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Australian Social Security Policy and Job-Seekers' Motivation

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Abstract

Social security policy in Australia currently aims to encourage people to undertake activities to improve their chances of gaining employment. A key question is then 'how can policy motivate people to undertake such activities?' This article reviews theory and empirical results on work-related motivation, describes the main features of social security policy for unemployed people, and considers the impact on motivation the social security system is likely to have, particularly for the long-term unemployed.

The major conclusion of this analysis is that many features of the social security system seem likely reduce motivation among long-term unemployed people, or at best do little to enhance it. In addition, some features of the system seem destined to engender negative attitudes towards Centrelink at the same time that policy aims to encourage job seekers to see it as a source of help. Some future directions for policy are suggested; a more sophisticated assessment process, bureaucratic plans and required activities being more closely linked to a person's own goals, less reliance on breach penalties, the introduction of rewards for effort, such as a job-search allowance or reducing effective marginal tax rates, and increasing the emphasis on work experience and training over time as opposed to purely job search activities.

Introduction

The social security system in Australia, as elsewhere, is being recast from a 'safety net' to a 'springboard'. Active labour market policies (ALMP) emphasise the role of social security and employment services not only in ensuring that unemployed people are making attempts to find work, but also that they are encouraged in directions which will increase their chances of gaining employment. In Australia, active welfare policies were initiated under the Hawke and Keating Labor governments and have accelerated under the Howard Coalition government (Finn 1997; Considine 2001).

Early versions of ALMP in Northern Europe and Australia aimed to contribute to economic restructuring in the face of changing markets and globalisation (Cass 1988). In this version, ALMP was more generally concerned with retraining and enabling retrenched workers to move to emerging industries and employment opportunities.

In the last decade neo-liberal economic theories of unemployment (Layard, Nickell & Jackman 1991) have come to be the main impetus for ALMP in Australia. In essence, this approach holds that the unemployment rate is influenced by how actively the unemployed search for work. The more effort people make to find jobs, and the less choosy they are about what jobs they will take, the lower the overall unemployment

rate. However, the existence of social security benefits creates a 'moral hazard' which reduces the necessity to work, and hence, it is argued, reduces the effort which people put into job search (Layard, Nickell & Jackman 1991). Obligations and activities are introduced, in part to make social security less attractive and, arguably, improve the efficiency of the labour market.

Paternalist accounts of welfare dependence have also been influential drivers of ALMP. According to paternalist theorists such as Lawrence Mead, the problem with the poor is a lack of competence (Mead 1997). Poor people have the same aims as anyone else (to get a good education, find work) but they do not know how best to go about it. The role of the State then, as an understanding, wise but firm father figure, is to decide how people should go about achieving their own ambitions, and to direct them to these ends.

Supervision is a critical ingredient of the administration of paternalism. Individuals are presumed not to act in accordance with their own interests, so their behaviour must be closely supervised and directed, to ensure that they do. Close supervision and early intervention ideally pre-empt the need to use more severe sanctions, although the latter are also necessary.

This concern with supply-side issues, totally dominates the current government's ALMP approach. The paradox of course, is that the ratio of unemployed people to job vacancies remains historically high, despite declining official unemployment figures (Centre for Full Employment and Equity 2003), pointing to the lack of jobs as a primary cause of continuing unemployment and underemployment.

While acknowledging the limitations of the supply-side approach, preventing the permanent exclusion of long-term unemployed people is still an important policy issue. Under current policy settings, the question then, is how the State can intervene to increase the motivation of disadvantaged job seekers to undertake desirable activities, including those activities that will improve their capacity to find work.

There has been a recent increase in public attention paid to the issue of the motivation of unemployed people (eg, Colmar Brunton Social Research 2002; Productivity Commission 2002). The evidence available suggests that there has been no diminution in the work ethic over the last two decades (Tansey, Hyman, Zinkhan & Chowdhury 1997; Weaver 1997; Nordenmark 1999) but it is also probably true that a person's motivation diminishes, the longer they have been unemployed and the more often their job applications are unsuccessful (Tann & Sawyers 2001).

The continuing high incidence of long-term unemployment (ACOSS, ACTU et al. 2000) during a period of overall reduction of unemployment, raises some questions about how well the current income support and employment systems are assisting the long-term unemployed. One key question relates to the structure of social security policies and how they affect the motivation of long-term unemployed people or those with significant barriers to employment.

