Towards sustainable re-employment for low-skilled labour: new paradigms and policy options

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Abstract

The OECD notes that ‘Welfare-to-Work’ (WtW) active labour market policies are failing to meet the needs of low-skilled labour market re-entrants. The paper identifies possible reasons for this policy shortfall. The pervasive influence of the promotion of up-skilling as a panacea for labour market inequality is noted as is the impact of other economic orthodoxies on labour market programs, an outcome being the rewarding of placement outcomes, not sustainable employment outcomes. Job sustainability goals are focused heavily on the alignment of labour re-entry opportunities with skill shortages. However, the development needs of participants in environments characterised by ‘job churn’ and demand for labour market flexibility need greater attention.

Adherence to certain economic orthodoxies, manifest in the types of Government labour market interventions, is preventing knowledge and learning being transferred between labour market programs to inform innovative approaches to creating employment for low-skilled labour. The paper identifies the heuristic value of the Business Services program for developing employment for people with disabilities through a dual focused business model that supports disadvantaged groups through training and experiential learning, whilst capitalising on commercial opportunities for flexible and adaptive forms of labour use. The increasing importance to many businesses of Corporate Social Responsibility drivers and Triple Bottom Line accountability provides opportunities for these dual focused businesses to seek new forms of engagement with industry in a commercially viable manner.

1 This paper was presented to the Road to Where? Politics and Practice of Welfare to Work Conference, 17-18 July, 2006, Brisbane. It has been peer reviewed and appears on the Conference Proceedings website by permission of the author who retains copyright. The paper may be downloaded for fair use under the Copyright Act (1954), its later amendments and other relevant legislation.
Background to labour market reform and participation by disadvantaged groups

Participation to overcome polarisation

A key concern in the literature on labour market reform is the polarisation between employment and joblessness and its social and economic implications (Argy, 2004). Other writers have expressed related concerns about growth in wages inequality or income inequality (Atkinson, 2001; Saunders, 2002; Yates, 2005) which has unacceptable long term social and political effects. The negative outcomes of labour market polarisation, often manifest in long term joblessness or underemployment, are experienced increasingly by persons over 50, sole parents, indigenous Australians, people with disabilities and migrants with English as a second language (Cartwright, 2004).

Argy (2004) argues that governments can influence increased labour force participation (and thus reduce joblessness) by either pursuing labour market deregulation coupled with tougher welfare reform or they can rely on active labour market policies that ‘encourage and facilitate sustained participation in the labour market’. The Australian Government’s labour market policies embodied in the WtW program appear to favour both policy approaches.

Australia’s WtW policies are also consistent with active labour market policies advocated by the OECD, targeting disadvantaged groups closely aligned with those suggested by Cartwright (2004) as experiencing the negative effects of labour market polarisation. However, by focussing on demographically based characteristics of disadvantage, e.g. persons over 50, indigenous Australians, parents, youth, etc., the policies do not give adequate attention to the nature of disadvantage that being low-skilled commonly confers across disadvantaged groups.

WtW: initiatives to increase the supply of labour

The WtW program relies upon effective job search and job placement services from a network of specialised placement agencies (Job Network) providing services to job seekers in employment preparation; access to basic training; training in job search, application and interview skills; customised intensive support; proactive identification and registration of vacancies, and job matching. The program seeks to increase workforce participation of mature aged people, parents, people with a disability and the very long term unemployed through ‘… a balance of improved services, increased financial incentives, and appropriate obligations’ (DEWR, 2005a). The program introduces new participation requirements for two groups previously not required to actively participate in job search activities, i.e. parents with school aged children and people with disabilities who are assessed with a work capacity. It also includes

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2 The terms ‘low skill’ or ‘low-skilled’ refer to a low level of generalisable attributes that confer advantage int eh labour market, and hence are directly associated with the term ‘low-paid’, although a universally accepted definition of skill is an elusive concept in labour economics (Esposto, 2006).
increased active participation and mutual obligation requirements for other income support recipients, including mature aged and very long term unemployed.

Significant incentives exist for placing highly disadvantaged and very long term unemployed, however, funding is generally provided for preparation, maintenance and encouragement of short-term active participation, with less focus on sustaining outcomes. Specialist programs are available (as is a limited wage subsidy) to help overcome some barriers to employment faced by highly disadvantaged or long term unemployed (e.g. managing an injury, mental health issues, and social isolation). Access to these specialist programs appears to be available after skill development and mutual obligation initiatives have proven unsuccessful. Except for the highly disadvantaged, there appears to be a lengthy process of qualification for these services, possibly contributing to unemployability.

