barriers to employment (as measured by the JSCI) (details of the group selection and summary descriptive statistics are included in Appendix C, Table C.1).

The results of modelling are discussed next (details on the methodology and results are provided in Appendix C).

RJCP to CDP comparison

The before to after modelling suggests a statistically significant positive increase in employment outcomes occurred under the CDP compared to the RJCP (Table 4.3). That is, after controlling for participant characteristics, the introduction of the CDP was estimated to increase the probability of a participant achieving (within an 18-month period):

- at least one job placement by 1.3 percentage points (up from a base of 16.5 per cent of participants under the RJCP),
- at least one 13-week placement by 2.2 percentage points (up from a base of 8.0 per cent), and
- at least one 26-week outcome by 1.2 percentage points (up from a base of 5.6 per cent).

There is no substantial difference in the modelling results whether the participant characteristics were controlled for or not. This strongly suggests that there is little difference in the characteristics of participants for the RJCP and the CDP samples. It follows that the estimated increase in employment outcomes between the periods is not due to the change in the characteristics of participants. No substantial difference in the estimated results was found when the model was re-run using a second point-in-time sample (on 1 June 2014 and 2016).

Table 4.3 Estimated change in employment outcome rates from the RJCP to the CDP modelling^a

Percentage points	Placed	13 week	26 week
Point in time sample	1.3***	2.2***	1.2***
Newly commenced sample	0.8	2.3***	2.1***

Source: PMC estimates based unpublished ESS operational data (extracted on 3 October 2017) and DHS operational data (extracted on 9 October 2017).

Notes: (a) Estimates marked as *** are statistically significant at the 0.1 per cent level, ** are statistically significant at the one per cent level, and * are statistically significant at the five per cent level.

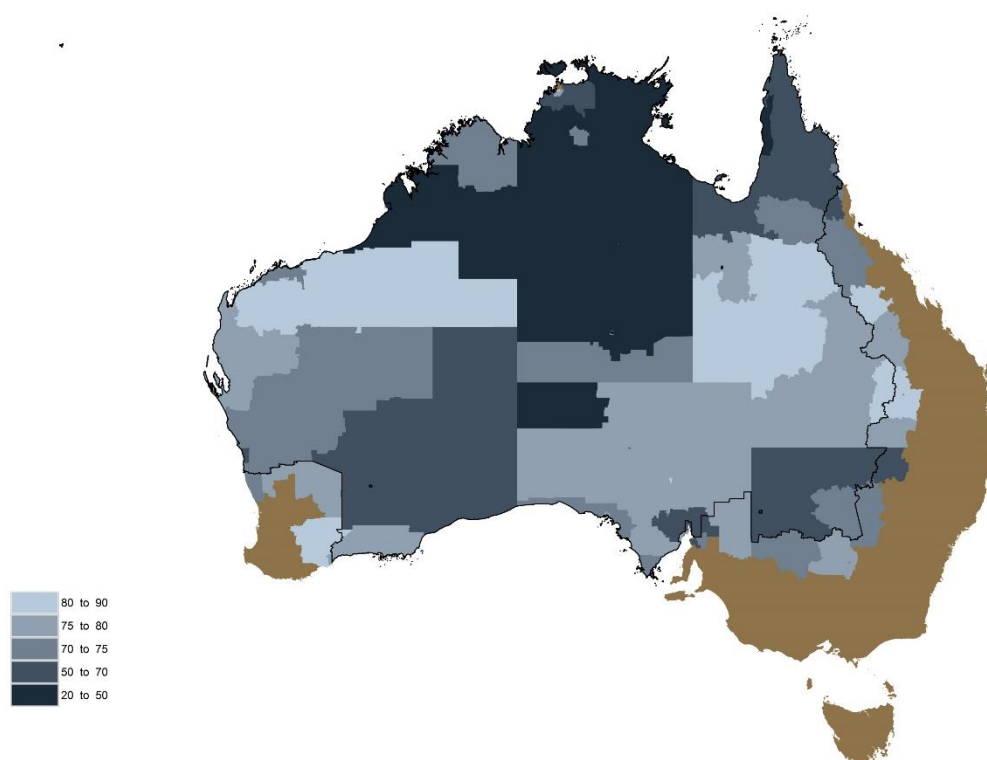
While there was no significant difference in the rate of job placements for the newly commenced sample, these participants were more likely to achieve 13-week and 26-week outcomes under the CDP than under the RJCP.

The increase in 26-week employment outcomes was estimated to be greater for the newly commenced sample compared with the point-in-time sample. As noted above, the newly commenced sample contains a larger share of low barriers participants – around 19 per cent, compared with nine per cent in the point-in-time sample (Table C.1). Under changes to the provider payment model (Chapter 1), CDP providers face a greater incentive to keep participants in Work for the Dole when there is little likelihood of a job placement being sustained for 26 weeks (ANAO 2017). To the extent that participants with low employment barriers are more likely to achieve longer-term employment placements, the change in the payment model could help explain the relatively large estimated increase in 26-week outcomes for the newly commenced sample.

Comparison with neighbouring mainstream regions

Changes in economic conditions are likely to affect labour market outcomes in a region. Unemployment rates can change over a two-year period due to shifting economic conditions. Controlling for these changes is important in identifying the true employment effect of the introduction of the CDP.

Figure 4.1 Proportion of the working age population who were employed in CDP and neighbouring regions, 2016^a



Source: Census (2016)

Notes: (a) Excised cities and towns within the CDP region are too small to be visible on the map.

The RJCP to CDP modelling (presented above) uses SALM data to control for background changes in labour market conditions (Appendix C). The SALM data, however, are based on small sample sizes and as a result have potentially large standard errors.

Difference-in-difference modelling was undertaken as an alternative approach to control for the effects of labour market conditions. This model uses the changes in the employment outcomes for neighbouring mainstream regions (along the boundaries of the CDP regions) as a proxy for changes in labour market conditions in CDP regions (Figure 4.1). (As outlined in Appendix C, the model controls for the same demographic factors as in the before and after model.)

By controlling for the change in employment outcomes in the neighbouring mainstream regions, the difference-in-difference model attempts to identify the true employment effect of the CDP. This analysis assumes that changes in employment outcomes for mainstream employment programs (Job Services Australia (JSA) in 2014 and jobactive in 2016) reflect changes in labour market conditions (and not changes in policy).

The estimated results (Table 4.4) suggest that, after controlling for labour market conditions using changes in employment outcomes in neighbouring mainstream regions, the CDP had no significant effect on job placements, but a significant effect on 26-week outcomes (1.2 percentage points). The latter result is consistent with the changed

emphasis of provider payments under the CDP on 26-week outcomes (Chapter 1, Figure 1.2).

Table 4.4 Estimated employment effects of the CDP after accounting for labour market conditions in neighbouring mainstream regions^a

Difference-in-Difference results	Percentage point change in employment outcome
Placed in a job	0.9
12/13-week outcome	-1.5***
26-week outcome	1.2***

Source: PMC estimates based on unpublished ESS operational data (extracted on 5 September 2017).

Notes: (a) Estimates marked as *** are statistically significant at the 0.1 per cent level, ** are statistically significant at the one per cent level, and * are statistically significant at the five per cent level.

A negative effect was estimated for 13-week outcomes. However, it is important to note that between 2014 and 2016 – in the change from JSA to jobactive – payments for employment outcomes for mainstream services changed from 13 weeks to 12 weeks (Appendix A, Table A.2). This definitional change in the mainstream program would be expected to lead to an increase in 12-week employment outcomes in 2016.

Table 4.5 Comparing remote and mainstream employment regions with before to after modelling^a

Percentage point change	RJCP/CDP	Neighbouring mainstream regions
Placed	1.3***	0.9
12/13-week outcome	2.1***	3.2***
26-week outcome	1.2***	-1.1*

Source: PMC estimates based on unpublished ESS operational data (extracted on 5 September 2017).

Notes: (a) Estimates marked as *** are statistically significant at the 0.1 per cent level, and * are statistically significant at the five per cent level.

These modelling results suggest that, at least for the 13-week employment outcomes, the neighbouring mainstream regions may not provide a suitable control for the change in labour market conditions between the RJCP and the CDP. That said, both the before and after and difference-in-difference modelling estimate a statistically significant one percentage point increase in 26-week employment outcomes following the introduction of the CDP.

A number of sensitivity tests were used to examine the robustness of the results. Replicating the analysis and limiting the CDP regions to only those areas that crossed the border with mainstream programs – where arguably the labour market conditions are most similar (Figure 4.1) – also estimated a nearly two percentage point improvement in 26-week outcomes. Specifically, job placements were estimated to:

- decline by 2.3 percentage points (significant at the five per cent level),

- 13-week outcomes were estimated to decline by 2.0 percentage points (significant at the five per cent level, however as noted above, this result is likely to be affected by the definitional change in 12-week employment outcomes in mainstream program)
- 26-week outcomes increased by 1.8 percentage points (significant at the one per cent level).

Alternative measures to the SALM unemployment rate of labour market conditions were also considered. In particular, the model was estimated with: the share of the population in a region receiving government income support payments (at the SA2 level); and a detailed measure of remoteness based on the location of the participant's home address.

The estimated effect for 26-week outcomes were broadly similar between the alternative specifications for labour market conditions. However, between the alternative specifications, there was inconsistency in the size, direction and significance of the results for placements and 13-weeks outcomes (Appendix C, Table C.6).

Employment effects for selected subgroups of participants

Across the different models estimated and sensitivity tests, the before to after analysis estimated a statistically significant one percentage point increase in 26-week employment outcomes following the introduction of the CDP. However, there was a lot of diversity in employment outcomes among participants.

Replicating the before to after – RJCP to CDP – modelling for certain sub-groups, suggests that compared to the RJCP, 25 to 34 year old remote participants had a higher probability of being placed in any job (a 3.2 percentage points increase), achieving a 13-week outcome (2.8 percentage points increase) and a 26-week outcome (1.5 percentage points increase). Remote participants recorded as having low barriers to employment by the JSCI were estimated to have no change in their placement rate as a result of the CDP, however were estimated to be three percentage points more likely to achieve a 26-week employment outcome.

Participants in the 'low barriers to employment' JSCI group and, to a lesser extent, those aged 25 to 34 years had the highest increase in 26-week outcomes under the CDP. This was achieved with seemingly no additional placements for the low-barriers cohort, but with a marked increase in placement rate for the 25 to 34 years group. This is consistent with earlier results on the newly commenced group.

Finally, as a proxy for long-term unemployment, the analysis looked at changes in employment outcomes and the proportion of the past 20 years that participants had

been on income support payments.²⁸ The group who had been on income support payments for the greatest share of their life were two percentage points more likely to achieve job placements under the CDP (compared to the RJCP), which is a bigger improvement than for the remaining participants (those participants who had not been on income support payments for as long). A similar improvement was found for 13-week outcomes under the CDP compared to the RJCP, with an estimated 1.9 percentage points improvement for the CDP. This is a smaller improvement than for the remainder of the CDP participants. No improvements were found for this longest-on-income-support group with regards to 26-week outcomes.