If we accept the premise that it is desirable for governments to influence peoples' behaviour, the question arises; what is the most effective means by which the State could increase job-seekers' work related motivation, especially among the long-term unemployed?

This article explores the role of the Australian social security system in augmenting motivation. It presents a brief overview of the policy settings for unemployment payments. It then explores several key themes arising from recent psychological research into theories of work-related motivation - goals, self-efficacy, incentives, fairness and self-determination - and the impact of social security policy and administration on the motivation of disadvantaged job seekers in the light of this research. Finally, I propose some approaches that could be expected to enhance motivation based on the empirical evidence.

Features of Social Security Policy for Job Seekers

The notion that unemployed people have an obligation to seek work in return for receipt of social security payments has always been part of the Australian social security system (Carney & Hanks 1986). For the post-war period until the 1970s there was little concern about social security provisions since unemployment payments were received for only a short period of time, and overall unemployment was low. However the advent of a high incidence of long-term unemployment following the recession of the early 1980s prompted the Hawke government to initiate a review of the social security system (Cass 1988).

In the early 1990s obligations were expanded under the Working Nation program, to include the idea that people should engage in activities which would increase their chances of gaining employment, and not just seek jobs. Working Nation had a particular focus on vocational training, and included changes to activity test requirements to include training as an option, new work experience programs (JobSkills), employer subsidies (JobStart) and contracted case management for long-term unemployed people (Finn 1997; Considine 2001).

Under the Keating government 'reciprocal obligation' meant that the government would do more to create employment and assist unemployed people to get jobs (by expanding labour market programs, introducing wage subsidies and easing the income test) with the argument that greater efforts and obligations could therefore be expected of the unemployed. One feature of this system was the revamping of penalties to be applied to benefit recipients if they did not meet their obligations.

Obligations for people receiving unemployment payments were extended under the Howard Coalition government. A further conceptual change was made with the introduction of 'mutual obligation' - the principle that people were expected to 'give something back' in return for the receipt of unemployment payments. The difference to reciprocal obligation was that the obligation was not just to make greater efforts on your own behalf, but also on behalf of the community. The Work for the Dole program, for example, was introduced to require unemployed people to undertake activities of benefit to the community as well as learning work habits (Department of Employment and Workplace Relations 2003). Analysing the aims of mutual obligation policies is probably a paper in itself but they appear to include: diminishing the 'attractiveness' of social security payments, contributing to general community welfare, improving skills of unemployed people, and addressing (or perhaps playing on) concerns of some sectors of the electorate about perceived 'welfare dependency'.

As the system currently operates, to be eligible for payment, an unemployed person must:

- enter into and comply with a Preparing for Work Agreement
- register with at least one Job Network member
- actively look for suitable paid work
- complete a Job Seeker Diary with details of 10 job search efforts per fortnight
- lodge fortnightly continuation forms
- accept suitable work offers
- attend all job interviews
- attend Centrelink offices when requested to do so
- agree to attend approved training courses or programs
- not leave a job, training course or program without sufficient reason
- correctly advise Centrelink of any income earned
- participate in a 'mutual obligation' activity after a certain amount of time on benefits, the default activity being 'work for the dole'
- have certificates signed by employers approached about jobs, if required
- not leave their current residence to move to an area with a higher rate of unemployment (Department of Family and Community Services 2003).

The Work for the Dole (WfD) program occupies an unusual place in the suite of labour market programs. On one hand, it is intended to act as a compliance measure – one which will encourage those referred to it to either find a job or declare existing employment in preference to attending the program. As a recent review noted 'For the compliance effect to operate, potential participants have to believe that Work for the Dole is an unattractive option...' (Nevile & Nevile 2003, p. 24). On the other hand, it is also intended to act as a work experience program to improve the employability of participants (Nevile & Nevile 2003).

Three other features are also important – effective marginal tax rates, the replacement rate and breach penalties. Benefits are reduced as earned income increases. The interaction of benefit withdrawal rates and the income tax system means that effective marginal tax rates (EMTRs) can be very high, drastically reducing the financial returns from work. High EMTRs tend to be most common in families with dependent children because of the additional impact of the withdrawal of family payments (Beer 2003). For unemployed people in receipt of Newstart, EMTRs are highest when taking up part-time work or increasing hours of a part-time job. For example a single adult can face EMTRs of between 75 and 80 percent over a gross income range of \$10,000-\$15,000 per annum. This has long been a feature of the targeted Australian social security system. In the past it was not regarded as a problem because people in full-time jobs were relatively more prevalent than part-time jobs, a situation which has reversed since most jobs' growth of the last decade was in part-time work.

