A NEW START?:
IMPLICATIONS OF WORK FOR
THE DOLE ON MENTAL HEALTH
OF UNEMPLOYED YOUNG
AUSTRALIANS

Paper prepared for the Children and Youth Research Centre,
Queensland University of Technology, by T. Philip and Kerry Mallan.

26 February 2015

© Children and Youth Research Centre
**A New Start?:**  
**Implications of Work for the Dole on Mental Health of Unemployed Young Australians**

This paper summarises literature on unemployment, mental health and Work for the Dole programs. Australian and international evidence suggests that unemployed young people are more likely to experience mental health problems than employed people (e.g. greater anxiety and depression, higher suicide rates). Drawing on research undertaken in Australia and overseas we identify a link between mental health and unemployment. However, there is a lack of firm evidence with respect to the impact of Work for the Dole programs on the mental health of unemployed young Australians. There is the possibility that with the Australian Government’s proposed expansion of the program any benefits of Work for the Dole on mental health of young unemployed people could be diminished or lost. There is a clear need for more research in this area.

**Introduction**

Australia’s unemployment rate, as of January 2015, stands at 6.40 percent. The recently released Australian Bureau of Statistics (ABS) (2015) data confirm that this represents the highest jobless rate in Australia since 2002. However, an even more worrying trend is the rate of Australian youth unemployment, which shows an increase from 13.20 percent in September 2014 to 15.5% in January 2015 (ABS, 2015). Australian youth unemployment has averaged 13.55 percent from 1978 until 2014, reaching an all time high of 20.03 percent in October 1992 and a record low of 7.40 percent in August 2008 (ABS, 2015). Adding to Australia’s youth unemployment concern is the global situation whereby the weakening of the global recovery in 2012 and 2013 has contributed to youth job unemployment, which is projected to rise to 12.8 per cent by 2018 (International Labour Organization, 2013). It is of concern that Australia has already surpassed this projected figure.

The purpose of this paper is to examine the implications of the current Australian Government’s proposed ‘Work for the Dole’ scheme (see Department of Employment (DE), c2014 ‘Work for the Dole’) and raise for consideration some of the issues that may impact on young people’s mental health and wellbeing. Our intention is to contribute to the public debate on the
proposed changes to the new ‘Work for the Dole’ program and thereby draw attention to what is often an overlooked part of the discourses that shape the topic of youth unemployment, namely, mental health and wellbeing. While our focus is on unemployed youth we note that they are not the only group that is disadvantaged, and the following review takes account of the wider picture.

**Background**

Perceptions of unemployment in Australia have shifted over the last 40 years from the failure of the economy to deliver jobs to the failure of the unemployed to find jobs (Marston & McDonald, 2007). Prior to this shift the Australian Government accepted responsibility for full employment, and when it failed, was required to provide income support (Martyn, 2006). During the welfare reforms of the late 1990s responsibility for unemployment was firmly placed on individuals who in return for welfare benefits were required to meet their ‘mutual obligation’ to society (Marston & McDonald, 2007; Martyn, 2006). The Work for the Dole program has been part of Australian labour market policy and a way for unemployed Australians to meet their mutual obligation requirements since the 1990s. ‘Work for the Dole’ requires unemployed individuals to work for not-for-profit organisations and government agencies in order to receive welfare benefits.

From 1 July 2014, the Australian Government introduced a new ‘Work for the Dole’ (WfD) program to be phased in across selected areas in Australia (DE, c2014). The new program comes with a mandatory requirement that job seekers aged 18 and under 30 years who are registered with a Job Services Australia provider in the selected areas and who have a Work Experience Activity Requirement will be required to participate in WfD for six months out of twelve (DE, c2014). In support of this new WfD incentive, the Federal Budget 2014-15 proposed a measure that from 1 January 2015, would change the eligibility criteria for all new applicants for Youth Allowance and Newstart Allowance under the age of 30 (DE, c2014). However, at the time of writing (February 2015), this measure remains subject to passage of legislation and will not commence on 1 January 2015 as previously intended (Department of Human Services (DHS), c2014a).
Newstart Allowance is Australia’s primary unemployment benefit paid to people aged 22 years or over who are unemployed (DHS, 2015a). Youth Allowance (other)\(^1\) is paid to unemployed people aged 16 to 21 (DHS, c2014a; DHS 2015b). These schemes are intended to provide a safety net to help meet the basic costs of living while individuals look for work, and to ensure that people have sufficient resources to search for and obtain employment. Newstart Allowance and Youth Allowance (other) are means tested and also involve activity tests to ensure that recipients are actively looking for work. Overall expenditure on Newstart Allowance is currently $8.4 billion per year, and expected to increase to $8.7 billion by 2016-17 at a growth rate of 1.4 per cent each year (National Commission of Audit (NCA), 2014). Across Australia more than one in three young people (15-24 years) are unemployed with around 80% having been unemployed for less than 12 months (NCA, 2014).