Achieving a longer-term employment outcome for those who have been on income support for a substantial part of their adult life, is likely to require significant investment to address the severity of employment barriers. Of those participating in the CDP on 1 January 2016, one in five had spent at least 70 per cent of their adult life on income support (over the past 20 years). For these participants (the quintile of CDP participants on income support payments for the longest) it may be expected that measurable increases in 13-week, and particularly, 26-week outcomes would not be observed in the initial two years of an employment program.

Table 4.6 Before to after modelling results for sub-groups of participants^a

For the point-in-time sample of program participants

Percentage point change	Placed	13 week	26 week
Outcomes for all point-in-time participants	1.3***	2.1***	1.2***
15 to 24 years	0.8	2.1***	1.4***
25 to 34 years	3.2***	2.8***	1.5***
35 years and over	0.6	1.8***	0.9**
Low barriers to employment	-1.9	2.6*	3.4***
Mild, moderate or extreme barriers to employment	1.7***	2.1***	1.1***
Fifth income support quintile —the longest share of their adult lives on income support	2.0**	1.9***	0.6
Remaining income support quintiles (quintiles 1-4)	1.2***	2.2***	1.4***

Source: PMC estimates based unpublished ESS operational data (extracted on 5 September 2017).

Notes: (a) Estimates marked as *** are statistically significant at the 0.1 per cent level, ** are statistically significant at the one per cent level, and * are statistically significant at the five per cent level.

²⁸ Income support history data is available from 1998 onwards. For participants who came of working age prior to 1998, their early history is unknown. This is a better proxy for long-term unemployment than the measure of long-term unemployment available from the JSCI, which only covers the five years prior to the assessment.

The estimated change in employment outcomes in the first two years of the CDP

Two different modelling approaches were considered to help obtain robust estimates of the effect of the introduction of the CDP on employment outcomes after controlling for the characteristics of participants and changes in labour market conditions. In addition to before to after modelling, alternative quasi-experimental difference-in-difference modelling compared changes in employment outcomes for participants in remote regions (treatment group) with changes for jobseekers in neighbouring jobactive regions (comparison group).

Across the different models estimated and sensitivity tests, no conclusive results were found for the effect of the introduction of the CDP on job placements and 13-week outcomes.

However, a statistically significant improvement of around one percentage point was estimated for 26-week outcomes. This result is consistent with the greater weight placed in provider payments on 26 consecutive-week employment outcomes over shorter employment outcomes (including placements and 13-week outcomes), and the introduction of *Employer incentive Payments* for employers who employ a CDP participant for 26 consecutive weeks (Chapter 1). In the before to after modelling, for example, 26-week employment outcomes increased by 1.2 percentage points under the CDP. This is up from a base of 5.7 per cent of participants obtaining a 26-week outcome (over an 18-month period) under the RJCP.

Employment effects for subgroups of participants

Close to three in four CDP participants were classified as having *moderate to extreme* barriers to employment based on the Job Seeker Classification Instrument (Chapter 2). This reflects, in part, the limited experience many participants have had in the labour market – of those participating in the CDP on 1 January 2016, one in five had spent at least 70 per cent of their adult life on income support (over the past 20 years). The high prevalence of moderate to extreme employment barrier are also a reflection of the high share of participants living in very remote areas with more limited labour market opportunities (Chapter 2).

Achieving employment outcomes for participants with *extreme barriers* to employment is likely to require an investment over time to address the severity of barriers they face.

The CDP, however, has only been operating for a short time and the estimated employment effects will therefore not capture any long-term changes in employment outcomes. As may be expected, in the first two years of the program, the increase in 26-week outcomes was highest for participants with *low barriers* to employment (increasing by an estimated 3.4 percentage points) (Table 4.6). Those aged 25 to 34 years also had a relatively large estimated increase in placements and 13-week outcomes – increasing by an estimated 3.2 and 2.8 percentage points respectively.

Data limitation and future work

The administrative data used in the analysis of employment outcomes provide rich information on the individual characteristics of program participants. However, data are not available on a number of factors – such as participants’ innate ability and attitudes to work – that may affect employment outcomes. To the extent that these unobserved characteristics effect employment outcomes, the estimated employment effect of the CDP could be biased.

The administrative data are also limited in the information available to isolate the effect of different aspects of the CDP changes on employment outcomes. In particular, while the introduction of the CDP is estimated to have increased 26-week outcomes, it is not possible to estimate the extent to which the increase was driven by changes to the provider incentive payments (Chapter 1), penalty regime (Chapter 3), and/or the introduction of auto-claim processing of employment outcome payments (Appendix C). That said, as noted above, the modelling results are consistent with the greater focus on 26-week employment outcomes over shorter employment outcomes.

Future research and evaluations examining remote employment outcomes could improve on the current analysis by linking administrative datasets to develop a measure of longer-term employment outcomes (beyond 26 weeks). This could also improve understanding of why participants exit income support payments. Currently, when CDP participants cease income support payments it is difficult to determine if this is because they have found employment (but have not reported this to their provider or DHS) or if they have disengaged for other reasons (Chapter 3).

Programs to support labour markets

Long-term employment outcomes for CDP participants – particularly those with *extreme barriers* to employment – could benefit from assistance to build participant’s skills and complementary employment policies that promote local labour market opportunities (Dockery and Lovell 2016).

As noted in Chapter 1, the introduction of the CDP included funding for Employer Incentive Payments (a one-off payment that providers pass on to eligible employers for employing a CDP participant for 26 weeks). Wage subsidies can boost employment by reducing the cost of hiring CDP participants. A person’s employment barriers are likely to affect how well a wage subsidy program will work for them. Those with low barriers may not need a wage subsidy program, while jobseekers with high barriers may ‘require more substantial assistance than a wage subsidy program’ (Borland 2016, p. 140).

This suggests that people with moderate employment barriers are the best candidates for a wage subsidy program. People with high barriers may need additional assistance, such as training to increase their skills and job readiness, and monitoring and support in any job placement, in addition to wage subsidy programs (Borland 2016).

In addition to wage subsidies, a number of other employment programs have been shown to be effective at improving labour market outcomes. For example, programs focused on providing capital can be a cost-effective way to stimulate self-employment

and raise the long-term earning potential of individuals participating in regions with limited labour markets. Blattman and Ralston (2015, p. iii) concluded that:

A “capital-centric” approach ... Often they cost no more than a few hundred dollars per person – far cheaper than many of the alternatives, and deliver much needed capital directly to individuals, who may have the best knowledge about how to develop their livelihoods and generate income.

Blattman and Ralston (2015) also noted that *capital-centric* programs can be particularly effective when partnered with low-cost complementary interventions such as skills training in the recipient’s area of self-employment.

While there is evidence that a range of complementary labour market programs may be effective at improving labour market opportunities, how such programs would work in the context of remote Australia is uncertain. Piloting and evaluating innovative complementary labour market programs could assist identifying the impacts – intended and unintended – of these programs and what works, for whom, and in what circumstances.

Pilots, however, are limited by the time needed for the effect of new policies to be evident, and for impacts to be measured and isolated from other factors (Sanderson 2002). Where pilots require extensive time to set-up, run and evaluate, the benefits of refining policy through pilot programs needs to be balanced against the potential benefits of providing earlier access to new policy arrangements.

5. DISCUSSION OF FINDINGS

Income support recipients living in remote and very remote areas of Australia face some of the greatest barriers to participation and employment. In many remote communities there are limited labour market opportunities (Dockery and Lovell 2016) and limited access to services. Australians identifying as Indigenous make up a significant proportion of this population.

The Community Development Programme (CDP), which services those living in remote Australia, has elements of both a community development program and a labour market program.

CDP participants are recorded as having significant barriers to employment. Close to three in four participants in March 2016 were classified as having *moderate to extreme* barriers to employment based on the Job Seeker Classification Instrument (JSCI), a tool which identifies both vocational and non-vocational barriers (including, for example, personal, family or health barriers). In part this reflects CDP participant's geographical proximity to labour markets. Close to 70 per cent of participants live in very remote Australia. Of those living in very remote locations, over 90 per cent identified as Aboriginal or Torres Strait Islander.

Evaluating the effectiveness of the CDP

The introduction of the CDP in mid-2015 brought a range of changes to remote community and employment services designed to increase levels of work-like activity, enhance employability and improve longer-term employment outcomes. Provider payment models were updated with higher Work for the Dole activity payments, and higher payments when a participant was in employment for 26 consecutive weeks (Chapter 1, Figure 1.2).

Under CDP there was also an increased focus on ensuring that participants are engaged in a routine of work-like activities. Whereas Remote Jobs and Communities Program (RJCP) participants were required to undertake 20 hours of activity per week, under the CDP, activity-tested income support recipients aged 18 to 49 years are required to undertake Work for the Dole activities up to 25 hours a week, across a five day week, year round. At the same time, broader changes to the compliance framework (affecting both CDP and jobactive participants) enabled providers to use payment suspensions and financial penalties to try to manage and maximise attendance (Box 3.1).

This report draws on administrative data to assess the effectiveness of the CDP in increasing participation in work-like activities, and improving employment outcomes over its first two years of operation. To better understand community views about the broader impacts of the CDP and possible contributing circumstances, fieldwork was also undertaken in eight remote communities. The fieldwork report was undertaken by Winangali and Ipsos (2018).

Program participation and the financial consequences of non-attendance

Work for the Dole is the main way that activity-tested CDP participants fulfil their mutual obligation requirements. Participation in Work for the Dole activities is seen as both a pathway to employment (a means of building skills and a work-like routine) and of keeping people active and contributing to the community (PMC 2016).

Enrolment and attendance at activities

The proportion of program participants enrolled in activities steadily increased under the RJCP and has further increased since the CDP began. This is consistent with the increased incentives under the CDP provider payment model to enrol, record and report attendance at activities. Around 85 per cent of participants that were required to attend Work for the Dole were enrolled in an activity in June 2017 compared to 58 per cent in June 2015 (before the CDP commenced).

Attendance at Work for the Dole, among those enrolled, has remained stable under the CDP. While the majority of CDP participants either attend or provide a valid reason for non-attendance on any given day, between 20 and 30 per cent do not attend and do not provide a valid reason for not attending. Based on fieldwork, Winangali and Ipsos (2018) concluded that there are varying levels of engagement in activities among those that do attend, with some participants turning up to meet their requirements but not engaging in activities enough to develop their job readiness or employability.

Being enrolled in an activity (Work for the Dole or otherwise) does not necessarily mean that participants will attend activities and, if they do attend, will actively participate in the program. A range of factors, including the quality of activities and how well activities are matched with participant's skills, interests, motivations and circumstances are likely to affect individuals' attendance and participation in Work for the Dole (Social Research Centre 2015).

Low attendance at Work for the Dole activities is more common among younger CDP participants. Those who are younger, and some subgroups facing participation and employment barriers, including those with no post-school education, those with a criminal conviction, those with no private transport, and those not contactable by phone, have higher recorded rates of *invalid non-attendance*.