The replacement rate is the ratio of unemployment benefits to wages. One theory is that the higher the replacement rate, the lower the incentive for people to move off welfare for work. On the other hand, higher levels of benefits may enable more job

search and hence improve exit from unemployment (Atkinson & Micklewright 1991). There is a large body of literature about replacement rates which is beyond the scope of this article (see Atkinson & Micklewright for a critical review). However, a recent article found that the empirical evidence for the relationship between replacement rates and unemployment was equivocal (Le & Miller 2000). Australian replacement rates are around the OECD average (Martin 1998).

People who fail to comply with (or breach) the activity test requirements outlined above are penalised by having their benefits reduced. For the first breach in a one-year period, the penalty is a reduction of 18 percent of the base payment rate for 26 weeks. For the second breach, the penalty is a 24 percent reduction for 26 weeks, and for the third breach, the penalty is non-payment for 8 weeks. For an unemployed single adult on a base weekly payment of \$185 per week in June 2003, these amounted to financial penalties of roughly \$900, \$1200 and \$1500. The government recently amended the penalty for first breaches so that if someone complied with a requirement after receiving a breach, their payments would be reduced for only 8 weeks instead of 26, effectively reducing the penalty to around \$300.

Motivation and Employment

What do we mean by motivation in the context of unemployment? Performance can be described as a joint function of ability and motivation (Moorhead & Griffin 1998), or conversely, greater motivation increases performance in the face of unchanged ability. We can assume that ALMP aims to motivate people to engage in two sets of activities; those expected to lead directly to employment (ie, active job search) and those which are expected to improve an individual's potential or capacity to find work over the longer term (eg, training, skills improvement, taking a casual job as a strategy towards gaining permanent employment).

The most relevant and widely studied psychological construct is 'work-related motivation' which Pinder (1998) describes as the set of internal and external forces that initiate work-related behaviour, and determine its form, direction, intensity, and duration. This definition recognises that both environmental and internal forces affect work-related behaviour. While there are some problems in applying this approach to unemployment - for example some theories examine the motivation effects of job characteristics that do not apply when someone is not employed - much of the theory is directly relevant to unemployed job seekers.

Work-related motivation has been the subject of substantial empirical investigation over the last three decades. From this research, the findings in relation to goals, self-efficacy, incentives, fairness and self-determination are discussed below. There is (as one reviewer noted) some overlap between these domains.

Goals

Goal-setting researchers have investigated the role that goals play in motivation and performance. Multiple reviews of the goal-setting research have concluded that there

is substantial support for the basic principles of goal-setting theory (Locke & Latham 1990a; Wofford, Goodwin & Premack 1992). These include that specific goals lead to higher performance than vague goals, and difficult goals lead to higher performance than easy goals, although goals that are too difficult lead to poorer performance. Goal setting is more effective when feedback allows performance to be tracked against goals, but goals without feedback have little effect.

Ambrose and Kulik point out that the relationship between goal difficulty and performance assumes that the individual is committed to the goal and possesses the knowledge and skills necessary to achieve it (1999). Commitment to goals is greater when people think goals are attainable, and when they set the goals themselves (Vance & Colella 1990; Latham & Locke 1991; Locke 1996; Hinsz, Kalnbach & Lorentz 1997).

The social security system provides three distinct opportunities where goals can be set for job seekers – the preparing for work agreement (PFWA), choosing a mutual obligation activity and upon referral to a Job Network provider or other service.

PFWAs are prepared upon initial application for benefits, and updated at various points thereafter. They have a range of activities included as a condition of receipt of benefits but in theory the range of activities to be included can be negotiated by the applicant. The guidelines for PFWAs state that:

The objective of a PFWA is to provide the person with an agreement that is tailored to their needs and that includes specific outcomes. Example: Full-time employment is the goal for jobseekers and a PFWA provides a pathway which will help the person achieve this goal... (Department of Family and Community Services 2003).

PFWAs are currently completed within an initial interview lasting around 45 minutes (although the time varies). The interview has multiple aims: to establish eligibility for benefits; to collect information about employment barriers, to provide information about activities which will be required of the applicant, and completion of the PFWA. In practice, little time appears to be spent discussing the applicant's goals and activities which might be incorporated into the PFWA to help achieve them. A recent study found that only a third of disadvantaged job seekers felt that they could include activities of their own choosing (Ziguras, Dufty & Considine 2003).