WtW: initiatives to increase demand for labour

The Employer Demand and Workplace Flexibility Strategy element of WtW initiatives aims to achieve improved industry and workplace engagement, to provide training to employers in managing a diverse workforce, and to provide infrastructure that facilitates employment for people with disabilities. These initiatives rely heavily on the provision of informational resources to employers, rather than on means of supporting employee integration into the workforce. There are also financial incentives available to employers including workplace modifications and limited access to a wage subsidy for highly disadvantaged participants.

An incentive for employer participation in the program is the possibility of aligning labour market re-entry opportunities for nominated disadvantaged groups, with skill shortage driven demand. A Government sponsored publication (DEWR, 2005b) suggests that the WtW policy encourages employers to attract the shrinking supply of ‘available talent’. The objective is to assist employers attract and manage ‘a more diverse workforce’ in which older workers, parents, people with disabilities and people wanting to work part-time are represented. The Report suggests that as part of this strategy, employers will need to develop new ways of supporting, mentoring, coaching, educating, training and modifying the workplace to be able to effectively utilise this new segment of a scarce labour force (DEWR, 2005b).

Although policy-makers appear keen to reintegrate disadvantaged workers into the labour force in response to skill shortages, they appear to have underestimated both the effort needed to develop re-entry capability in the nominated disadvantaged groups, and the criteria for employability in the current economic climate. The section below investigates policy mindsets and structures underpinning active labour market policies in the WtW program.

The influence of economic paradigms on policy

Stilwell (2002) comments on the limitations of models of market exchange under increasingly competitive conditions, noting that these models often fail to provide

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3 ‘Mutual obligation’ refers to various requirements for participants to actively participate in job gaining related activities such as approved study, part-time work, relocation to an area of better job prospects, undertaking community work etc.
insight into the real world, particularly concerning social conditions and the social implications of free market approaches. He also suggests that economic orthodoxy often prioritises ‘elegance over relevance’ and by so doing has a strong but sometimes inappropriate influence on economic policies in practice.

In relation to current labour market re-entry policy, economic orthodoxies now translated into historical precedents are elegant in that they rely heavily on factors concerning up-skilling⁴, skill shortages, skill definition, and characteristics of associated employment opportunities in order to provide a simple solution to unemployment challenges. This approach is less relevant in that it obfuscates key relationships between these factors in relation to labour market entry and re-entry for low-skilled labour. More importantly, adherence to orthodox policy paradigms can obviate against the formulation of alternative policy interventions.

The Transatlantic Consensus; a focus on up-skilling

A significant influence on policy mindsets concerning labour market re-entry has been the Transatlantic Consensus (TC), the term coined by Atkinson (1999) ‘to describe what has rapidly become the generally accepted explanation of the rise in … [income] … inequality in OECD countries’. Atkinson (1999) noted that economists appeared to share a consensus view that income inequality is explained by a shift in relative demand from unskilled to skilled workers. This shift may result from trade liberalisation, increased competition from newly industrialising countries, or a bias towards skilled labour due to the introduction of technical change. The effect of the shift in demand for unskilled labour on developed countries is either higher unemployment in unskilled jobs or higher pay inequality in the event that there is no, or a low level of, wage protection for low-skilled work (Atkinson, 1999). The TC has therefore linked wages inequality and unemployment for the low-skilled to skill levels (Esposto, 2005).

However, Atkinson (1999) suggests that wage inequality or unemployment is not an inevitable result of lower demand for unskilled workers in developed countries. He suggests these effects can be mitigated by social policy, local considerations being as relevant to increasing wage inequality or unemployment as are the commonly believed external global events mentioned above. He also suggests that where the driving force behind economic outcomes is social in origin, rather than trade or technology driven, there is more ‘scope for political leadership’ (1999, p 24).

The unquestioning belief that the reduction of income inequality or unemployment is dependent on up-skilling the labour market, has to some extent diverted attention from the social reality underpinning the need and demand for low-skilled labour in society. In addition, it also reinforces the fallacy in much education, training and labour market policy that all unskilled people can become skilled in the narrow technical sense. Thus it ignores both the normal distribution of human characteristics (like the different forms of intelligence, aptitude, and motivation) as well as the social context associated with opportunity and experience. To some extent these assumptions have resulted in policies that have not been effective in dealing with the

⁴ ‘Up-skilling’ refers to training and other supportive measures to equip workers with new skills and competencies.
particular challenges of low-skilled labour market participants, as the OECD (2002) has highlighted.

*Failure of WtW for low-skilled labour: relationship to up-skilling*

OECD evaluations of WtW illustrate the limitations of policy with an up-skill bias. Although targeted skill development of the unemployed to achieve participation in the open labour market has resulted in an overall increase in labour force participation in other OECD countries (OECD, 2002), for low-skilled disadvantaged participants the results are not as positive.