The changes to Youth and Newstart Allowances for young unemployed people are intended to provide incentives to work, study or train (DHS, c2014a). The new conditions for support include: increasing the age of eligibility for Newstart to 25 years, increasing the income-free threshold for Youth Allowance (other); applying a wait period up to six months before new recipients (under the age of 30) can receive payments, depending on their work history; and ‘following the wait period, income support will be available for six months in a 12-month period, dependent on the recipient participating in Work for the Dole for at least 25 hours per week’ (DHS, c2014a; DHS, c2014b).

Amid an upward trend of long-term unemployment for young people, advocates in the community sector and youth affairs bodies have been critical of the changes as an approach that ‘unfairly targets and punishes young people’ (AYAC, 2014). Rather than providing an incentive to

---

\(^1\) Youth Allowance (other) refers only to those young people aged 16-21 years who are looking for full-time work. Youth Allowance also covers young people aged 18-24 who are studying, or 16-24 years of age undertaking an apprenticeship, however, the WfD changes will only apply to the Youth Allowance (other) group (DHS, c2014a).
work, many believe these changes will leave young people more vulnerable to the negative side effects of economic hardship in both the short and long term.

A significant element of the proposed changes to Youth and Newstart Allowances is that unemployed youth will have access to income support for only six months of the year, and to receive this assistance they will be required to participate in the WfD program (DHS, c2014a). The proposed change will also impact some people under 30 who currently receive Special Benefits (DHS, c2014a). Spoehr (2014, n.p.) suggests the new policies for the proposed expanded WfD scheme takes a punitive approach: ‘Pushing down youth wages, pushing down the minimum wage and forcing young people to be more mobile are very negative, punitive ways to solve the problem’.

Many complex factors shape a WfD experience, such as personal circumstances, social support networks, and psychological wellbeing of the individuals. These and other complex factors are not always addressed in the research literature on the efficacy of WfD and other welfare support schemes.

**How effective is Work for the Dole?**

Several Australian studies have examined whether WfD improves the chances of unemployed people finding work. Government reports in the early-mid 2000s reported that individuals participating in WfD were 4% (in 2002) to 7% (in 2005) more likely to have found work than those not in the program (DEWR, 2006). The authors suggest that improvements to the referral system, which places individuals in WfD, was responsible for improved performance of the program in 2005 (DEWR, 2006). Nevile and Nevile (2005) note that since individuals who were referred to WfD were compulsory participants there must be important differences between the WfD and the non-WfD groups, which makes a direct comparison problematic. However, in their own reanalysis of the data they found that WfD was even more effective at returning unemployed individuals to work than stated in government reports (Nevile & Nevile, 2003).
Our extensive literature search reveals that the only peer reviewed Australian study to quantify whether WfD improves the chances of finding employment (or at least of moving off unemployment benefits) was conducted during the pilot period of mandatory work for the dole in 1997-98 (Borland & Tseng, 2011; Borland & Tseng, 2004, unpublished). Borland and Tseng found that young people participating in WfD were actually less likely to move off welfare payments, and received income support on average two weeks longer than a matched sample who were not participating in WfD. The authors hypothesised that this may have been because individuals taking part in WfD had less time to find work. This study however hasn’t been without criticism. Nevile and Nevile (2005) argue that as with government reports there were problems with the comparison group, and that WfD participants during the pilot should be considered volunteers during the pilot, though Borland and Tseng dispute this (2011). Additionally, Nevile and Nevile (2005) suggest that the program is likely to have improved in effectiveness since the pilot period, especially since the inclusion of work coordinators who helped to place and monitor an individual in a WfD project.