However, since signing a PFWA is a pre-requisite for receiving payments, there is a risk that it will be experienced at best as red tape to be dealt with as quickly as possible and at worst as coercion. Goodin argues that this is analogous to the 'proposition offered by a highwayman who offers you the contract of 'your money or your life', and you 'agree' to hand over your wallet.' (Goodin 2001, p. 191). A contract signed in these circumstances is done so under duress and any goals set during such an exchange may be seen as being imposed rather than voluntary or self directed, and hence to reduce motivation.

Some people certainly experience the system as compulsion. In the disadvantaged job-seekers' study cited above, almost 60 percent said they felt under a lot, or a fair bit of pressure, to agree with Centrelink when negotiating a PFWA. The nature of this pressure was fairly obvious: as one person said, 'if you don't agree with them they won't pay you!' (Ziguras, Dufty & Considine 2003, p. 17).

Centrelink staff appear to have little time, and sometimes little inclination, to explore barriers to employment and a job-seeker's goals. PFWAs are entered directly onto a computer program by a Centrelink staff member sitting behind a desk. While staff are usually friendly, the whole interaction has the sense of bureaucratic routine rather than a discussion of job-seekers' needs and aspirations.

Most people receiving unemployment payments must now participate in a mutual obligation activity after a certain period on benefits (usually six months). People must choose from a range of activities that include WfD, volunteer work, education, relocation, participation in a training program such as literacy and numeracy, or job search skills. If a person does not choose an activity, they are automatically assigned to WfD.

As for PFWAs, people may see goals set during this exchange as being an attempt to control their behaviour, especially given the emphasis on the individual's 'obligation'. Hence commitment and motivation as a result of this process may well be low. The high rate of breaches due to failure to attend a WfD placement (the default mutual obligation activity) provides some support for this contention (ACOSS 2001).

Disadvantaged job seekers are eligible for additional employment support through the Job Network. The employment service provider renegotiates PFWAs for this group when they first enrol. Some of the same concerns apply to this process as apply to the original PFWA as described above, since registration with a provider is compulsory. However, job seekers may see goals set during this process as more relevant since they are discussed in the context of employment assistance rather than eligibility for benefits. The same might be true of the Jobs, Placement Education and Training, and Personal Support Programs. Attempts are being made by a few Centrelink offices to add these goals to the PFWA so that it more accurately reflects a person's aspirations.

Multiple goals may cause individuals to experience conflict and to sacrifice effort on one goal to meet another (Gilliland & Landis 1992; Locke, Smith, Erez, Chah & Schaffer 1994). The PFWA includes a range of requirements which may include a certain number of job applications per fortnight, undertaking training, completing a job search diary, and various administrative requirements described above. It is possible that job seekers may experience conflicts between several of these in terms of relevance, commitment, time and financial resources, which suggests that the number and type of activities included need to be carefully monitored.

Self-efficacy

Importantly, for goal setting to be effective, people must believe they have the ability to reach or approach their goals, in other words a sense of self-efficacy. Self-efficacy is a central feature of expectancy theory (Vroom 1964) which suggests that motivation is a function of expectancy (the belief that expenditure of effort will lead to the desired performance), instrumentality (the expectation that, if a certain task is performed, a reward will follow) and valence (the value of the reward to the person).

There has been considerable empirical research into expectancy theory. For example, Saks, Wiesner, and Summers (1994) tested the theory in a study examining the effects

of job previews on job choice. They found that expectation of work-related needs (roughly instrumentality) and the valence of these needs significantly predicted job choice, and that adding self-efficacy (roughly expectancy) further increased predictive power. Similarly Brooks and Betz (1990) and Snead and Harrell (1994) both found support for the theory.

A meta-analysis of expectancy theory research (Van Eerde & Thierry 1996) analysed seventy-four empirical studies that test expectancy theory predictions. A general finding was that the individual components of the model (expectancy, instrumentality and valence) were all significant predictors of performance.