The OECD (2002) has drawn attention to the challenges in achieving employment sustainability for low qualified (or low-skilled) workers. Employment sustainability is defined in the OECD Report as ‘the maintenance of a stable and upward employment trajectory in the longer term’. ‘Stable employment’ is further defined by Kellard, Walker, Ashworth, Howard and Lui (2001) as employment that requires no drop in earnings or a return to income support. The central labour market policy tool to achieve employment sustainability is up-skilling and the Report notes there has been inadequate emphasis on the needs of low wage and low-skilled workers in policy considerations regarding skills upgrading, workforce development, life-long learning and labour market opportunities. An implicit assumption is that all workers in a developed economy can aim for ‘an upward employment trajectory’ in the long term. This ignores physical, intellectual, situational and personal choice factors that are critical in establishing that some workers will need ongoing low-skilled employment opportunities on a continuous basis. Failure to provide this economic infrastructure will exacerbate social and economic inequality.

It is therefore not surprising that the OECD notes that market and institutional failures have limited the value of WtW active labour market policy instruments for many disadvantaged participants, noting the following critical issues;

... low-skilled entrants and returners have not always been placed in or obtained rewarding jobs with opportunities for progression ... both market and institutional failures have meant this segment of the workforce has not benefited from substantive human capital improvements in spite of being in employment. ... There is evidence that ... participants have often been recycled from employment back into welfare and experienced a ‘revolving door syndrome’ (Sunley et al 2001), ... [and] ... the nature of employment gained by former welfare recipients has exacerbated labour market inequalities across the workforce and across territories ... Thus there is a high risk that they become long term unemployed again. (OECD, 2002 p 4). (emphasis in the original)

A related and under-appreciated issue is that low-skilled workers do not receive equal access to training, and that this is significantly aggravated in smaller companies (OECD, 2002). This highlights the need to review the nature, characteristics and duration of workplace based support to achieve sustainable employment or employability for workers entering or returning to the workforce. The OECD notes that many public employment services (or specialist placement agencies) have adopted individual case management, with personal advisers and coaches being provided to address the diversity of challenges facing low-skilled job seekers. The

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5 ‘Sustainable’ in this context means to ‘keep going continuously’ (the concise Oxford Dictionary, 1982) i.e. sustainable employment is to gain and maintain a labour market attachment continuously.
OECD (2001) makes a pertinent suggestion regarding linking these practices with in-house mentoring support. However, the practical application of this appears to be very challenging for policy makers.

The OECD (2002) acknowledges the challenge of finding and managing local employment opportunities on the part of the participant and placement agent. It suggests that the local challenge is to combine a target group focus with an industrial enterprise led approach. This localised form of workforce development is referred to as ‘job-centred’ or ‘targeted economic development’ (Giloth, 2000) in which skill gaps at a local industry level are identified in the process of placement. Perhaps the challenge arises because there is too much focus on “matching” and too little on “development of employability skills in the workplace”.

**Low-skilled labour markets and recurring unemployment**

Will Australia’s current WtW reforms produce unemployment outcomes for low-skilled labour similar to those noted by the OECD? Evidence suggests this might be the case given the difficulties in breaking the cycle of unemployment experienced by low-skilled workers. Le and Miller (1999) in an Australian Bureau of Statistics (ABS) occasional paper noted that in Australia, unemployed people experience high levels of recurring unemployment, suggesting that causes may include ‘inadequate skills of the workers or … the poor quality of the job they obtain’ (1999 p 1). They demonstrated that jobs found by the unemployed were inferior in status and wages to the general population, and that they were overrepresented in low-skilled, high turnover areas. For example, 35% of unemployed found work as elementary clerical, sales and service workers compared to 19% of the general population. In 2004, this skill group were almost twice as likely to have changed occupations than the next level of skilled occupation (i.e. intermediate production and transport workers) and over five times more likely than professionals (ABS, 2004). Le and Miller (1999) also suggested that labour market history and experience had a greater impact on a successful job match (and hence job tenure), than did human capital characteristics. Those who had never worked were 30% less likely to achieve a successful job match.

It also appears that employment sustainability objectives for re-entry labour are challenged by low participant motivation based on the knowledge that transitioning or recurring unemployment is likely to be an ongoing feature of their labour market experience. This can pose significant additional challenges for those who have already experienced the negative psychological effects of unemployment and lack of attachment to the labour market (Butterworth, 2003; Ganley, 2003). The energy and skill involved in job search and in accommodation to job opportunities should not be underestimated and should be recognised as a stressful and challenging process that impacts on employment outcomes (Butterworth, 2003), particularly if it needs to be repeated regularly.

**Low-skilled labour markets: need for flexibility and adaptability**

Another harsh reality for the low-skilled is that opportunities for work are constantly changing, due in part to the economic imperative to eliminate low-skilled work through the use of technology, and to decrease labour costs through a range of microeconomic reforms and efficiencies. The reduction and changing nature of job
opportunities are also the result of increased competition nationally and internationally for low-skilled work.