Communication and health issues may play a role in explaining invalid non-attendance among some, particularly Indigenous, CDP participants. Based on research in eight remote communities, Winangali and Ipsos (2018) found that health issues play a role in explaining why some CDP participants are penalised for non-attendance. Stakeholders that participated in the fieldwork reported that some participants had undetected health barriers due to lack of adequate assessments.

This is consistent with exemptions data that shows lower rates of medical exemptions among activity-tested income support recipients living in remote or very remote Australia. Despite a higher burden of disease among Indigenous people and those living

in remote areas (AIHW 2016), in June 2017, five per cent of activity-tested income support recipients living in CDP regions had a medical exemption, compared with ten per cent of those living in non-CDP regions (Table 2.4). The rate of medical exemptions is lower again for those living in CDP areas who identify as Indigenous – three per cent in June 2017.

Finding 1

Better assessments of remote CDP participants could help to ensure that their attendance requirements match their abilities, and that potential barriers to participation are better identified. This includes increased access to medical assessments by qualified practitioners.

Invalid non-attendance

Those who do not attend activities and do not provide a valid reason for not attending can have their income support payment temporarily suspended (until they re-engage), which may also result in a financial penalty.

While the application of payment suspensions and financial penalties increased in the RJCP period, they continued to increase under the CDP, with the expansion of Work for the Dole, a new provider payment model, and increased provider reporting of non-compliance.

Since January 2016, in any one quarter, approximately 60 per cent of CDP participants recorded at least one suspension, and one or more penalties were applied to about a third of CDP participants. Looking at the outcomes over the whole year for the group of participants on the CDP on 1 January 2016, the proportion of participants penalised increases to over half.

Averaged across all CDP regions, financial penalties represent less than one per cent of Australian Government payments to people living in CDP regions. While the overall regional impact of penalties is small, penalties represent a larger share of the income of some groups of CDP participants. Around half of those penalised lost less than five per cent of their quarterly Australian Government payments. Since mid-2016, however, just under one in ten penalised participants lost twenty per cent or more of their payments over the quarter. This equates to between two and three per cent of all CDP participants per quarter.

Reflecting the patterns for *invalid non-attendance*, CDP participants aged under 35 and those with certain participation and communication barriers – including those with poor English language proficiency as well as those with lower education levels, longer time unemployed, less access to private transport, and those who were not contactable by phone – were most impacted by financial penalties in terms of the frequency of applied penalties and the total amount of Australian Government payments lost to penalties over a 12-month period.

The evaluation fieldwork suggests that part of the reason for high rates of penalties and their concentration among particular subgroups with existing barriers to employment is that some CDP participants did not understand the compliance system and had difficulty communicating with Centrelink or their CDP Provider (Winangali and Ipsos 2018). Winangali and Ipsos (2018) also found that participants can fail to re-engage when they had difficulties communicating with Centrelink staff.

Some providers in the fieldwork study reported undertaking close case management of clients with follow up and outreach to client homes and greater use of intervention management when participants did not attend (Winangali and Ipsos 2018). Winangali and Ipsos (2018) concluded that CDP providers with sufficient knowledge of participants could further help minimise penalisation if they were able to take more of a role in assisting participants to contact the Department of Human Services and explain participant reasons for non-attendance.

Finding 2

CDP providers could take more of a role in preventing and managing non-compliance. This could include co-ordinating contact between the Department of Human Services and participants, which may help ensure that participant mutual obligation requirements are reviewed and updated in a timely manner.

Penalties and attendance for CDP participants

By encouraging participation in employment and community activities (including Work for the Dole activities), penalties have the potential to support the development of skills and confidence for participants, and to improve their employment outcomes.

How CDP participants respond to – or the extent to which they *comply with* – the possibility of a penalty is an empirical question. Without data on a comparable group of participants that are not exposed to the possibility of a penalty, it is not possible to estimate how remote participants change their attendance behaviour in response to the possibility (or increased possibility) of a penalty. That said, administrative data can track penalised CDP participants to see how the *application of a penalty* impacts on their outcomes.

The application of a penalty may, to some extent, improve subsequent attendance among some CDP participants. The most highly penalised CDP participants in the first quarter of 2016 increased their subsequent attendance rates over the year by seven percentage points; however, attendance rates for this group were still below average. Over the year, this group was penalised an average of ten per cent of their annual income support payments, double the rate for all participants.

Of those CDP participants penalised in the first quarter of 2016, estimates suggest that six per cent *disengaged* from the income support system without a prior employment outcome recorded. Men under 30 years accounted for 43 per cent of this group. One year after exiting income support benefits, 14 per cent of the *disengaged* participants had not received any income support payment. Among those that did return, *disengaged* participants were off income support payments for, on average, three months.

It is not clear if young men, and others, *disengaged* due to issues around the quality of activities provided, as a result of penalties and payment suspensions, or obtained employment but did not report this to either their CDP provider or the Department of Human Services. Fieldwork undertaken in eight remote communities suggests that the quality of activities – that is, whether surveyed participants considered activities to be suitable and useful – can have an effect on attendance and participation in activities (Winangali and Ipsos 2018).

Between the RJCP and CDP, the share of individuals who *disengaged* from income support benefits within a 12-month period was estimated to increase by one percentage point – from 3.5 per cent of the RJCP participants who were participating in the program on 1 January 2014, to 4.5 per cent of the CDP participants in the program on 1 January 2016.

More data are needed to better understand outcomes for these participants.

Finding 3

Measuring and reporting on the quality of activities could help identify the types of activities that best support participation and outcomes for participants. This could include measures of skills attainment and employment outcomes, as well as participants' perceptions of the quality. A combination of multiple measures could capture different aspects of activity quality. Quality measures could also be linked to activity payments as part of an outcome-based provider payment model.

Employment outcomes

As with other employment programs, CDP providers receive a payment when a participant achieves a defined employment outcome. In comparison to RJCP, the CDP payment model places greater weight on 26 consecutive-week employment outcomes, with the aim of encouraging sustained employment for remote participants.

Employment outcomes – measured here by job placements, 13-week and 26-week outcomes in the administrative data – will reflect a range of factors, including the employment services and training participants receive from their employment provider, as well as the characteristics and circumstances of individuals and the prevailing labour market conditions.

A number of modelling approaches were considered to estimate the effect of the introduction of the CDP on employment outcomes after controlling for the characteristics of participants and changes in labour market conditions. In addition to before to after modelling, quasi-experimental modelling compared changes in employment outcomes for participants in remote regions with changes for jobseekers in neighbouring jobactive regions.

Across the different models and sensitivity tests, modelling did not find conclusive evidence that the introduction of the CDP had an effect on the share of participants obtaining a job placement or 13-week outcome. However, modelling suggests that the

CDP has led to around a one percentage point increase in the share of participants obtaining a 26-week outcome. This result is consistent with the greater weight placed on 26 consecutive-week employment outcomes in provider and employer payments. In the before to after modelling, for example, 26-week employment outcomes increased by 1.2 percentage points under CDP. This is up from a base of 5.7 per cent of participants obtaining a 26-week outcome (over an 18-month period) under the RJCP.

As noted above, based on the JSCI, close to three in four CDP participants have *moderate to extreme barriers* to employment. This reflects, in part, the high share of participants living in very remote areas with more limited labour market opportunities, and the limited experience many CDP participants have in the labour market. Of those participating on 1 January 2016, one in five had spent at least 70 per cent of their adult life on income support (over the past 20 years). Achieving employment outcomes for CDP participants with *extreme* employment barriers is likely to require an investment over time.

The CDP has only been operating for a short time and the estimated employment effects will therefore not capture any long-term changes in employment outcomes. In the first two years of the program, as may be expected, participants with *low barriers* to employment had the highest estimated increase in 26-week outcomes under the CDP (up 3.4 percentage points based on the before to after modelling).

Improving employment outcomes over the long term

Improving the livelihoods of those living in remote communities would benefit from employment policies focused on promoting local employment opportunities (Dockery and Lovell 2016) and building the skills of CDP participants.

Local employment opportunities vary across CDP regions (Figure 1.1), and sometimes within regions, and are likely to change over time. Employment outcome payments for 13 and 26 consecutive-week outcomes may not be suitable in communities where seasonal work is an important part of the labour market. As part of the ANAO (2017) review of the design and implementation of the CDP, other Government entities raised concerns about the timing of the 13-week and 26-week outcome payments and the availability of seasonal and casual work in remote labour markets.

Designing measures of employment outcomes that match local labour market conditions could improve incentives for CDP providers to make the most of current and emerging opportunities and ultimately, to improve the long-term employment outcomes and wellbeing of participants. To be effective, the implementation of this would need to ensure that the employment measures used lead to a genuine improvement in the lives of participants.

Under the CDP, providers can be paid a higher amount for participants attending Work for the Dole activities throughout the year than for achieving a 26-week employment outcome (Figure 1.2). This aspect of the provider payment model may, in some circumstances, reduce provider incentives to transition individuals to employment (ANAO 2017). The incentive to place Work for the Dole participants in paid work is

reduced for those who face the greatest barriers to employment where there is a lower likelihood of an individual staying in the job for 26 weeks.

Streaming employment outcome payments – based on the individual’s employment barriers – could improve the long-term outcomes for CDP participants. Streaming is already used in mainstream employment services to improve incentives for providers to place participants with high employment barriers into jobs (Appendix A). Similarly, payments for Disability Employment Services (DES) providers are based on a number of factors including labour market conditions, as well as a participant’s demographic characteristics and disability type. This risk-adjusted funding is designed to encourage DES providers to achieve outcomes for those participants less likely to gain employment by having proportionately higher payments available (DSS 2018b).

Finding 4

Giving providers some flexibility to negotiate how employment outcomes are defined, measured and paid for could lead to better employment outcomes for participants. Employment outcomes could better reflect the local labour market conditions and opportunities. In particular, in locations where seasonal work is a key driver of work, providers could have scope to alter the requirement for outcomes to be obtained over a consecutive time period.

Participants may also benefit from increasing the incentive for providers to place those with high employment barriers into employment. One way to strengthen incentives would be to stream employment outcome payments based on the barriers faced by individual participants.

Consideration could be given to first piloting and evaluating changes to the program in order to identify impacts (intended and unintended). Trial sites have been used to test and refine a number of changes to employment programs. For example, Work for the Dole was first trialled in 18 select locations in non-remote Australia (Social Research Centre 2015) before being introduced nationally from July 2015. The National Disability Insurance Scheme (NDIS) was also first introduced in trial sites across Australia, including remote areas (PC 2017b).

Well-designed program pilots, with an understanding of the context of the location and population, can provide key insights into what works, for whom, and in what circumstances. Pilots, however, are limited by the time needed for the effect of new policies to be evident and for impacts to be measured and isolated from other factors (Sanderson 2002). Where pilots require extensive time to set-up, run and evaluate, the benefits of refining policy through pilot programs needs to be balanced against the potential benefits of providing earlier access to new policy arrangements.

For new and innovative programs where the impacts are uncertain, using small-scale pilots before refining and scaling up reforms can reduce the otherwise high failure rates (Blattman and Ralston 2015).