Several studies have investigated the relationship between goals and self-efficacy. People respond with increased effort in response to negative feedback (that they are not performing to the level of their expectations) if they have high self-efficacy, but not if they have low self-efficacy. Higher goals combined with greater self-efficacy lead people to persist longer at tasks and to make more effort to achieve (Locke & Latham, 1990a; Locke 1996; Hinsz, Kalnbach & Lorentz 1997). Rewards strengthen goal commitment providing people value the reward, the amount is sufficiently large and it is not tied to goals perceived as impossible to reach (Kernan & Lord 1990).

Overall, it appears that the key premises of expectancy theory are well supported by empirical evidence. These findings can be summarised thus: an individual's motivation for a task is influenced by whether she or he believes that she or he can achieve the desired result and self-efficacy, the sense of one's own ability, is an important mediating variable.

These results have significant implications for long-term unemployed people. Unemployment can deal a severe blow to someone's sense of ability, which worsens with longer spells of unemployment (Eden & Aviram 1993). Those with less education are more likely to be unemployed, and they may also feel less confident in undertaking further training since they have often had negative experience of the formal education system.

It is therefore not surprising that many long-term unemployed people may not have a strong sense of self-efficacy. This is important both in goal setting and in the focus of intervention. While difficult goals are more motivating for highly confident people, they are likely to be self-defeating for some unemployed people since they will not believe they are capable of achieving them. It may be more important to help people build a sense of their own capabilities by having goals they can achieve to give them greater confidence, for example by less difficult short-term goals which are modified upon achievement.

Incentives

Incentives are a key part of psychological reinforcement theories which have been applied to the workplace by the 'organisation behaviour modification' school (Luthan & Kreitner 1985). The basic outlines of reinforcement theory are well known. Behaviour subject to a contingent reward or positive reinforcement (ie, dependent on the performance of a certain task) will increase (Belkin 1988). Of course, much

micro-economic theory has the same conceptual basis; financial reimbursement being the key reward shaping incentive structures (Schwartz, 1998).

Negative reinforcement is the 'process whereby the removal of a negative stimulus acts to increase a behavior' (Greer & Dorow 1976, p. 66). It is designed to increase a behaviour by providing the stimulus before the behaviour occurs. An example is that of an alarm clock which sounds until it is turned off. In contrast, punishment acts to decrease a behaviour by providing a negative stimulus when it occurs, for example jailing a person who commits a crime.

Behaviour modification theorists argue that positive reinforcement is preferable to negative reinforcement or punishment. Research shows that positive reinforcement strengthens behaviour more efficiently than negative reinforcement or punishment (Belkin 1988, Luthan & Kreitner 1985). Punishment may also lead to unpredictable outcomes since it generates avoidance behaviour, and not necessarily the behaviour targeted. For example, a manager who wishes to stamp out time wasting among staff may publicly criticise staff who appear not to be working, but this may simply cause staff to 'look busy' whenever the manager is around. Of course, rewards may also have unpredictable results, since it is not always possible to accurately specify or measure the intended behaviour (Alford 2002).

Punishment also generates 'emotional behaviour' such as anger, aggression, frustration, fear and anxiety (Luthan & Kreitner 1985). These emotions come to be associated with the person or body providing the punishment, and may generate adverse attitudes to them. This means that the provider of punishment comes to be seen only in a negative light, and is not then seen as a source of help or reward. As Luthan and Kreitner argue, 'It is almost impossible to assume the dual roles of punisher and reinforcer' (1985, p. 143).

Much of the research into reinforcement in organisational settings has examined the effect of positive reinforcement in the form of rewards or bonuses, with the general finding that positive reinforcement increases productivity (eg, Welsh, Luthans & Sommer 1993a; Welsh, Luthans & Sommer 1993b). Fewer studies have examined negative reinforcement or punishment. Ball, Trevino, and Sims (1994) found that punishment that was perceived by employees as inappropriately harsh resulted in a decline in the employee's performance, and George (1995) found that contingent supervisory rewards increased productivity whereas contingent punishment and non-contingent rewards had no effects.

In summary, positive reinforcement increases motivation and hence performance. Negative reinforcement and punishment have consequences other than the desired behaviour, including avoidance, unpredictability, negative emotions and adverse attitudes towards the punisher. Some evidence suggests that punishment may decrease motivation and performance.