Internationally there are also few studies examining the effectiveness of welfare programs similar to WfD. In a review of international programs, Crisp and Fletcher (2008) found little evidence for the efficacy of welfare to work programs. As with Australian research, the international studies have difficulty isolating the effects of the program while excluding the effects of other factors. In the United States, for example, the number of individuals on welfare decreased substantially in the early 2000s (Kissane & Krebbs, 2007). However, it is unclear whether workfare programs were successful in helping individuals find jobs or if the threat of having to participate in programs deterred individuals from claiming welfare, or whether some other factors or combination of factors was responsible (Crisp & Fletcher, 2008). Additionally welfare to work programs such as WfD have been criticised because the skills learned by participants may not be the kinds of skills employers are looking for (Borland & Tseng, 2011; Crisp & Fletcher, 2008; Martyn, 2006).
More systematic and extensive research has been conducted into the efficacy of other active labour market programs, such as job search assistance, training programs, and subsidised employment (Card, Kluve, & Weber, 2010; Coutts, Stuckler, & Cann, 2014). Two recent meta-analyses, which have aggregated hundreds of studies, have found that such programs can be beneficial in getting people back to work (Card et al., 2010; Kluve, 2010). A meta-analysis conducted by Card et al. (2010) found that job search assistance programs had positive impacts in the short term, while job search training, classroom and on-the-job training were effective in the medium term. Public sector employment programs were the least effective. Similarly Kluve's (2010) meta-analysis found that training programs had a modest likelihood of generating positive impact on employment rates and direct employment in the public sector was again less effective. Both reviews reported pessimistic findings for youth, with Kluve (2010) concluding that programs in general were less effective for youth, and Card et al. (2010) reporting that programs which directly targeted youth were less effective than general programs. In a survey of US programs Greenberg, Michalopoulos, and Robins (2003) also found unemployment programs to be less effective for young people.

The limited evidence for how effective WfD is at helping people secure employment leaves unanswered questions about the program’s value. Improving an individual’s chance of finding a job, however, is just one way of evaluating WfD. There are other ways of measuring the performance of WfD that may be as important rather than whether someone is more likely to find a job. Whether an individual is in a better position after completing WfD for example, their quality of work, current level of poverty and their psychological wellbeing are also important factors to consider (Marston & McDonald, 2007).

There is a large body of evidence suggesting links between unemployment and poor mental health (McKee-Ryan, Song, Wanberg, & Kinicki, 2005; Paul & Moser, 2009). In one Australian study individuals receiving unemployment benefits were 66% more likely to have a diagnosable mental
disorder than those with jobs (Butterworth, 2003). If WFD were to have a positive effect on mental health it could alleviate a great deal of suffering.

**Unemployment and mental health**

There is strong evidence that unemployment adversely affects physical and psychological health and wellbeing. Recent meta-analyses have aggregated several hundred studies finding compelling evidence that unemployment is associated with poor mental health (McKee-Ryan et al., 2005; Paul & Moser, 2009).

In a meta-analysis of 104 studies McKee-Ryan et al. (2005) found that unemployment adversely affects mental health, life satisfaction, marital or family satisfaction and subjective physical health. The authors also found that unemployment had a greater impact on the mental health of school leavers, suggesting that ‘[leavers] face the extra burden of establishing their occupational identity when faced with early career unemployment, and these early experiences may manifest in diminished well-being and employment outcomes over time’ (p. 67).

In a larger meta-analysis of 324 international studies Paul and Moser (2009) also found that unemployment negatively affects mental health. This study is particular informative as it presents strong evidence for the direction of causation, and offers evidence that includes individuals with poor mental health who were more likely to be unemployed as well as the effect of unemployment on mental health (see Butterworth, Leach, Pirkis, & Kelaher, 2012). Paul and Moser (2009) included studies that looked at a number of indicators of poor mental health including depression, anxiety, psychosomatic symptoms, subjective wellbeing and self-esteem. They found that unemployed people reported more distress than employed people, with 34% of unemployed individuals displaying psychological problems compared with 16% of employed individuals. Additionally mental health outcomes were worse for: blue collar than white collar workers; long term than short term unemployed; men than women; and individual living in countries with lower levels of income protection. Similarly in an Australia study, Butterworth (2003) found that 30% of recipients
of income support had a diagnosable mental disorder, compared with 19% for employed individuals. Studies have also found an increased risk of suicide for unemployed individuals (Milner, Page & Lamontagne, 2014).