Finding 5

Piloting could be useful in developing and implementing innovative payment models and employment programs when the impacts of these program are uncertain. Where appropriate, pilots could allow for new models to be evaluated and refined before any potential roll out.

Monitoring and evaluation as a tool to improve outcomes for participants and their communities

The effective delivery of the CDP – as with any other government-funded employment program or service – requires the ongoing monitoring, reporting and evaluation of program outcomes.

The monitoring and evaluating process is important to understanding and improving outcomes for participants living in remote Australia. However, measuring the effects of the program (particularly employment effects) can take time, and needs to account for transition periods. The *Indigenous Advancement Strategy Evaluation Framework* (PMC 2018c) lays out standards for evaluating if and how a program is working, and notes the importance of embedding evaluation into programs from the beginning.

For the CDP, there is scope to improve program monitoring and evaluation processes by improving the measurement of outcomes in the administrative data.

Participant's outcomes can be better captured and reported on in two key areas. First, given the centrality of Work for the Dole to remote employment programs, ongoing program monitoring could be expanded to include the collection of data on the quality of activities provided. This would enable more systematic analysis of the types and characteristics of activities that are effective at improving participants' outcomes (including, for example, employment and increased employability).

Second, information from the income support and employment services administrative systems could be used more comprehensively to monitor and report on participants' longer-term outcomes. These measures could include more detailed indicators of participant outcomes after exiting the income support system, including measures of long-term employment outcomes (beyond 26 weeks).

Finding 6

Monitoring and evaluation process could be improved through a greater focus on measuring and reporting on CDP participants' outcomes in the administrative data. Specifically, these measures could include:

- *the quality of activities provided*
- *outcomes for remote participants after exiting the program, including measures of long-term employment outcomes – beyond the 26-week outcomes recorded by CDP providers.*

GLOSSARY

Activity-tested payments

Activity-tested payments are income support payments that have an activity test or participation requirement to qualify, and remain qualified, for income support. This includes Newstart Allowance, Youth Allowance (other) and Special Benefit (for nominated visa holders). Some Parenting Payment recipients (those whose youngest child is six or above) and Disability Support Pension recipients (those aged under 35 years with a work capacity of eight or more hours per week and without a youngest child under six years) have part-time mutual obligation requirements.

Mutual obligation requirements

Mutual obligation requirements are activities that income support recipients are required to undertake to qualify, and remain qualified, for income support. The DSS *Guide to Social Security Law* (2018) notes that mutual obligation requirements are designed to ensure that unemployed people receiving income support payments are actively looking for work and/or doing everything that they can to become ready for work in the future.

Required to attend Work for the Dole, activity tested and not required to attend Work for the Dole, and volunteers

Activity tested and required to attend Work for the Dole participants are income support recipients aged between 18 and 49 years who have mutual obligation requirements, are receiving the full rate of income support and are not exempt from mutual obligation requirements or otherwise disqualified by illness injury or disability.

Activity tested and not required to attend Work for the Dole includes all income support recipients who have mutual obligation requirements who are not required to attend Work for the Dole because they are not in the relevant age range, not on the full rate of income support payment or exempt/disqualified from Work for the Dole due to illness, injury or disability.

Volunteers refer to CDP participants who are not on income support payments or who are on non-activity-tested payments but are volunteering to undertake Work for the Dole and/or other CDP activities.

Temporary incapacity exemption

Social security law provides for a *temporary incapacity exemption* from mutual obligation requirements for those who are unable to work for 8 hours or more per week due to a medical condition. To apply for a *temporary incapacity exemption*, a job seeker must provide the delegate (DHS) with an approved medical certificate that is signed by a medical practitioner and states the medical practitioner's diagnosis and prognosis, that

the person is incapacitated for work or any other suitable activity for eight hours or more per week due to a medical condition, and the period for which the person is incapacitated. Where a job seeker submits a medical certificate which indicates that any of the medical conditions will be medium or long term in nature (such as with episodic or chronic conditions) an ESAt may be required to determine the impact of the medical condition on their requirements (DSS 2016, sec. 3.5.1.220).

Employment Services Assessment (ESAt)

ESAts are for the purpose of identifying an individual's:

- barriers to finding and maintaining employment (this may relate to the impact of a person's disability, injury, illness, or other disadvantage)
- work capacity (in hour bandwidths)
- interventions or assistance that may be of benefit to improve their current work capacity.

ESAts are conducted by health and allied health professionals. As part of the assessment process, assessors have access to relevant available information about the job seeker, including current and past medical/disability status, and prior participation and employment history. Assessors can also liaise with treating doctors and relevant health professionals as required (DSS 2016, sec 1.1.E.104).

Job Seeker Compliance Framework

Income support recipients with mutual obligation requirements are subject to the *Job Seeker Compliance Framework (JSCF)*, administered by DHS, on behalf of the Department of Jobs and Small Business. The JSCF outlines what happens if participants fail to meet their requirements (DSS 2018, Sec. 3.1.13). The compliance framework is not exclusive to CDP and the same rules, types of penalties and suspensions currently apply to jobseekers in remote, regional and metropolitan areas.

Suspension

A suspension is a temporary hold on a participant's payment which may be applied if a participant fails to meet their mutual obligation requirements (for example, fails to attend a provider or third-party appointment or has disengaged from activities). Money withheld as a result of a payment suspension is back paid after the participant re-engages with a provider. However, the participant's income support payment may be cancelled if they fail to engage within a reasonable time.

Financial penalty

A financial penalty is a permanent loss of a proportion of a participant's payment due to failure to meet their mutual obligation requirements.

Comprehensive Compliance Assessment

A Comprehensive Compliance Assessment (CCA) is an assessment conducted by the Department of Human Services to determine whether:

- a penalty should be applied to an activity-tested eligible participant who ‘wilfully and persistently’ fails to meet their obligations under their individual Participation Plan
- an activity-tested eligible participant requires additional assistance in order to comply.

A CCA will be automatically triggered after a participant has had either three appointment-related attendance failures (*connection, non-attendance* or *reconnection* failures, for failure to attend an appointment with an employment services provider, DHS or a third party provider, such as a Work for the Dole host organisation) (DSS 2018a, sec. 3.1.13.30) or three activity-related attendance failures (*No Show No Pay's*) applied in a six-month period (DSS 2018a, sec. 3.1.13.70). Employment service providers or the Department of Human Services may also initiate a CCA at any other time if they believe a participant's circumstances warrant it.

During a CCA, a specialist officer from DHS considers the participant's compliance history and why they have been failing to meet their requirements. The aim of the assessment is to determine whether the participant is being deliberately and persistently non-compliant or if there are unidentified barriers preventing the participant from fully meeting their mutual obligation requirements and for which they need additional or alternative assistance. The findings of a CCA inform future decisions about the individual's mutual obligation requirements. If the person is found to be deliberately and persistently non-compliant by DHS, a serious failure penalty can be applied.

Serious failure penalty

A *serious failure* penalty leads to a participant's income support payments being stopped (reduced to zero) for up to eight weeks.

Three main situations may lead to a *serious failure* penalty:

- failure to accept or commence in suitable employment
- leaving suitable employment voluntarily or being dismissed for misconduct
- persistent non-compliance (that is, repeated failures to attend appointments, job interviews or activities or refusing to enter into a Job Plan).

A participant can avoid a serious failure penalty, or shorten a serious failure penalty period, by agreeing to undertake a compliance activity, which typically involves undertaking Work for the Dole for 25 hours per week.

Expected hours

Expected hours are an estimate of the number of hours the participant is expected to undertake Work for the Dole activities on a given day. The estimate is based on the number of Work for the Dole hours agreed in the participant's job plan; and, where necessary (that is, when information is missing or overridden in the job plan), from other information on participants' activity requirements and current status in the program (including whether they were commenced or temporarily exempt on that day).

Expected hours are assumed to be zero if the participant is temporarily exempt from the CDP, or if the participant is not required to attend Work for the Dole and not volunteering for Work for the Dole.

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APPENDIX A: ADDITIONAL DESCRIPTIVE TABLES

Table A.1 Differences between the RJCP and the CDP^a

Program element	RJCP	CDP
Participation requirements	Based on capacity assessment, those aged between 15 to 65 years participate up to 20 hours per week in an activity. Grandfathered Community Development and Employment Projects (CDEP) participants participate for sufficient hours to earn or be paid the applicable CDEP Wage Rate. ^a	For all those aged 18 to 49 years who are not in work or study, continuous Work for the Dole up to 25 hours a week (based on assessed capacity), 52 weeks a year, with leave provisions of up to six weeks per year and exemptions for cultural business, in addition to in addition to a two-week shut down around Christmas. Those under 23 years are encouraged to complete Year 12.
Job search requirements	Job search requirements determined by providers, taking into account local labour market conditions and participant circumstances. Guidelines specify at least one job search per month must be recorded in each participant's job plan.	Job search requirements are determined by providers, taking into account local labour market conditions and participant circumstances. Guidelines initially specified at least one job search per month in each participant's job plan. This requirement was removed in April 2018.
Participation activities	Provider discretion for participants to participate in work-like and community activities and training to fulfil their mutual obligation requirements.	Those aged 18 to 49 years who are not in work or study are required to participate in Work for the Dole Activities. Other activity-tested participants can volunteer for Work for the Dole or meet their mutual obligations requirement through other approved activities. Tighter rules for the provision of training and education
Payment model	More than a dozen different provider payments including for: delivery of activities; education outcomes; job placements; and employment outcomes. Providers also had access to a Participation Account for selected ancillary payments to assist participants, for example, to purchase clothing, equipment and for training.	Providers can receive payments for delivering Basic Services, Work for the Dole activities; and achieving employment outcomes (more heavily weighted to 26-week outcomes). Payments linked to participant attendance and providers' efforts to follow-up with the participant. Employers can receive an <i>Employer Incentive Payment</i> for employing a participant for 26 weeks.
Additional funding	<i>Community Development Fund</i> (\$237.5 million over five years) projects to support social and economic participation including participation in work-like activities and job opportunities.	Annual grants of up to \$25 million for <i>Indigenous Enterprise Development</i> remote projects to establish enterprises that benefit communities and create opportunities for participants to satisfy their mutual obligation requirements in a business environment.

Source: PMC 2018a, PMC 2018b, PMC 2016, PMC 2014 and PMC 2014b.

Notes: (a) Under the CDEP, participants received a payment for participating in Remote Employment and Participation Activities. The CDEP wage rate at 1 July 2013 was \$217.71 (GST exclusive) per week for a CDEP Youth Participant and \$287.57 (GST exclusive) for all other CDEP Scheme Participants.