What do these findings mean for social security policy? When work was more freely available, the reward for job search activities was finding paid employment. With fewer employment opportunities, the reward of a paid job is probably more remote, and for many, very remote indeed. In the absence of being able to find work, there is little or no reward for fulfilling many of the requirements that the system imposes on

people. There is some evidence that this acts to reduce motivation: Tann and Sawyers reported that more than half of job seekers interviewed in a survey of Centrelink clients, agreed that filling in a Job Search Diary each week was depressing since it 'reminded them of the number of knock-backs they had been getting' (2001, p. 14). While there is no positive reinforcement for job search, there are often substantial costs involved (such as fares for attending interviews). In addition, the financial rewards from undertaking part-time or casual work are limited by high effective marginal tax rates.

There is substantial punishment for non-compliance, in the form of severe financial penalties or breaches. The number of breaches increased dramatically between 1997-2001 (ACOSS 2001), and began to decline in 2001-2002 but is still substantially higher than during the early to mid-1990s (Senate Community Affairs Legislation Committee 2002). This reliance on punishment via breaching could be expected to generate extremely negative attitudes towards Centrelink and its staff, and some evidence suggests this is what occurred (Ziguras, Dufty & Considine 2003). At the same time, government policies are attempting to cast Centrelink as source of support and advice (Department of Family and Community Services 2001). This is a worthwhile aspiration, but likely to be contradicted by the breaching regime. Research suggests that those with the greatest labour market disadvantages are most likely to be breached, and therefore to jeopardise their relationship with Centrelink (Hanover Welfare Services 2000; ACOSS 2001; Salvation Army 2001; Ziguras, Dufty & Considine 2003), yet people in this group are the most likely to need assistance from Centrelink and other agencies.

Fairness

First developed by Adams (1963), equity theory concerns a person's views about the fairness of his or her own rewards compared to others. People bring different inputs to their jobs – education, skills and most importantly effort. They are also rewarded differently – most obviously in terms of wages, but also in status, promotion, praise and recognition. Most people make a judgement about the relationship between inputs and reward based on a comparison of the same ratio with others. For example, a person is likely to conclude that rewards for his or her work is fair if other people with the same level of qualifications and who work similar hours receive similar rates of pay.

Conversely, when individuals compare themselves with others who receive either greater reward for the same effort or the same reward for less effort, they are likely to perceive their own circumstances as inequitable (under-compensation), and to act to reduce this inequity. Inequity can be reduced either by increasing rewards for the same effort, reducing effort for the same rewards, or by attempting to leave the situation completely.

In situations where someone has little control over rewards (ie, pay), equity theory predicts that the inequity would be resolved by reducing performance; ie, that inequity reduces motivation. This hypothesis has been tested in a range of studies (Greenberg 1982; Mowday 1991; Sheehan 1991; Harder 1992; Carr, McLoughlin, Hodgson & MacLachlan 1996), with a consistent finding that inequity in these situations does in

fact reduce motivation. Some research suggests that people may engage in illegal behaviour to maintain equity (Greenberg 1990b). Ambrose and Kulik (1999) conclude that 'equity theory's predictions regarding the effects of under-compensation have proven to be very robust, predicting behavior in both the laboratory and the field.' (1999, p. 245)

More recent research related to equity theory has used a justice framework, which suggests that employees consider both process and outcomes in deciding whether they are treated fairly (Greenberg 1990a). Two key aspects are procedural justice (fairness of procedures or regulations) and interactional justice (whether someone is treated with concern and consideration). Some research provides tentative support for the theory. Niehoff and Moorman (1993) and Lee (1995) found that the amount of additional unpaid work conducted by employees was predicted from their perceptions of the fairness of formal procedures. Deluga (1994) found similar results in that continuing education students' motivation was related to their beliefs that their supervisor gave them a 'fair deal.'

In general terms, the predictions of equity theory have found substantial empirical support. The strongest finding is that people who perceive themselves to be inequitably compensated for their contribution are likely to reduce their efforts in order to reduce inequity. There is also some support for the proposition that motivation is influenced by the perceived fairness of procedures and personal treatment that individuals experience in an organisation.

The extent to which job seekers see the relationship between their obligations and benefit received as fair compared to others is difficult to assess, partly because little research explores 'fairness' directly. However some research provides indirect evidence about perceptions of fairness.

One significant study was conducted by Wallis Consulting (on behalf of the Department of Family and Community Services) who surveyed people receiving unemployment payments during 2001. A large majority (84 percent) of those interviewed believed that they should undertake 'activities which will improve their chances of finding work', but only about half of those interviewed felt they should have to 'do more than actively look for work in order to keep getting benefits'. Those on benefits for longer were less likely to agree with both propositions. Just over half thought that the breach penalties were 'about right' and about a third felt they were too harsh, although those who had been breached were more likely to consider penalties to be too harsh (Wallis Consulting 2001).