In this environment, employees are increasingly valued for attributes that include positive behavioural responses to work opportunities and challenges, including flexibility and adaptability (DEST, 2002). Capability to practice technical and operational skills, flexible and ongoing adaptation to organisational shifts, and resiliency in the face of business uncertainty requires a capacity to align value to organisational need, contributing to the likelihood of employment sustainability (Bolton, 2004). The challenge of developing technical, behavioural and psychological competencies to support the flexibility required to integrate into a new workplace culture, and to face the possibility of repeated re-entry and adaptation, are significant issues for disadvantaged participants and are under-recognised in program design guidelines.

**Effective labour market policy in a rapid change and complex environment**

Furedi (2005) suggests that public sector institutions are failing to recognise and embrace the challenges of appropriate policy interventions in rapid change environments. This can be attributed partly to the social and political emphasis on individuality and individual characteristics of target populations as determinants of policy focus, rather than focussing on broader political objectives with longer term social agendas. He suggests that this is perhaps a function of political fear of strategy and direction in an increasingly complex social and economic environment. In this context, adherence to a long-term strategic policy approach requires deeper understanding of the needs of disadvantaged individuals in gaining and sustaining employment in a globalised and dynamic labour market.

Adherence to orthodoxies such as the TC ignores the reality of the need for ongoing and sustainable low skilled employment to meet a diverse range of employment needs and capabilities. This suggests a lack of attention in labour market policy regarding the need to foster and maintain forms and levels of work that suit the diverse levels of capability, intelligence, goals and motivation for the different cohorts of job seekers with various levels of attachment to the labour market. Amongst other things, this policy mindset ignores the role that low-skilled work plays in the broader economy in supporting transitioning capability of diverse populations. The fact that a WtW policy agenda may be working generally in terms of increased labour force participation and is failing many economically disadvantaged and low-skilled workers (OECD, 2002), also suggests policy makers are not considering the structural requirements of a social system and an economy in relation to both growth and equity considerations.

This policy oversight may be partly explained by adherence to certain economic orthodoxies that neither appraise realistically the complexity of human intelligence and capability, nor recognise the improbability of using an upward trajectory in skill development across the entire labour market to optimise labour market opportunities.

**Other economic orthodoxies: influence on program support for low-skilled labour market re-entrants**
Thus economic orthodoxies in addition to the TC have influenced the goals, design and delivery of labour market programs to support the re-entry of low skilled labour and shift participants from welfare dependency. Certain of these have been accepted over the period of microeconomic reform in Government institutions and agencies. These include; belief that sustainable employment can be equated to a generic matching of low-skilled labour supply with industries exhibiting skill shortage and growth prospects; defining skill in a narrow functional and vocational sense with little consideration of behaviours, attributes and competencies of low skilled workers and the environment in which they operate; and categorising low-skill as constituting always a correctable deficit rather than, in some cases, regarding it as a complex form of disadvantage at an individual, social and economic level.

An additional factor that has a critical influence on policy characteristics is the tendency to cling to traditional performance indicators as measurement systems that ultimately drive program design. The Government’s focus on targets associated with placement rather than sustainable job outcomes and associated participant well being is another example of Government setting program targets based on historical precedent rather than contemporary criteria and possible, desired outcomes.

Within WtW policy these assumptions and their outcomes appear to foster the following operational shortcomings;

- limited capacity of specialist placement agencies to build links between placements and employers necessary for sustainable attachment;
- failure to develop innovative management of the collective skills, motivations, and performance of groups to create value to industry in skill shortage environments;
- ignoring the critical importance of adaptive and psychological skills in the low-skilled, such as flexibility, coping, resiliency, emotional and cognitive self-management, and self-motivation; and
- not adequately appreciating the opportunities afforded by Corporate Social Responsibility and Triple Bottom Line agendas to encourage the development of low skilled jobs as essential social and economic infrastructure, possibly through becoming commercially viable elements of global supply chains across a range of industries.

These shortcomings are explored below.

*Limitations of specialist placement agencies*

It could be argued that the goals of achieving efficiency and effectiveness in delivery of labour market programs have been pursued by outsourcing elements of program delivery critical to achieving sustainable labour market reintegration for participants. It could also be argued that this approach has impeded to some extent the development of innovative policy solutions requiring alignment of placement and employment goals and tactics. Chalmers and Davis (2001) have recognised the tension between outsourcing of employment services and the need to address the specific challenges of implementation. They have recognised that outsourced agencies with conflicting objectives, lack of expertise, limited competence, and difficulty understanding program goals can threaten effective policy implementation.
Fukuyama (2005) has identified the need for a critical role for strong institutions in fulfilling macro government policy in an era of rapid change; an era also characterised by deregulation and attempts to curb the scale and influence of Government intervention. His research has demonstrated that the strength of institutions is important for effective public administration and for achieving Government outcomes. In this case it might be argued that the focus on efficiency of placement activities has distracted Governments from considering the dynamics of job sustainability and implications for employment support in a churning labour market for low-skilled workers, an area requiring new policy focus.