Table A.2 Differences between Job Services Australia and jobactive^a

Program element	Job Services Australia (JSA)	Jobactive
Streaming	Four streams of participants: (1) low barriers to employment; (2 and 3) mild to moderate barriers to employment; and (4) multiple or complex non-vocational barriers to employment.	Three streams of participants: (A) 'job competitive' with low to moderate risk of long-term unemployment; (B) those with vocational barriers that need greater support to become job ready and have moderate to high risk of long-term unemployment; (C) those with a combination of vocational and non-vocational barriers.
Participation requirements	Stream A job participant's start their Work for the Dole phase (or activity requirement) after 12 months. Job search requirement determined by providers.	Stream A participant start their Work for the Dole or another approved activity after six months. Stream B and C participants start after 12 months. Work for the Dole is 25 hours for 26 weeks per year for those aged under 30 years; and 15 hours per week for six months each year for those aged 30 to 59 years. Most job seekers are required to undertake 20 job searches per month.
Participation activities	Providers had discretion over the type of activities participants were enrolled in, including training.	Tighter rules for the provision of training and education. Annual Activity Requirements more focused on work experience relative to training.
Payment model	Ratio between admin/service fees and outcome payments - 67:33 Payment for job placements and outcome payments at 13 and 26 weeks. Fee structure tied to stream and duration of employment.	Ratio between administration/service fees and outcome payments - 48:52 Outcome payments at four, 12 and 26 weeks (and no payment for job placement). Fee structure tied to duration of employment outcome, stream and whether they live in a regional or non-regional location. Compared to JSA - higher payments for employment outcomes for the most disadvantaged job seekers (as defined by stream and length of unemployment).
Additional funding	Wage subsidies for certain cohorts	A wider variety of demand driven wage subsidies for those considered less job ready including young, mature-age, long-term unemployed, Indigenous (and principal carer parent jobseekers from 1 November 2015).

Source: Internal documents provided by DJSB.

Notes: (a) Other changes introduced under jobactive included specific targets for increasing Indigenous employment outcomes that form part of jobactive providers' ongoing performance assessment (JSA had alternative methods to encourage indigenous employment, for example mentoring).

Table A.3 Community Development Programme regions, communities and participants, 1 January 2016^{a,b}

	CDP Regions	Communities	Participants	Participants identifying as Indigenous
Northern Territory	23	424	42%	93%
Queensland	16	180	21%	78%
Western Australia	14	308	27%	79%
South Australia	4	135	7%	60%
New South Wales	2	29	3%	74%
Total	60	1,077	100%	84%

Source: PMC estimates based on unpublished ESS operational data (extracted on 5 September 2017).

Notes: (a) 1 January 2016 was selected as the most appropriate time period for descriptive statistics as it is the most frequently used sampling date for analysis in this report (being the earliest date to avoid transitional issues in the administrative data). 269 CDP participants had no labour market region code and state was unknown. (b) Due to the small number of participants living in Christmas and Cocos Islands, these areas are not separately identified however have been included in the total.

Table A.4 Change in characteristics of remote employment program participants

Characteristic	12 June 2015	10 June 2016	9 June 2017	% change between 2015 and 2016	% change between 2015 and 2017
Total	37,508	34,444	33,355	-8	-11
Identifies as Indigenous	31,018	28,258	27,474	-9	-11
Non-Indigenous	6,490	6,186	5,881	-5	-9
Activity tested & required to attend Work for the Dole	21,897	19,461	19,530	-11	-11
Activity tested, not required to attend Work for the Dole	10,603	12,475	11,750	18	11
Voluntary	5,008	2,508	2,075	-50	-59
Male	21,143	19,376	18,687	-8	-12
Female	16,365	15,068	14,668	-8	-10
Less than 18	1,217	871	932	-28	-23
18-22 years	6,723	5,408	5,009	-20	-25
23-29 years	7,366	6,559	6,189	-11	-16
30-39 years	8,811	8,279	7,940	-6	-10
40-49 years	7,473	7,159	6,923	-4	-7
50 years or older	5,918	6,168	6,362	4	8

Source: ESS operational data (extracted by PMC on 5 September 2017).

Table A.5 Reasons for being temporarily exempt from activity test requirements^a

Exemption reason	1 Jan 2014 (N)	1 Jan 2016 (N)	% increase
Caring	130	220	69
DSP (claiming)	59	185	214
Medical	477	865	81
Reduced/Partial work capacity	465	533	15
Personal issues	158	258	63
Paid work	154	505	228
Study	18	23	28
Voluntary/Community work	97	107	10
Other	164	225	37
Grand total	1,722	2,921	70

Source: ESS operational data (extracted by PMC in March 2018).

Notes: (a) A participant can have multiple related suspension reasons at any point in time.

APPENDIX B: ANALYSIS OF ATTENDANCE AND PENALTIES

Statistical models

Attendance (Chapter 2)

For each person, two attendance statistics for 2016 were calculated:

- *Attended* – the proportion of total attendance records in 2016 marked as attended
- *Did Not Attend Invalid (DNAI)* – the proportion of total attendance records in 2016 marked as invalid non-attendance.

Each of the two proportions were modelled separately, although using the same set of control variables. The models were generalised linear models, estimated using least squares regression. Generalised linear regression models were chosen as a straightforward way to model the continuous attendance data. The variable effects were estimated as additions (in percentage points) to the expected rate.

Penalties (Chapter 3)

Among the 2016 penalty outcomes recorded for each person were: the number of reduction penalties and zero-rate penalties they had determined in the year, and the amount of Australian Government payments lost due to penalties. To estimate the effects of participant characteristics on penalties, three regression models were estimated:

1. *Ever had any penalty* – a logistic regression model, estimating the probability that a person received a penalty at any time during 2016.
2. *Ever had a zero-rate penalty* – of those who had received a penalty, a logistic regression model estimating the probability of receiving a zero-rate penalty.

Variable effects were estimated as odds ratios, that is, multipliers of the probability compared to the reference value.

3. *Penalty amount* – A general linear model estimating the total value of penalties to a person, of those who had at least one penalty in 2016.

Variable effects were estimated as additions (in dollars) to the expected value.

Logistic regressions were chosen as a straightforward way to model binary data, with results that are easy to interpret. Similarly, a general linear model was chosen as a straightforward way to model continuous data with easy interpretation. All three models were estimated using least squares regression.

The attendance models (in Chapter 2) and the penalty models (in Chapter 3) were also run on 2016-17 data, to check that the results from the 2016 data were consistent over time. Most variable effects were the same; only a few marginal effects gained or lost significance in the 2016-17 results.

Dataset for regression models

The models described above all use the same dataset – administrative data from the CDP system, containing all persons who were registered with a CDP provider on 1 January 2016.

Those who were volunteers (on 1 January 2016) were excluded from the dataset, as the relationship between attendance and the characteristics of participants was expected to be different for volunteers than for activity-tested participants. The attendance models also excluded participants who were activity tested on 1 January 2016, but had no attendance records at any time in 2016 (a participant's attendance is recorded periodically as long as they are enrolled in Work for the Dole). Some participants in this dataset may have periods with zero expected hours in Work for the Dole activities at some time(s) during 2016.

The number of persons that were excluded due to missing values was small. The largest number was due to the criminal history variable, where eight per cent of persons had missing values. The other independent variables had about one to two per cent missing values each.

Work for the Dole attendance records used in Chapter 2 include attendance and type of non-attendance (valid and invalid attendance), but exclude records marked as cancelled, created in error, rescheduled or blank.

The penalties estimates in Chapter 3 are based on administrative data on penalties determined by the Department of Human Services (DHS), sourced from the DHS circumstances files. These estimates do not account for when or whether the penalty was applied (for example, if the person's payments were cancelled then the penalty would not have been applied). They also do not include penalties that were reversed prior to the extract date.

The dataset contains variables for a range of participant characteristics and CDP outcomes. A variable for the total number of days the participant was commenced (in 2016) was included to control for the proportion of the year that the person was participating in the CDP.

The measures of remoteness are based on Markham's (2016) 1x1km remoteness classification across Australia. Each 1x1km area is assigned a remoteness value between 0 (not remote) and 15 (most remote). The home addresses of participants were mapped to the remoteness grid of Australia with the local value assigned to each participant. These values were then used in the attendance and penalty models as a continuous variable for each participant.

Table B.1 Dependent and independent variables used in the models

Variable	Description
Indigenous status	Whether participant identified as Indigenous as at 1 January 2016. Voluntary disclosure based on JSCI Q16: 'Are you Aboriginal or Torres Strait Islander?'.
Disability	Whether participant had any disabilities or medical conditions at 1 January 2016, and whether they need additional support at work as a result of their condition. Defined to include any disability that affects the number of hours they are able to work. Based on participant's last job capacity assessment if one exists; otherwise on participant responses to Q21 and Q24 from their latest JSCI assessment: 'Do you have any disabilities or medical conditions that affect the hours that you are able to work?' and 'Do you think you need additional support to help you at work as a result of your conditions(s)?'.
English skills	Self-reported English proficiency. Based on participants responses to JSCI Q12 to Q14: 'Do you consider you speak, read and write English well?' (based on latest JSCI assessment at 1 January 2016).
Education level	Participant level of education. Based on participant's responses to JSCI Q4 to Q6: 'What is the highest level of schooling you have completed?', 'Have you completed any other qualifications?' and 'What are they?' (based on latest JSCI assessment at 1 January 2016).
Criminal history	Whether participant had been previously sentenced or convicted as at 1 January 2016. Voluntary disclosure based on JSCI Q37 to Q45: 'Have you spent time in custody in the last two years as a result of a criminal conviction?', 'Have you been convicted of a criminal offence in the last five years but received a non-custodial sentence?', 'Have you spent time in custody since turning 21 as a result of a criminal conviction?', 'Have you spent time in custody in the last seven years as a result of a criminal conviction?' and 'Have you been convicted of a criminal offence in the last ten years but received a non-custodial sentence?'.
Indigenous status of provider	Indigenous status of CDP provider that participant was serviced by as at 1 January 2016.
Gender	Based on administrative data provided by the participant to DHS as at 1 January 2016.
Age (group)	Based on administrative data provided by the participant to DHS as at 1 January 2016.
Duration of unemployment (group)	Length of time that the participant has been registered for employment services as at 1 January 2016.

Variable	Description
Proportion of commenced days that participant had no transport	Estimate of the proportion of participant's total commenced days on the CDP in 2016 that they had no access to transport. Derived from JSCI Q35 and Q36 (from all assessments current in 2016): 'Do you have your own car or motorcycle that you can use to travel to and from work?' and 'What can you use to travel to and from work?'.
Proportion of commenced days that participant had public or other private transport	Estimate of the proportion of participant's total commenced days in the CDP in 2016 that the participant only had access to public or other private transport. Derived from JSCI Q35 and Q36 (from all assessments current in 2016): 'Do you have your own car or motorcycle that you can use to travel to and from work?' and 'What can you use to travel to and from work?'.
Proportion of commenced days participant was a parent	Estimate of the proportion of participant's total commenced days in the CDP in 2016, that they were living with one or more (of their) children aged less than 15 years. Based on JSCI Q31: 'Who lives with you?'.
Proportion of commenced days that participant was a primary carer for a child under 16 years	Estimate of the proportion of participant's total commenced days in the CDP in 2016 that the participant was a primary carer for a child under 16 years. Based on JSCI Q31 and Q32: 'Are you the main caregiver for this child/these children?'.
Proportion of commenced days that the participant was homeless	Estimate of the proportion of participant's total commenced days in the CDP in 2016, that the participant was recorded as homeless. Based on JSCI Q27 and Q28: 'Have you been living in secure accommodation, such as rented accommodation or your own home, for the last 12 months or longer?' and 'Are you currently staying in emergency or temporary accommodation?' Categories include stable residence versus homeless (primary and secondary homeless combined).
Proportion of commenced days that participant was contactable by phone	Estimate of the proportion of participant's total commenced days in the CDP in 2016, that the participant was not contactable by phone. Determined by administrative data provided by the job seeker to DHS. The categories are: 'Contactable by phone' and 'Not contactable by phone'.
Proportion of commenced days that participant was required to attend Work for the Dole	Estimate of the proportion of participant's total commenced days in the CDP in 2016 that the participant was required to attend Work for the Dole (that is, aged between 18 and 49 years and receiving the full rate of income support and without an exemption due to illness, injury or disability).
Total days commenced with a CDP provider	Total number of days in 2016 that the participant was registered and commenced (that is, not suspended or pending) in the CDP. The denominator for proportions of a participant's total commenced days in the CDP in 2016.
Remoteness index	Remoteness based on participant's home address (as at 1 January 2016) and measured on a scale of 0 to 15.