Around two-thirds of those required to undertake a mutual obligation activity take part in the Work for the Dole program (Wallis Consulting 2001). Some evidence suggests that participants find the program useful by helping to establish a routine, learning useful skills or improving job prospects (Wallis Consulting 2001; Nevile & Nevile 2003) and indirectly suggest that most participants regard the requirement to participate as being 'fair'.

Conversely, Carson, Winefield, Waters and Kerr (2003) found that coerced participants were much less favourable than voluntary participants, and that participants support for WfD declined over time due to a decline in the perceived usefulness of the program (rather than a decline in perceived fairness). This study

reported that young people experiencing high levels of disadvantage 'almost without exception perceive and experience Mutual Obligation requirements negatively' (Carson et al. 2003, p. 25). Similarly, another study of attitudes of disadvantaged job seekers (Ziguras, Dufty & Considine 2003) found an inverse relationship between perceived usefulness of activity test requirements and the number of employment barriers. Many of the comments of those interviewed demonstrated a strong sense of frustration and anger at Centrelink and various obligations, again indirectly suggesting people felt the system to be unfair.

While the evidence is not conclusive, it appears that most job seekers regard activity test requirements as fair but that this is not the case for those with greater employment barriers or a longer history of unemployment. For this group, much of the evidence suggests a strong degree of frustration or resentment towards the system.

Self-determination

Self-determination is a central feature of cognitive evaluation theory (CET) which theorises that people are motivated by internal factors (intrinsic) or by aspects of their environment (extrinsic). Intrinsically motivated behaviours are 'those that are motivated by the underlying need for competence and self-determination (Deci & Ryan 1980, p. 42). Deci (1971) argued that the need for self-determination was a fundamentally important human need and a key source of motivation.

Generally people acting on their internal needs for self-actualisation are intrinsically motivated (ie, they do not need any other reward). However, external rewards can make someone question whether their behaviour is based on their own goals, or externally influenced and if the locus of causality shifts to the external environment, intrinsic motivation is diminished. CET emphasises that situational variables are only problematic if they are seen to be controlling a person's behaviour in which case they will decrease motivation since they violate the need for self-determination. For example, feedback about performance can be seen merely as information for someone to use, but can also be perceived as attempting to influence someone in a particular direction (Deci 1971; Deci & Ryan 1980). This relationship operates in both directions, and if people are encouraged to see themselves as competent, they are more likely to attribute their behaviour to their own desires and to be more motivated.

The results of research into CET are somewhat mixed but there are some consistent results. Several meta-analyses (Cameron & Pierce 1994; Rummel & Feinberg 1988; Tang & Hall 1995; Wiersema 1992) consistently show that there is a negative effect of rewards on persistence. However, these results appear to depend on whether the rewards are experienced as attempts to control or not. For example, Cameron and Pierce (1994) concluded that subjects rewarded with verbal praise or positive feedback showed greater intrinsic motivation than non-rewarded subjects, and suggest that this is due to this feedback being experienced as information rather than an attempt to influence. Dahlstrom and Boyle (1994) showed that controlling influence strategies (such as threats) were associated with reduced motivation.

A consistent finding is that when individuals experience external rewards (or threats) as attempts to influence their behaviour, their internal motivation is diminished. On

the other hand, external rewards that are not perceived as controlling, and which are consistent with a sense of self-actualisation either increase motivation or have little effect. These findings suggest that compulsion is likely to reduce intrinsic motivation.

According to these results, the greater reliance on compulsion as part of social security policy is likely to have reduced the intrinsic motivation of those subjected to it. On the other hand, where job seekers believe that the activities they undertake are consistent with their own aims they are likely to be more motivated. For example, job seekers who feel able to include their own activities in a PFWA are more likely to feel the agreement was more useful (Ziguras, Dufty & Considine 2003). Similarly, job seekers report that one feature of labour market programs they most appreciate is the encouragement and support given by staff in meeting their own goals (MacDonald 2000; Ziguras, Dufty & Considine 2003).