A number of theories have been developed to explain why unemployment should be associated with poor mental health. The most influential theory is Jahoda’s (1982) latent deprivation model which proposes employment has benefits for individuals that enhance their wellbeing. The latent deprivation model identifies several basic human needs that are often not met when an individual becomes unemployed. While financial worries can directly cause suffering and anxiety, employment also provides other psychological benefits such as: time structure; social contact; sharing common goals; status and activity. According to the latent deprivation model, programs such as WfD could help alleviate mental health issues by providing some of the psychological benefits of employment such as structuring an unemployed individual's time, and increasing social contact and daily activity.

The latent deprivation model has received qualified support empirically, though some claims such as the paramount importance of time structure, have held up less well (Bartrum & Creed, 2006). While identifying the importance of the psychological benefits identified by the latent deprivation model, Creed and Macintyre (2001) found financial strain to be the greatest predictor of psychological distress, while each of the psychological benefits of employment had a smaller effect.

Other researchers have argued the importance of ensuring young workers have both quality and secure employment. Wanberg (1995) proposed that the quality of the job is more important than the effect jobs have on structuring the day. Supporting this claim, Bartrum and Creed (2006) and Knincki, Prussia, McKee (2000) argue that many of the negative effects of unemployment are also experienced by individuals who are dissatisfied in their current jobs. Related to the quality of the job other studies have suggested that the stigma associated with not having a job along with the financial burden has the greatest effect on mental health (Rantakeisa,
Starrin, & Hagquist, 1999). In a study examining the effects of all factors, Creed and Muller (2006) found that status was an important contributor to wellbeing, followed by time structure. The recently released report into welfare reform in Australia, *A New System for Better Employment and Social Outcomes* (Department of Social Services, 2015) notes other contributing factors to optimal health benefits of employment are the need for a healthy work environment and one which does not involve unreasonable (p. 61).

While several studies have suggested financial hardship may be the strongest predictor of poor mental health, the psychological benefits of employment have still been found to have a significant effect. One on the hand, if the latent deprivation model is correct, and factors such as time structure and activity are important for mental health, then WfD should improve mental health because the program requires regular participation and activity. On the other hand, if the desirability of the job or the shame of unemployment is partially responsible for poor mental health, then WfD will only benefit people if they feel that it is worthwhile.

**Impact of active labour market programs on mental health and wellbeing**

Though much is known about the effect of unemployment on mental health, little is known about the impact government social interventions and active labour market programs have on wellbeing. Given the mental health problems associated with unemployment, active labour market programs which improve mental health could relieve a great deal of suffering (Carson et al. 2003; Winefield & Carson 2006).

As previously mentioned there are reasons to suspect that programs like WfD could help improve the mental health of unemployed people. For instance, WfD could provide an individual with several of Jahoda's benefits of work (e.g. time structure, social contact, and activity). However, if the quality, desirability or status of the work is important for the individual, then WfD can only provide mental health benefits if participants value what they are doing in the program. Internationally, most evidence for the effect of active labour market programs on mental health
has come from reports on pilot interventions, rather than from government programs. There is evidence of a range of programs and interventions improving mental health, including: job training (Andersen, 2008); job search skills and coping strategies (Caplan, Vinokur, Price, & Van Ryn, 1989; Reynolds, Barry, & Nic Gabhainn, 2010; Vinokur, Price, & Schul, 1995; Vinokur, Schul, Vuori, & Price, 2000; Vuori & Silvonen, 2005; Vuori, Silvonen, Vinokur, & Price, 2002). In addition, direct interventions to treat mental health using cognitive behaviour therapy and coping techniques have been found to be effective (Creed, Machin, & Hicks, 1999; Henderson, Muller, & Helmes, 2013).