Variable	Description
CDP region of residence	CDP region in which the participant lives (as at 1 January 2016).
Proportion of records <i>Attended</i>	Proportion of participant's Work for the Dole records marked as <i>Attended</i> during 2016.
Proportion of records marked as <i>Did Not Attend Invalid</i>	Proportion of participant's Work for the Dole records marked as <i>Did Not Attend Invalid (invalid non-attendance)</i> during 2016.
Whether subject to any penalty	Whether participant received at least one financial penalty (of any kind) in 2016. Based on administrative data on penalty determinations.
Whether subject to a zero-rate penalty	Whether participant received at least one zero-rate penalty in 2016. Based on administrative data on penalty determinations.
Total payments lost to penalties	Estimated amount of participant's Australian Government payments lost to penalties in 2016. Based on administrative data on penalty determinations.

Table B.2 Descriptive statistics for continuous CDP variables^a

Variable	Indigenous	Non-Indigenous	All persons
	Mean (s.d.)	Mean (s.d.)	Mean (s.d.)
Proportion of records attended	35 (27)	37 (35)	35 (28)
Proportion of records DNAI	24 (23)	11 (20)	23 (23)
Total value lost to penalties (\$)	942 (1,141)	337 (575)	915 (1,129)
Age (years)	35 (12)	43 (14)	36 (12)
Duration of unemployment (years)	0.4 (0.5)	0.2 (0.4)	0.4 (0.5)
Total days commenced in the CDP	261 (113)	186 (138)	248 (121)
Remoteness index	5.2 (2.1)	3.1 (1.9)	4.8 (2.2)
JSCI score ^b	37 (10)	26 (10)	35 (11)
Sample size	26,000	5,492	31,492

Notes: (a) Means with standard deviation in parentheses. Population includes all participants registered with a CDP provider on 1 January 2016. (b) JSCI score was not included in the regressions, as its components were included separately. However it is included here for interest.

Table B.3 Distribution of categorical variables by Indigenous status^a

Variable	Effect value	Indigenous (%)	Non-Indigenous (%)	Total (%)
Disability status	Identified support need	5	16	7
	No need identified	10	16	11
	No disability	85	68	82
English skills	Good English	62	90	67

Variable	Effect value	Indigenous (%)	Non-Indigenous (%)	Total (%)
	Poor/Mixed	38	10	33
	Below Year 10	28	12	25
Education level	Years 10-11	44	36	42
	Year 12	10	12	10
	Trade/Vocational/Diploma/Degree	19	40	22
Criminal history	Has been convicted or sentenced	24	15	22
	No criminal history	76	85	78
Indigenous status of organisation	Indigenous	55	35	51
	Non-Indigenous	45	65	49
Gender	Female	44	42	43
	Male	56	58	57
Age	15 - 24 years	23	13	21
	25 - 34 years	30	16	28
	35 - 44 years	24	20	23
	45 - 54 years	17	24	18
	55+ years	6	26	10
Duration of unemployment	<1 month	38	51	40
	1 to <6 months	34	34	34
	6 months to <1 year	17	10	16
	1 year or more	12	5	10
Transport options	No transport	64	16	56
	Own transport	12	63	21
	Public or other private transport	23	21	23
Parent (as at 1 Jan 2016)	Not a parent	84	84	84
	Parent of a child (aged ≤15 years)	16	16	16
Primary carer (as at 1 Jan 2016)	Not a primary carer	85	86	85
	Primary carer	15	14	15
Homeless (as at 1 Jan 2016)	Homeless	10	11	10
	Stable residence	90	89	90
Contactable by phone (as at 1 Jan 2016)	Contactable	62	96	68
	Not contactable	38	4	32
Activity tested and required to attend Work for the Dole (as at 1 Jan 2016)	Required to attend	79	53	74
	Not required to attend	21	47	26
Ever penalised (any) during 2016	Penalised	69	15	60
	Never penalised	31	85	40
Ever penalised (zero-rate) during 2016	Zero-rate	26	1	21
	Never zero-rate	74	99	79
Total		100	100	100

Notes: (a) The (categorical) variable for region is not included, as it has a large number of effect values.

Regression results

Table B.4 Estimated effects from attendance and penalty models^{a,b}

Variable	Effect value	Attended (+% points)	DNAI (+% points)	Penalty (OR) ^a	Zero (OR) ^a	Penalty (+\$)
Intercept	Intercept	12***	33***	0.04***	0.03	147*
Indigenous status of person	Indigenous (compared with non-Indigenous)	0.4	3.8***	3.3***	2.7***	166***
Disability status	Disability with an Identified support need (compared with No disability)	2***	-3***	0.5***	0.6***	-228***
	Disability with No identified support need (compared with No disability)	-0.7	0.1	0.8	0.9	-73**
English skills	Poor/Mixed English (compared with Good English)	0.5	0.5*	1.3***	1.2***	85***
Education level	Below Year 10 (compared with Year 12)	0.03	-0.1	1.2***	0.9	9
	Years 10-11 (compared with Year 12)	-0.2	0.3	1.2***	0.9**	6
	Trade/Vocational/Diploma/Degree (compared with Year 12)	0.9	-2.1***	0.9***	0.7***	-110***
Criminal history	Has been convicted or sentenced (compared with No criminal history)	-1.8***	1.4***	1.3***	1.1	-4
Provider organisation	Indigenous (compared with Non-Indigenous)	-14	2.2	0.1**	0.3	-160
Gender	Female (compared with Male)	-2.5***	-0.5*	0.8***	1.05	-29
Age	15 - 24 years (compared with 25 - 34 years)	-2.6***	3.9***	1.3***	0.9***	-36
	35 - 44 years (compared with 25 - 34 years)	3.5***	-3.5***	0.7***	0.6***	-229***
	45 - 54 years (compared with 25 - 34 years)	12***	-12***	0.4***	0.3***	-636***
	55+ years (compared with 25 - 34 years)	21***	-19***	0.1***	0.03***	-1182***
Duration unemployed	<1 month (compared with 1 to <6 months)	1.6***	-1.4***	0.8***	0.9***	-74***
	6 months to <1 year (compared with 1 to <6 months)	0.2	0.002	1.1*	1.2***	105***
	1 year or more (compared with 1 to <6 months)	0.2	0.5	1.2***	1.2***	75***

Variable	Effect value	Attended (+% points)	DNAI (+% points)	Penalty (OR) ^a	Zero (OR) ^a	Penalty (+\$)
Of the days commenced in the CDP, proportion that had:	No transport ^b	-0.6	3.3***	1.8***	1.5***	148***
	Public or other private transport ^b	-0.5	2.3***	1.6***	1.3***	79**
	Parent of a child aged ≤15 years	-1.1**	-0.1	1.1	0.96	-22
	Primary carer	-1.1*	-3***	0.6***	0.7***	-114***
	Homeless	-1.1***	0.5*	1.1***	1.04	-13
	Not contactable by phone	-1.4***	2.9***	1.8***	1.6***	180***
	Activity tested and required to attend Work for the Dole	20***	-18***	2.5***	0.4***	-478***
Days commenced	Total days that the participant was commenced	0.1***	-0.02***	1.01***	1.004***	2***
Remoteness index	Remoteness index	-0.3**	-0.2*	1.01	1.01	5
Number of participants		23,755	23,755	28,596	16,820	16,820

Notes: (a) OR – odds ratio. OR values are the probability of a penalty given the effect value, as a multiple of the probability given the reference value. (b) There are three categories of transport availability recorded: Owns transport; Public or other private transport; and No transport. Estimates marked as *** are statistically significant at the one per cent level, **are statistically significant at the five per cent level, and * are statistically significant at the ten per cent level. Results for CDP regions excluded from table to conserve space. There were statistically significant variations between regions in all models except the model for whether a person ever received a zero-rate penalty. Statistical significance is for difference from one in the first three models, and difference from zero in the fourth model.

APPENDIX C: ANALYSIS OF EMPLOYMENT OUTCOMES

Identifying the effect of the CDP (Community Development Programme) on employment outcomes for remote program participants is confounded by a number of unknown and unknowable factors. However, changes in labour market conditions are a measurable and critical factor.

Labour market conditions change over time, and any observed differences in outcomes may not be due to the policy differences between the Remote Jobs and Communities Program (RJCP) and the CDP, but to different labour market conditions. The unemployment rate was slightly higher on average (by around 0.2 percentage points based on Small Area Labour Market (SALM) data), and job vacancies slightly lower, in the CDP region, during the CDP compared to the RJCP period (PMC analysis of SALM data from DJSB). The change in the labour market conditions between the RJCP and the CDP periods is not uniform across the whole region. Based on the SALM, between 2014 and 2016, the change in unemployment rates varies by sub-region, with some showing an improvement, while others showed a decline.

Two modelling approaches were considered:

- *Before to after modelling.* To control for changes in labour market conditions, quarterly SALM unemployment estimates for each study period (March 2014 and March 2016) were included as control variables in the analysis. SALM unemployment estimates must be interpreted cautiously however, as estimates are based on small sample sizes and, as a result, have potentially large standard errors. Nonetheless, unemployment rates are consistent in how they are estimated across time, and so may be sufficient for controlling for changes in the labour market in each region between the two time points sampled.
- *Difference-in-difference modelling* which attempts to control for the change in the labour market in the CDP region using neighbouring mainstream labour market conditions as the baseline.

When a participant is placed in employment under the CDP, providers record details about the job, whether the person has remained in employment for 13 weeks, and if the person has remained in employment for 26 weeks. Providers receive outcome payments if a participant has remained in employment for 13 weeks and then 26 weeks. These payments are more heavily weighted to the 26-week outcomes under the CDP. Some providers may not capture all employment outcomes. However, providers have a financial incentive to record employment outcomes and, for this reason, data are likely to be of relatively high quality.