The outsourcing of transition support for labour market entrants and re-entrants has resulted in responsibility for increases in labour market participation resting with specialist placement agencies that are focussed on short term outcomes and often responding to inappropriate performance indicators. This approach is consistent with their brief to place participants for a period of time, remuneration being based primarily on processes that lead to placement (with limited in-situ support for those placed).

Specialist placement agencies are challenged to integrate complex services at both a client and a host employer level. Yet, in the current labour market for low-paid labour (characterised by a rapidly changing economic environment) the challenge of achieving sustainable labour market entry practices is critical. This requires resources and expertise often beyond the reach of smaller agencies undertaking this work. Many of these agencies have histories and cultures associated with welfare support rather than strategic people management (the latter needed to develop and align the capability of disadvantaged labour with the organisational culture and needs of the host organisations).

In addition, the alignment of external case manager support with an organisation’s human resource management function poses further challenges for case managers and host enterprises. Achieving such an alignment requires high level expertise and implementation skills, and needs careful monitoring, evaluation and review. Anecdotal evidence suggests that currently, few specialist placement agencies have the capacity or resources to effectively provide these critical employee support functions.

Creating value for industry: addressing skill shortages

As noted earlier, the Government has linked labour market participation objectives with initiatives to address skill shortages (DEWR, 2005b). Job opportunities are to be sought primarily in areas of perceived skill shortage. The policy assumes that employers will accommodate skill development in a skill shortage environment, and assumes that skill shortages are occurring in areas of medium to long term demand, thus providing some sustainability in terms of employment opportunities.

Government’s emphasis on identifying industries that experience skill shortages and growth opportunities for entry labour (DEWR, 2005a), appears to be an appropriate policy response aimed at improving market information and hopefully shortening the time it takes for supply to meet demand. However, this initiative underestimates the disadvantage that participants experience due to a lack of marketable skill or
employment history. The process of aligning skill shortages with job placement is of little benefit to the low-skilled without an effective strategic partnering between placement agencies and employer host organisations to ensure effective outcomes for all stakeholders. As stated above, this requires specialist skills in placement and ongoing support, and also requires greater flexibility in the length of placements to facilitate participant adaptation to organisational needs. These challenges are being recognised in some international programs being delivered through Work Integrated Social Enterprises (Loss, 2004).

Employer surveys worldwide show that in developed economies many employers are more interested in an individual’s attributes, increasingly believing that technical gaps can be redressed by on-the-job training (DEST, 2002). Seigel (1999) notes that in the case of cognitive skills, survey evidence suggests that employer needs are not necessarily being met by employees solely achieving formal educational standards. Employers require ‘value-add’ to individual skill-sets that is complex and is defined in the context of an organisation’s competitive behaviour (Bolton, 2004). Again this suggests the need for development of behavioural and attitudinal skills in many of the target groups, closely tailored to organisational needs. To minimise the possibilities of job churn\(^6\) for these vulnerable groups, more effective and proactive partnerships might be developed with organisations that reflect commitment (perhaps as part of Corporate Social Responsibility) to participants who meet relevant developmental criteria unique to organisations involved. Demonstrated value for both parties (program participant and employer) would be required in the job placement process.

*Behavioural and cognitive skills as a prerequisite of job placement*

The skills needed by labour market participants to achieve sustainable labour market attachment are not defined adequately by categories of vocational skill shortage. They include employee attributes and behaviours needed to adapt to change, cope with shifts in socio-technical mixes, respond to organisational demands and organisational performance outcomes, adapt to organisation culture, and manage the psychological consequences of actual and anticipated unemployment episodes. These requirements are all the more significant in the context of a volatile and uncertain business environment.

Work preparation for re-entrants is therefore increasingly complex and challenging. There appears to be some opportunity to add to skill sets of re-entrants and develop competencies associated with adaptive behaviours that are attractive to employers. However, many of these competencies will need to be acquired experientially. Program design needs to consider the optimal balance between training and work experience. Thus the quality of the placement process and related support is critical.

Employment support and training need to recognise that employment instability and the challenges of job search can create stress that has consequences for job tenure such as diminishing self perceptions, self esteem and job efficacy. Butterworth (2003) notes that the National Survey of Mental Health and Well Being found that 19% of working age Australians not reliant on welfare payments had experienced a common

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\(^6\) ‘Job churn’ refers to recycling unemployment for individuals characterised by employment / unemployment / employment / unemployment / etc.
mental disorder (including anxiety, affective and substance use disorders) in the previous 12 months. The corresponding figure for income support recipients generally was 31%, and for those identified as unemployed 34% and lone mothers 45%. Thus characteristics of the WtW target groups suggest there may be a high level of stress prior to labour market re-entry.