Audhoe, Hoving, Sluiter, and Frings-Dresen (2010) conducted a systematic review of literature on the effect of active labour market programs and interventions on mental health. They limited their review to articles found in medical and psychology databases and imposed a modest set of requirements on the search, which included studies that had: unemployed individuals with pre and post measures of mental health; longitudinal follow up; case series; randomised control trials and controlled clinical trials; and interventions aimed at work resumption, job application, and improved functioning. Only five studies met these criteria and the researchers considered only one of these (see Vuori et al., 2002) to be of good quality. The authors concluded that there was limited evidence these programs were effective at reducing mental distress.

In a less systematic and more inclusive review of active labour market programs, including more grey literature and government reports, Coutts, Stuckler, and Cann (2014) concluded that active labour market programs, and especially training programs, can have a positive effect on mental health. They also note that training and support given by job search trainers and advisers can be haphazard, resulting in uncertain health outcomes (Coutts et al., 2014).

There are several Australian studies that look specifically at WfD. Winefield and Carson’s longitudinal study, which followed unemployed individuals taking part in WfD, examined the effect of WfD on various indicators of mental health including self-esteem and psychological distress/mental health, and negative mood (Carson et al. 2003; Winefield & Carson, 2006). While they found no change for self-esteem they did find that women reported an improvement in mood, and that for
both men and women psychological distress was reduced. These findings are limited somewhat by being conducted during the pilot period of WfD, and because they did not include a control group, which means the change in distress could have occurred for any number of reasons. It is worth noting that no difference was found between compulsory and voluntary participants in WfD. A study by Muller, Goddard, Creed, Johnson and Waters (2006), conducted after the pilot period in 2002, found that mental distress in males participants improved while taking part in WfD. However, female participants actually showed more distress after 6 weeks of WfD. Again, there was no control group, so it is difficult to say whether these effects were caused by participating in WfD.

**Changes to WfD: Implications for mental health and wellbeing**

As noted at the outset of this paper, the Australian Government’s proposed expansion of WfD would mostly affect young Australians, with many more being required to take part in WfD in order to receive unemployment benefits. The Australian Government’s proposed changes to how young people can access Youth and Newstart allowances echo Tony Blair’s Labour Government policy ‘New Deal for Young People’ (see National Audit Office, 2002). As Theodore (2007, p. 927) notes this policy ‘that carried the message has been clear and insistent: tough new measures must be implemented to combat the twin evils of ‘welfare dependency’ and ‘worklessness’; rights must be balanced by responsibilities’.

As more youth take part in the program, more pressure will be placed on the WfD system to manage and find places for young Australians. Government reports (DEWR, 2006) and commentators (Coutts, Stuckler, & Cann, 2014; Nevile, 2005) have argued for the positive effect that good management and referral has on the outcome WfD participation. Without adequate adjustment, expansion of WfD may lead to poorer referrals and placement of young people. Any potential benefits of WfD on mental health could then be eroded because of the poor experience individuals have of the program. One repeated criticism of WfD is that the experience offered by WfD doesn’t match the needs of the participants. Interviews conducted by Warburton and Smith
(2003) on WfD participants’ experience in the program revealed that participants were resentful of the compulsory nature of the program. This was especially the case if they believed the program wasn’t teaching them the kinds of skills that were relevant or that they wanted to learn. Carson et al., (2003) also interviewed WfD participants and similarly found that WfD activities not seen as valuable were a source of unhappiness and frustration. Similarly, Warburton and Smith (2003) found evidence that participation in WfD had a stigmatising effect. It should be noted, however, that participants have also reported positive experiences with WfD (Carson et al., 2003; Nevile, 2004). As research has suggested that work should be perceived as valuable for it to have a positive effect on mental health (Creed & Bartrum, 2006; Rantakeisa, Starrin, & Hagquist, 1999; Wanberg, 1995), we might expect poorer placement to have an adverse effect on mental health.

Concluding comment

The research is equivocal on whether WfD improves job prospects for Australian youth, and the evidence is still largely inconclusive as to whether WfD could help address the adverse effects of unemployment on mental health. Perhaps what is clearest is how few studies have been conducted on WfD. With changing policy, evaluating the moving target of the WfD program is a challenge. However, with the upcoming changes to WfD and the large number of young people potentially affected, there is no better opportunity to find out how WfD and work for welfare programs affect youth in Australia.
References


For further enquires contact: cyrc@qut.edu.au