Conclusions and Implications for Policy

Some aspects of the social security system appear to have the potential to promote the motivation of job seekers, but many parts of the system appear to work against this. Activities and goals are largely established on the basis of bureaucratic requirements rather than an individual's aspirations. The large number of requirements are likely to be seen as attempts to control a person's behaviour rather than as a form of assistance. Punishment is common and reward rare. Many job seekers perceive the system in negative terms, the more so the longer they have been unemployed, or the more experience they have with the penalty system. In addition, some features of the system seem destined to engender negative attitudes towards Centrelink at the same time that policy aims to encourage job seekers to see it as a source of help.

The results suggest some future directions for social security policy. A first point should be to genuinely engage people in setting goals based on their own aspirations, and to minimise compulsion and the threat of punishment. There is some evidence that this is helpful. For example, an evaluation of the Community Support Program (since revamped as the Personal Support Program), a pre-vocational program aimed at those with the greatest barriers to employment, found that the voluntary nature of the program was one aspect most valued by clients, and attributed to be part of the reason for its success by staff (MacDonald 2000).

Disengaging the link between goal setting through the PFWA and entitlement would also make the process more appealing to job seekers. Interviews to assess labour market barriers and to develop PFWAs would be more effective if they were conducted separately from the initial claim interview. Since trust is an important aspect of disclosure, establishing rapport and engagement are central. This requires more time than is currently available for individual interviews, and may also need more than one interview.

Support and direction from staff may be useful, but allowing some flexibility in the time taken to develop these plans would allow individuals to feel a greater sense of ownership and commitment. Centrelink is trialling a new application process along these lines in a few offices, and the results should provide useful information about how PFWAs could assist in setting goals.

It is probably not necessary for all applicants for unemployment payments to undergo this more extensive assessment process, since many have few barriers and will find work without a great deal of assistance. It would be useful for Centrelink to investigate some form of 'triage' to identify those for whom more assessment time is required. While this is obviously easier said than done, length of benefit history and number of previous spells on benefits should give some indication of needs.

The recent trend towards a decrease in breach numbers may have helped in sustaining motivation, but the breaching system should be further amended to ensure that it acts to ensure compliance rather than as a form of punishment. Further reductions to penalty rates is still necessary since second and third breach penalties are still set at the level that create 'unnecessary and unjustifiable hardship' (Pearce, Disney & Ridout 2002, p. 13). Furthermore, policy should move towards ensuring that once a person complies with their obligations, their payment is restored to its normal level with no further loss of income. This would overcome the 'all or nothing' approach currently applied.

Since the current reward structure is perverse, ways need to be found to reward people who make progress towards their goals. These may include a 'participation payment' for undertaking training or meeting progress goals, and reducing the effective marginal tax rates for casual and part-time work. There are a range of ways to enhance the returns from work, such as reducing withdrawal rates, removing unpaid waiting periods and reducing reporting requirements while working.

More thought also needs to be given to the timing of requirements and support. Those in the early phase of an employment spell, or with few barriers to employment may find obligations to be useful. For example, an analysis by Borland and Tseng (2003a) of the impact of the Job Seeker Diary (JSD) recently concluded that it reduced length of time on benefits, but not for those with the longest history of unemployment. These results suggest that the JSD does have a motivating effect for those with good labour market prospects but not for the long-term unemployed. Job Seeker diaries appear to amplify a person's experience of failure by reminding them of how many jobs they have failed to get, and lead to 'low commitment' job search (Wallis 2001; Tann & Sawyers 2001).

It is also possible that employer contact certificates signal to employers that 'the recipients are not good employment prospects.' (Tann & Sawyers 2001, p. 17) and may in fact reduce the chances of getting a job for people who comply with them. Similarly, other studies have found that those with significant employment barriers perceive the system to be far less useful (Carson et al. 2003; Zигuras, Dufty & Considine 2003).

Current requirements may be useful in the short term but if someone is forced to undertake them with no results over an extended period, they become demotivating. The decline in support for Work for the Dole from participants over time is probably an example of this, particularly since some research suggests that participation in WfD actually decreases a persons chances of gaining employment (Borland & Tseng 2003b).

This suggests that the regime for long-term unemployed people should move towards providing 'help' rather than the current reliance on 'hassle'. The main employment barriers for long-term unemployed people are related to lack of recent work experience and relevant skills (and sometimes personal or health problems). More resources and programs which provide paid work experience, accredited training, and personal support targeted to this group would probably have better overall employment outcomes, and help sustain individual motivation more effectively. Results from some pilot programs support this direction (eg, Temby, Housakos & Ziguras 2004).

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