Mental health problems amongst the jobless have been explored by Ganley (2003) who noted that mal-effects of joblessness include ‘poverty and financial hardship, reduced future work opportunities, reduced participation in mainstream community life, family relationship strains, and intergenerational welfare dependency’. Ganley (2003) suggests that the psychological consequences of joblessness merit further investigation. Besides being the source of distress to individuals and families, they can also impede entry or re-entry into the labour market and thus be costly to the community.

These factors have implications for job readiness training before and during placement, especially as it is assumed that the WtW policy aims to increase the social capital and psychological health of participants through increased labour force participation, contribution to the community, and development of social cohesion and associated mental health benefits (Butterworth & Berry, 2004; Sartorius, 2003).

**SMEs and skill development**

The challenges faced by low skilled labour market re-entrants can exacerbate barriers to skill upgrading and employee attribute development, particularly amongst small and medium sized enterprises (SMEs). The OECD (2002) acknowledges that a major cultural barrier to skill upgrading is that employers in this sector are often reluctant to invest in skill development strategies as well as often being unaware of skill deficiencies, thus impeding employee development.

*This is particularly widespread amongst SMEs in the low wage sector that are arguably using high turnover of low-skilled staff as a source of comparative advantage. Indeed these types of companies are rarely integrated in international product markets and prefer to compete on costs. Policy may therefore need to be linked more strongly to product and service development strategies for small firms. (OECD, 2002 p 37).*

This suggests that policies should give more attention to demand-side initiatives, and in particular to the motivation of employers to develop and maintain employees sourced from a disadvantaged pool. This is critical if re-entry labour is to make a long term contribution to overcoming skill shortages. Policy might need to further consider broader forms of information sharing with employers in this sector concerning program goals and the suitability of placements.

**Low-skilled jobs in a global environment**

Writers such as Friedman (2005) have noted the opportunities for open sourcing, outsourcing and off-shoring as dimensions of business development in the new global environment. Economic and business literature is giving attention to the ability of developing nations to provide innovative and low cost services in parts of the value chain that are less highly skilled and which require organisational based integration. Policy makers might consider that the attractiveness of exporting of low-skilled jobs
in sectors requiring small scale customised low-skilled services, e.g. packaging, might be less vulnerable to off-shoring. In other words, new global trends in supply chain management requiring innovative, flexible, high quality (but often short term) services could provide opportunities for low-skilled labour to be employed in value creation activities as part of integrated supply chain business models (Bolton Landells Consulting, 2005). Success in this area would require sophisticated managerial skills to identify opportunities for developing collaborative arrangements, pursuing alliances, determining strategic and operational expectations within the alliances, and implementing and maintaining the value of alliance outcomes (Handfield and Nichols, 1999). Research suggests that skill sets in this area of alliance making are often under-recognised and ill-resourced.

The question is asked here as to why Governments might not investigate (as part of the WtW strategy and as a cross portfolio initiative) opportunities for job creation for low skilled workers in this global environment. The answer might be because of the inhibitive influence of economic rationalist mindsets concerned with the unacceptable anti-market nature of traditional job creation and industry policies. This prevents exploration of new opportunities that could mix commercial advantage and Corporate Social Responsibility in a way that adds value for all stakeholders. Developments of this nature could support a growing and related Corporate Social Responsibility agenda. Value for industry could be both improved efficiency and development of organisation values and culture supporting Triple Bottom Line agendas. This outcome meets both organisational and community sustainability objectives.

In summary, there are many barriers faced by low-skilled labour market re-entrants, including increased competition for jobs, lack of current labour market experience, increased job churn, employer focus on adaptive skills and attributes, lack of access to training, being serviced by short term focussed placement agencies, psychological issues including stress, anxiety and depression, alignment of skill development with skill shortage areas, demonstrating value-add in line with employer’s competitive advantage, and sometimes limited capacity and motivation to participate in skill upgrading. These issues inform a policy rationale for new initiatives to create sustainable labour market attachment for workers with low skill levels.

**Implications for Welfare-to-Work policy framework**

In discussing the optimal design of capacity building for public administration under conditions of organisational ambiguity, Fukuyama (2005) contends that the nature of good institutions (and the service they provide) are those that take account of societal norms and local context, and do not universally apply a...

... best practice mentality, where a practice that works in one part of the world is immediately publicised and set up as a model for other parts of the world to follow. Successful programs are often idiosyncratic, involving ... [the]... use of local knowledge to create local solutions. (Fukuyama, 2005 p 112).

In the WtW program there are opportunities for development of innovative policy solutions based on current experience with existing employment programs. Local knowledge needs to encompass an understanding of the broader needs of disadvantaged low-skilled labour force participants in achieving sustainable labour
market attachment. These issues are ongoing and active in many programs to create employment for disadvantaged groups.