Comparing the number of outcomes reported by providers between the CDP and the RJCP may be affected by measurement bias and definitional change. The RJCP and the CDP use the same program boundaries. However, there are two potential sources of measurement bias using the administrative data:

- Stronger financial incentives were introduced in the CDP program for providers to achieve 26-week outcomes (Chapter 1). To the extent that 26-week outcomes were unreported under the RJCP but reported under the CDP, some of the observed improvement in 26-week outcomes could be partly attributed to increased reporting. In this case, stronger reporting incentives could lead to the estimated effect of the CDP on 26-week outcomes being overstated.
- Auto-claiming of outcomes was introduced at the same time as the CDP commenced. This means that for many outcomes, providers no longer have to manually submit an outcome claim – rather, they are automatically recorded as reaching an outcome once the DHS administrative system determines that the participant has worked 13 or 26 weeks. As with improved financial incentives to report, any observed improvement in outcomes may be due, in part, to increase reporting, rather than a genuine improvement participants outcomes under the CDP. As with stronger reporting incentives, to the extent that auto-claiming lead to an increase in the reporting of 13-week and 26-week employment outcomes, the estimated effect of the CDP on employment could be overstated.

These two potential sources of measurement bias apply very differently to the before group (RJCP participants) and the after group (CDP participants).

Distinct from the issue of measurement bias is the change to the definition of ‘outcome’ when the CDP replaced the RJCP. Under the CDP, the criteria that needed to be met in order for outcomes to be claimed became more stringent. For example, under the RJCP a 26-week outcome could be achieved when a participant had been employed for 26 weeks over a maximum of 52 consecutive weeks. Whereas under the CDP, a 26-week outcome had to be achieved within 26 consecutive weeks (with allowable breaks). Moreover, allowable breaks became shorter, thereby making it harder for providers to claim a 26-week outcome if a participant took a break.

These definitional changes are not measurement bias. They do not reflect a change in the ability to measure the outcome, but rather are a change to what the outcome itself is. The definitional changes are part of the suite of policy changes introduced under the CDP, and therefore form part of the treatment effect tested.

While the two sources of measurement bias identified above may lead to an overestimation of any possible effect of the CDP on employment, the tighter defining of outcomes might lead to an underestimation of the effect of the CDP.

The analyses uses two different samples of participants:

- *The point-in-time sample (PIT)*. This sample includes all CDP participants (commenced, temporarily exempt or pending) on 1 January of each analysis year (2014 for the RJCP and 2016 for the CDP).
- *The newly commenced sample (NEW)*. The second group were not participating in the program on 1 January, but newly commenced between 2 January and 30 June of each year. A 90-day exclusion period was used in order to remove people who were not actually new to their program, or had been absent from the program only briefly. The 90-day period is also consistent with the definition of a new period of service

under both the CDP and jobactive, and is the maximum length that a person can be exited or temporarily exempt from the CDP without being deemed to have to start in the program again (and therefore repeat the various starting activities such as completing a new JSCI assessment).

The CDP point-in-time sample contains 34,726 participants, while the CDP newly commenced sample contains 9,743. For the RJCP, the point-in-time sample contains 35,543 participants, while the RJCP newly commenced sample consists of 10,745 participants.

The point-in-time and newly commenced sample did not capture everyone who passed through the CDP program. The remaining participants (over the six-month sampling period) were grouped and analysed in a third sample. The results for this third sample are not materially different from the other samples. This third sample contained 4,631 participants for the CDP and 4,950 participants for the RJCP.

The jobactive data were provided by Department of Jobs and Small Business to match the point-in-time and newly commenced samples.

Employment Outcome variables

Three variables from the administrative data were used as outcomes for these analyses.

- Job placements – any job in the period between the starting date in these data (January 1 for the PIT sample, actual commencement date for the newly commenced sample) and June 30 of the following year.
- 13-week outcomes – at least one 13-week outcome in the study period (noting this was changed to 12-week outcome under jobactive).
- 26-week outcomes – at least one 26-week outcome in the study period.

Control variables

The control variables come from the administrative data. Further 'regional' variables (including small area unemployment rates) were assigned based on the participant's home address. The analyses use data about the characteristics of these participants at the time they commenced on the programs, namely:

- gender, age and Indigenous status
- Job Search Classification Instrument (JSCI) score and associated data collected during its assessment most recently prior to commencing on the programs. These included data about homelessness, disability, education level, literacy, transport disadvantage (Table B.1)
- whether a participant was on an activity-tested benefit
- CDP region where they were registered
- whether the CDP/RJCP provider was an Indigenous provider
- the percentage of time since 1998 (or coming of working age for those younger than 35 years) that a participant was on income support prior to commencing on their employment program (calculated from income support payments data). For

participants who were working age prior to 1998, these data are incomplete in the payment's system – which only contains data back to 1998.

Unemployment rates – the unemployment rate of the Statistical Area 2 in which the job seeker lived (Using SALM data) for the first quarter of 2014 (for the RJCP sample) and the first quarter of 2016 (for the CDP sample).

Table C.1 Proportions of participants by sample and participant characteristic

	Cohort	RJCP, 2014		CDP, 2016	
		NEW	PIT	NEW	PIT
JSCI group %	low barriers	20.2	8.5	18.6	8.8
	mild barriers	27.5	19.5	30.4	20.8
	moderate to extreme barriers	52.3	72.0	51.0	70.4
JSCI score	mean	28.8	33.9	28.5	33.6
Gender %	Female	41.4	43.7	41.0	43.9
	Male	58.6	56.3	59.0	56.1
Age category %	<18	10.1	3.7	9.6	2.8
	18-24	26.2	24.7	25.5	22.0
	25-29	14.1	13.8	13.9	13.7
	30-34	11.5	12.4	11.3	12.9
	35-39	9.7	11.1	9.6	11.3
	40-49	15.9	19.8	16.2	20.5
	50-59	9.6	11.0	10.5	12.6
	60+	3.0	3.6	3.4	4.2
Age	mean	32.6	34.9	33.2	36.1

Source: PMC estimates based unpublished ESS operational data (extracted on 3 October 2017).

Table C.2 Descriptive statistics for the point-in-time and newly commenced samples

Variable	PIT % Mean(s.d.)		NEW % Mean(s.d.)	
	RJCP 2014	CDP 2016	RJCP 2014	CDP 2016
male	56.3 (0.5)	56.1 (0.5)	58.6 (0.5)	59.0 (0.5)
Identifies as indigenous	84.3 (0.4)	83.9 (0.4)	71.6 (0.5)	71.7 (0.5)
Indigenous provider	50.9 (0.5)	55.0 (0.5)	47.1 (0.5)	53.4 (0.5)
unemployed-region decile 1	12.0 (0.3)	10.6 (0.3)	10.3 (0.3)	10.4 (0.3)
unemployed-region decile 2	8.8 (0.3)	9.5 (0.3)	11.6 (0.3)	9.5 (0.3)
unemployed-region decile 3	10.0 (0.3)	12.2 (0.3)	7.9 (0.3)	10.3 (0.3)
unemployed-region decile 4	9.1 (0.3)	7.7 (0.3)	12.0 (0.3)	12.4 (0.3)
unemployed-region decile 5	12.2 (0.3)	9.5 (0.3)	10.1 (0.3)	7.1 (0.3)
unemployed-region decile 6	7.7 (0.3)	14.4 (0.4)	9.2 (0.3)	10.2 (0.3)
unemployed-region decile 7	10.2 (0.3)	6.4 (0.2)	9.5 (0.3)	10.8 (0.3)
unemployed-region decile 8	10.2 (0.3)	10.8 (0.3)	9.0 (0.3)	11.6 (0.3)
unemployed-region decile 9	8.9 (0.3)	10.0 (0.3)	9.7 (0.3)	10.3 (0.3)
income-support duration decile 1	10.8 (0.3)	10.2 (0.3)	12.5 (0.3)	12.4 (0.3)
income-support duration decile 2	9.5 (0.3)	10.0 (0.3)	8.4 (0.3)	7.9 (0.3)
income-support duration decile 3	10.6 (0.3)	10.2 (0.3)	9.8 (0.3)	10.5 (0.3)
income-support duration decile 4	9.3 (0.3)	10.6 (0.3)	9.9 (0.3)	10.2 (0.3)
income-support duration decile 5	9.8 (0.3)	10.1 (0.3)	10.2 (0.3)	9.2 (0.3)
income-support duration decile 6	10.0 (0.3)	10.0 (0.3)	9.8 (0.3)	10.5 (0.3)
income-support duration decile 7	10.7 (0.3)	9.8 (0.3)	10.5 (0.3)	10.3 (0.3)
income-support duration decile 8	9.5 (0.3)	9.8 (0.3)	9.3 (0.3)	9.8 (0.3)
income-support duration decile 9	10.6 (0.3)	10.1 (0.3)	10.4 (0.3)	9.4 (0.3)
JSCI score decile 1	9.8 (0.3)	10.6 (0.3)	10.0 (0.3)	10.0 (0.3)
JSCI score decile 2	10.9 (0.3)	9.9 (0.3)	8.7 (0.3)	9.6 (0.3)
JSCI score decile 3	8.2 (0.3)	11.3 (0.3)	9.5 (0.3)	8.8 (0.3)
JSCI score decile 4	10.2 (0.3)	7.1 (0.3)	9.8 (0.3)	11.5 (0.3)
JSCI score decile 5	7.6 (0.3)	11.3 (0.3)	8.9 (0.28)	10.2 (0.3)
JSCI score decile 6	11.4 (0.3)	7.5 (0.3)	9.1 (0.3)	7.2 (0.3)
JSCI score decile 7	7.0 (0.3)	10.4 (0.3)	8.8 (0.3)	9.2 (0.3)
JSCI score decile 8	10.9 (0.3)	10.7 (0.3)	10.5 (0.3)	10.8 (0.3)
JSCI score decile 9	8.6 (0.3)	8.8 (0.3)	8.5 (0.3)	8.2 (0.3)

Source: PMC estimates based unpublished ESS operational data (extracted on 3 October 2017) and DHS operational data (extracted on 9 October 2017).

CDP compared to RJCP (before to after)

For the before to after analysis, a linear regression model for probability of achieving an employment outcome was modelled with a variable indicating if the participant was part of the RJCP or the CDP. Placement, 13-week and 26-week outcomes were modelled separately.

The first approach employed straightforward models consisting of the program as the treatment variable. A second approach constructed more extensive models that controlled for other potential contributors to employment that may have varied over the time period (control variables are discussed above). The choice of control variables was based on *a priori* assumptions about what affects a person's ability to gain and keep a job. The independent variables 'control' for the variability of that factor (for example, inclusion of a gender split controls for gender differences). The models controlled for six items in total: gender; Indigenous status; provider status; participant's home area unemployment rate; the individual's time on income support payments; and participant's personal JSCI score. Models were run for both the point-in-time and newly commenced samples.

The point-in-time analysis was run with a second sample pairing taken on June 1 of 2014 and 2016 to confirm that the January 1 samples were typical – the results were consistent with those reported below.

Table C.3 Estimated coefficients for the before to after regressions, the point-in-time sample^a

	Placements	13 week	26 week
CDP participant	1.3***	2.2***	1.2***
male	2.0***	0.8***	0.3
Identified as Indigenous	2.3***	1.4***	0.9*
Indigenous provider	-3.4***	-2.1***	-1.7***
unemployed-region decile 1	4.2***	3.3***	3.2***
unemployed-region decile 2	3.8***	3.3***	3.1***
unemployed-region decile 3	4.0***	2.2***	2.3***
unemployed-region decile 4	7.3***	5.9***	5.4***
unemployed-region decile 5	5.9***	4.1***	4.0***
unemployed-region decile 6	4.2***	4.1***	3.4***
unemployed-region decile 7	2.0**	2.3***	2.3***
unemployed-region decile 8	4.5***	3.3***	3.0***
unemployed-region decile 9	4.0***	2.5***	2.4***
unemployment data missing	6.9***	4.8***	3.7***
income-support duration decile 1	1.6*	3.7***	3.8***
income-support duration decile 2	1.6*	2.9***	2.6***
income-support duration decile 3	1.8**	3.0***	2.6***
income-support duration decile 4	1.1	1.9***	1.4***
income-support duration decile 5	1.3*	1.6**	1.6***
income-support duration decile 6	0.8	1.2*	1.1*
income-support duration decile 7	1.9**	1.9***	1.8***
income-support duration decile 8	1.5*	1.2*	1.1**
income-support duration decile 9	0.8	0.6	0.5
JSCI score decile 1	11.1***	7.5***	5.3***
JSCI score decile 2	7.3***	4.3***	3.0***
JSCI score decile 3	5.5***	3.4**	2.1***
JSCI score decile 4	4.7***	2.3***	1.7***
JSCI score decile 5	5.0***	2.6***	1.6***
JSCI score decile 6	4.5***	2.4***	1.7***
JSCI score decile 7	4.1***	1.6**	1.6***
JSCI score decile 8	2.9***	1.8***	1.3**
JSCI score decile 9	1.9**	1.1*	0.5
JSCI score missing	-8.3***	-4.5***	-3.3***
Constant	6.1***	0.3	-0.5

Source: PMC estimates based unpublished ESS operational data (extracted on 3 October 2017) and DHS operational data (extracted on 9 October 2017).

Notes: (a) Estimates marked as *** are statistically significant at the 0.1 per cent level, ** are statistically significant at the one per cent level, and * are statistically significant at the five per cent level.

Table C.4 Estimated coefficients for the before to after regressions, the newly commenced sample^a

	Placements	13 week	26 week
CDP participant	0.8	2.3***	2.1***
male	0.2	-0.7	-0.8
Indigenous	-1.2	0.3	0.3
Indigenous provider	-3.1***	-2.5***	-2.1***
unemployed-region decile 1	10.1***	4.9***	3.7***
unemployed-region decile 2	7.9***	5.6***	4.6***
unemployed-region decile 3	9.1***	5.1***	4.2***
unemployed-region decile 4	2.8*	1.1	1.3
unemployed-region decile 5	8.9***	6.3***	5.6***
unemployed-region decile 6	8.7***	6.1***	5.4***
unemployed-region decile 7	4.8***	3.1**	2.7**
unemployed-region decile 8	6.1***	2.4*	1.9
unemployed-region decile 9	6.7***	5.2***	3.5***
unemployment data missing	15.3***	7.2**	5.1*
income-support duration decile 1	1.8	4.6***	4.8***
income-support duration decile 2	3.7*	6.2***	6.1***
income-support duration decile 3	5.4***	5.7***	5.2***
income-support duration decile 4	5.9***	5.6***	4.7***
income-support duration decile 5	6.4***	6.5***	5.8***
income-support duration decile 6	4.0**	4.9***	4.8***
income-support duration decile 7	4.3***	3.9***	3.8***
income-support duration decile 8	4.6***	3.1**	3.2***
income-support duration decile 9	0.9	1.1	1.5
JSCI score decile 1	12.6***	9.3***	7.7***
JSCI score decile 2	12.2***	9.4***	8.1***
JSCI score decile 3	9.7***	7.4***	5.6***
JSCI score decile 4	7.5***	5.1***	4.0***
JSCI score decile 5	5.6***	3.9***	2.5*
JSCI score decile 6	5.4***	3.6**	3.0**
JSCI score decile 7	5.2***	3.6***	2.9**
JSCI score decile 8	3.4*	2.6*	2.3*
JSCI score decile 9	2.7	2.2	2.1*
JSCI score missing	0.3	-0.7	-0.5
Constant	9.9***	1.4	-0.4

Source: PMC estimates based unpublished ESS operational data (extracted on 3 October 2017) and DHS operational data (extracted on 9 October 2017).

Notes: (a) Estimates marked as *** are statistically significant at the 0.1 per cent level, ** are statistically significant at the one per cent level, and * are statistically significant at the five per cent level.

CDP compared to neighbouring mainstream regions (Difference-in-Difference)

The RJCP to CDP modelling presented above uses SALM data to control for background changes in labour market conditions. The SALM data however are based on small sample sizes and, as a result, have potentially large standard errors. In the absence of reliable data on employment conditions, the RJCP to CDP models may not capture background changes in labour market conditions.

By using the neighbouring mainstream data as a baseline, difference-in-difference (DiD) methods can be used to look at the RJCP-CDP transition against the backdrop of this mainstream baseline. This analysis assumes that changes in employment outcomes for mainstream programs across the three-year period reflect only changes in labour market conditions (and not changes in the mainstream employment policy). That is, DiD compares the difference between 2014 employment outcomes in Job Services Australia (JSA) and the RJCP with the difference between 2016 employment outcomes in jobactive and the CDP. Then, even if the labour market conditions change, using the mainstream baseline should reveal the 'true' effect of the CDP on employment outcomes. A limitation of this approach is the fact that mainstream policy did change across that time in the form of JSA to jobactive.

$$(CDP_{2016} - jobactive_{2016}) - (RJCP_{2014} - JSA_{2014})$$

The independent variables included are the same for this analysis as for the before to after analysis above, with the exception of the Indigenous provider variable – this was only relevant to the RJCP/CDP programs. Again, models used both the PIT and NEW samples.

Only mainstream regions that immediately border the CDP boundary were selected as comparison labour markets for the difference-in-difference analysis. This selection used Statistical Area 2 (SA2) regions that crossed the CDP boundary. Participants were assigned to either the remote or mainstream employment program based on their home address in the system – that is, those that live at the border of the CDP region are assigned to either mainstream or remote employment programs depending on the location of their home address.

A number of sensitivity tests were used to examine the robustness of the results. The analysis was replicated limiting the CDP regions to just those adjacent to the boundary of the mainstream regions (that is, those individuals living in the cross-border SA2s on the inside of the CDP boundary) – where arguably the labour market conditions are most similar (Figure 4.1). This found similar pattern of results:

- job placements were estimated to decline by 2.3 percentage points (significant at the five per cent level),
- 13-week outcomes were estimated to decline by 2.0 percentage points (significant at the five per cent level) and
- 26-week outcomes increased up 1.8 percentage points (significant at the one per cent level).

Table C.5 Estimated coefficients for the difference-in-difference regression analyses^a

Employment outcomes	Placed	13 week	26 week
2016 participant (time component)	0.3	3.5***	0.0
RJCP/CDP participant (treatment component)	-9.7***	-2.8***	-0.3
CDP participant (DiD estimate)	0.9	-1.5***	1.2***
male	3.6***	1.1***	0.3*
Identified as Indigenous	0.0	-0.1	0.0
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unemployed-region decile 1	1.4*	1.7***	1.6***
unemployed-region decile 2	2.6***	2.1***	1.9***
unemployed-region decile 3	3.0***	3.0***	2.7***
unemployed-region decile 4	3.3***	1.8***	1.4***
unemployed-region decile 5	3.4***	2.9***	2.8***
unemployed-region decile 6	7.0***	4.8***	4.3***
unemployed-region decile 7	2.9***	2.7***	2.0***
unemployed-region decile 8	2.0**	2.2***	1.8***
unemployed-region decile 9	3.1***	1.8***	1.1**
unemployment data missing	6.0***	4.2***	2.6**
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income-support duration decile 1	-1.6**	2.0***	2.6***
income-support duration decile 2	0.9	2.9***	2.4***
income-support duration decile 3	0.9	2.3***	2.2***
income-support duration decile 4	0.5	1.8***	1.3***
income-support duration decile 5	0.2	1.2***	1.0**
income-support duration decile 6	0.4	1.0*	1.1**
income-support duration decile 7	0.8	1.4**	1.2**
income-support duration decile 8	1.0	0.8***	0.8*
income-support duration decile 9	9	0.9*	0.5
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JSCI score decile 1	16.9***	8.7***	5.8***
JSCI score decile 2	14.9***	8.5***	5.8***
JSCI score decile 3	12.2***	7.4***	4.8***
JSCI score decile 4	9.6***	5.8***	3.4***
JSCI score decile 5	7.9***	4.0***	2.4***
JSCI score decile 6	6.9***	4.1***	2.4***
JSCI score decile 7	6.1***	2.7***	1.7***
JSCI score decile 8	5.0***	2.6***	1.7***
JSCI score decile 9	2.7***	1.5**	0.8*
JSCI score missing	-4.6***	-2.6***	-2.3***
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Constant	14.6***	3.0	0.4

Source: PMC estimates based unpublished ESS operational data (extracted on 3 October 2017) and DHS operational data (extracted on 9 October 2017).

Notes: (a) Estimates marked as *** are statistically significant at the 0.1 per cent level, ** are statistically significant at the one per cent level, and * are statistically significant at the five per cent level.

Alternative measures to the SALM unemployment rate of labour market conditions were also considered. In particular, the model was estimated with the share of the population in a region (at the SA2 level) receiving government income support payments; and a detailed measure of remoteness based on the location of their home address (using Markham (2016) *Open Accessibility and Remoteness Index*²⁹ each participant was assigned a remoteness measure based on the location of their home address). Neither of the alternative specifications changed the estimated results substantially (Table C.6).

Table C.6 Regression modelling using alternative indicators of labour market conditions^{a,b}

Employment outcome		Placed	13 week	26 week
Before: After	SALM case	1.4***	2.2***	1.2***
	ISP case	-2.0**	1.5**	1.1*
	Remote case	-2.2**	1.2*	0.8
Difference-in-Difference	SALM case	0.9	-1.5***	1.2***
	ISP case	-2.2*	-1.5	1.9**
	Remote case	-2.2*	-1.6	1.8**

Source: PMC estimates based unpublished ESS operational data (extracted on 3 October 2017) and DHS operational data (extracted on 9 October 2017).

Notes: (a) Estimates marked as *** are statistically significant at the 0.1 per cent level, ** are statistically significant at the one per cent level, and * are statistically significant at the five per cent level. (b) Small Area Labour Market (SALM) refers to use of these estimators for labour market conditions; Income Support Payment (ISP) refers to use of estimate of resident population dependent on these payments as an indicator of labour market conditions; Remote refers to a measure of the remoteness of each program participant as an indicator of labour market conditions.

²⁹ The measures of remoteness are based on Markham (2016) 1x1 km remoteness classification across Australia. Each 1x1 km area is assigned a remoteness value between 0 (not remote) and 15 (most remote).