There has been relevant work done in other program areas that could be used as models, or in some cases blueprints, for new labour market re-entry policy initiatives. One such example is the Government’s Reform Agenda for Business Services that might provide significant insights and policy tools relevant to the achievement of sustainable low-skilled work for labour market entrants and re-entrants. This example is particularly relevant given the WtW target group of people with disabilities. Program features of relevance are described below.

**Lessons from the Australian Business Services model**

Business Services in Australia provide employment places for people with disabilities who need continuing support to maintain them in the workplace. The Government requires Business Services to meet stipulated service standards in providing employee support, to pay award based wages, and to operate viably and successfully in the commercial market place. Funding is limited to that required to meet the support needs of individuals on a case by case basis.

Successful Business Services, in the transition from being subsidised to becoming commercially competitive, have created comparative advantage on the basis of highly developed human resource management. This enhanced capability allows them to form the necessary value based alliances with customers through their related business development function (Bolton Landells Consulting, 2005). In this commercial environment, a dual focussed business model is required with specialist and strategic human resource management that addresses issues such as transitioning, up-skilling and enhancement of relevant social skills and attributes.

A Report to the Australian Government (Bolton Landells Consulting, 2005) indicated that some Business Services had developed a dual focussed business model to the stage that they were capable of operating effectively and fulfilling regulatory requirements whether or not they received funding to support people in employment. These organisations were typically effective contributors to the supply chain of manufacturing and recycling organisations with whom they had formed strong and valuable alliances. They provided commercial value at market based low-skilled labour market rates through innovative and entrepreneurial management, especially in human resource management, alliance making and stakeholder management. In addition, they offered opportunities for alliance partners to practice and promote Corporate Social Responsibility activities.

What follows below is one possible model for simultaneously creating valuable low-skilled work and sustainable employment for disadvantaged labour market re-entrants.

**Characteristics of an alternative model**

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7 The Government currently purchases support to maintain people with disabilities in Business Services. These organisations have the ‘dual purpose’ of implementing social policy through provision of employment for people with disabilities, and of trading viably and competitively in the market.
The paper has already mentioned new environmental factors that might support a quasi commercial operation in the form of alliances between dual purpose organisations and commercial organisations. These commercial organisations often require reliable suppliers of low skilled labour and have a greater or lesser interest in Corporate Social Responsibility as an element of creating organisational values that contribute to productive cultures. The dual focussed business model requires expert management in touch with both employee challenges and market pressures. These dual focussed organisations provide commercial customers with superior quality low-skilled labour applications, and also provide disadvantaged labour market participants with commercially viable jobs.

A major challenge would be to provide employees with intensive individualised development that would be mainly shaped by market forces in order for employees to contribute to a viable commercial organisation. Thus, the acquisition of technical skills, transferable skills, behavioural skills and recent credible work experience would be made possible. Skills training in job search, application writing, networking and interviews for later transitioning to the open market would also be provided, but only as a minor part of overall experiential based learning (bearing in mind that the best preparation for getting a job is having a job).

The relationships between these dual focussed businesses and Government could take a number of forms with Government accrediting organisations to be providers of employment for disadvantaged target groups (based on relevant indicators of sustainable employment), and effectively purchasing employment support in these organisations, the organisations constituting a form of social enterprise producing quasi public goods and services in the area of employment creation. The purchase price, subsidy or funding level could reflect the cost of support and training required to overcome barriers to employment in the open labour market. The business model would reflect a combination of funding and commercial endeavour, the pressure being on the organisation to develop viable business and financial models supporting sustainable operations.

*Highly developed Human Resource Management*

Specialist support for employees would be developed through expert human resource capability that could maximise re-entry support. Providing high quality support to participants to overcome the barriers to open market employment might include services to alleviate psychological and social impediments as well as those associated with gaining sustainable employment (e.g. individualised attention to employee motivation, core and transferable skill development, acquisition of relevant employability attributes, and relevant work experience). Support provided would be part of a continuous personalised development process, with the organisation determining and developing training and support needs (subsequent to initial re-entry training) that allows a longer term period for the individual to be incorporated into a viable business and then to transition to the open market. This highly individualised human resource management function and accrued expertise would be a major source of comparative advantage in niche markets as described above.

*Business Development*
The business development function in these organisations would also be crucial to their commercial success. Value created for customers would go beyond low price to include quality, flexibility, responsiveness, and timeliness. The value proposition would be customised through effective relationship and alliance management as part of integrated supply chain functions. The development of an effective business model might also depend on alliances between these dual focussed businesses. There are many examples of alliance building within the Business Services sector currently.

**Governance and Leadership**

Governance and leadership of these organisations would need high level appreciation of the appropriate combination of both social policy and commercial visions and goals, and the possession of business acumen demonstrated in relation to internal capability and external strategy. In addition, transparent and performance oriented governance and leadership practices would need to be employed, centred on achieving sustainability objectives for a range of stakeholders. Consulting experience in the Business Services sector suggests these goals are achievable and that this model can attract highly qualified contemporary practitioners and thinkers to leadership roles. These people are currently attracted by involvement in a vibrant new sector practicing new forms of public private partnerships to address issues of sustainability for organisations and people.

**Government as a stakeholder**

Government would purchase employment support services from these dual focussed organisations, performance guidelines driving appropriate expertise and outcomes in this sector. To ensure that the organisations appropriately develop employees, accreditation might include systems that provide support and training outcome standards, the monitoring of appropriate performance indicators, and accountability in relation to funding milestones.

It has been stated earlier that economic, political and historical mindsets have limited innovation in response to the need for sustainable employment opportunities for re-entrants who have limited or interrupted skill sets. Political goals underpinning stable employment opportunities for labour market re-entrants would benefit from Government sponsored debate between stakeholders in the public, not-for-profit and private sectors to develop public/private partnerships that achieve social and commercial sustainability goals in providing work for labour market re-entrants.

**Why trial new models?**

In the current political and social global environment, innovative social policy solutions are required to measure the return on the taxpayer dollar and to evaluate public/private partnership arrangements in producing viable re-entry strategies. The dual focussed business model is used here to illustrate possible opportunities to address the policy challenge of labour market participation faced by disadvantaged low-skilled labour. In this employment context, up-skilling would include the development of skills and attributes to allow flexible response to constantly changing opportunities for low-skilled work required by client organisations.
These specialist organisations could be designed to employ specified target labour market entrants and re-entrants at the level appropriate to the pace and development of their physical and psychological capabilities. These opportunities would benefit participants by avoiding the pressures of competing whilst unprepared for the challenges of the open market.

It is suggested that these types of organisations offer significant scope for making a contribution to increased labour force participation and improved quality of life for labour market re-entrants at no additional cost to existing programs. Maintenance funding for a place in one of these specialist organisations may be a better investment than long term income support, when the cost of long term unemployment is considered in a broad social context. Therefore progressing this model via a feasibility study and subsequent field trials appears to have little down side risk.

**Conclusion**

It was stated in the introduction that WtW measures have two objectives. The first objective is the creation of sustainable employment for labour market re-entrants to address skill shortages. The second is that of shifting people from welfare to employment in order to improve their material standard of living, their social engagement and associated well being, their ability to plan and ‘control’ their lives more effectively through mainstream employment participation, and to provide opportunities for people to affirm their identity through perceiving their ‘real’ societal contribution. This latter objective is seen as significant in achieving increased motivation by creating a feeling of relatedness to the enterprise, rather than experiencing temporary accommodation in a program place.

The OECD (2002) does not consider that labour market outcomes aligned to those noted above are being achieved for many disadvantaged people. This paper argues that although policy makers are aware of the complex environment that provides the backdrop to re-entry program development, innovation is impeded by accrued impacts of economic orthodoxy and historical mindsets. This obviates against a realistic appraisal of the transitioning challenge, especially for low-skilled workers in today’s business environment and labour market. Performance indicators need to reflect program goals supporting employment sustainability.

A key tension highlighted in this paper has been the policy requirement on the one hand for organisations to develop in-house sophisticated management of ‘the new and diverse labour pool’ (DEWR, 2005b), and on the other hand, an environment in which ongoing support of labour market re-entrants is undertaken by service providers who have little understanding of business dynamics, needs and operations. There appears to be a lack of understanding of the scope and scale of the challenge of labour market re-entry for participants, and for employers in integrating re-entrants into a labour process in which employment sustainability depends on participant’s value alignment with the organisation extending beyond the program life.

The paper suggests that policy makers need to consider alternative models for creating sustainable opportunities for low-skilled workers that optimise the possibilities of effective transitioning. One model for consideration is that of a dual focussed business model with the role of employment creation and support for low-skilled labour, and...
that of commercial sustainability through innovative partnerships with relevant
industry partners. Some of these practices are exemplified in the Government’s
Business Services model. These organisations have the potential to create new forms
of public/private/not-for-profit partnerships blending social and commercial agendas
within organisations and between organisations. In Business Services there are
already developments of this ilk that are worth policy research.

This paper has raised the need for new policy options that break boundaries of
economic orthodoxy and historical precedent. It has raised issues dealt with more
widely by Fukuyama (2005) when he discusses the implications of weakening public
administration in the interests of economic efficiencies. It highlights what is
commonly recognised in commercial business as the deleterious practice of divorcing
operations from strategy.

Not only does this paper suggest we need to look at new models for developing and
employing low-skilled labour, it also suggests a need to reconsider how low-skilled
labour can be up-skilled through managing its contributions effectively to add value in
the market place.

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