

**THE IMPACT OF MUTUAL OBLIGATION ACTIVITIES ON
MATURE AGE NSA RECIPIENTS: A PROGRAM EVALUATION**

A thesis submitted for the Degree of Doctor of Philosophy in Economics
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by

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To my family, especially my mother, and
to the memory of my father and my brother

*Having someone who genuinely cares
does not make our seemingly solitary life-journey shorter,
it makes every step of the journey worth taking.
Their love begets that which strives in us
and hopes for the better.*

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ABSTRACT

Australia joined the other OECD countries in employing active labour market policies (ALMPs) in the early 1990s, when labour force participation rates, especially of mature age men, continued to fall and unemployment benefit continued to rise. While there is consensus in the literature regarding the negative association between social security benefits and labour force participation, the empirical findings to date are limited to linking aggregate trends as appropriate individual-level data were not available then.

Nevertheless, the government continues to use ALMPs despite inconclusive empirical evidence. In July 2002, the coverage of the *Mutual Obligation* was increased to include mature age NSA recipients aged 35 to 49. The Welfare Reform Task Force hailed MO as the key to addressing social and economic disadvantage of job seekers. Participation in community service, training or part-time work are supposed to enable NSA recipients to exit NSA and work.

In the thesis, the effectiveness of MO in facilitating exits from NSA is assessed applying program evaluation methods. The longitudinal administrative dataset is used to represent the individual's workforce participation decision-making by taking into account his/her time-use preference, participation barriers and expected labour demand.

It is found that MO is not effective in the way the previous government envisioned it to be. MO is more of a policy-tightening exercise than an active labour market policy aimed at enhancing the skills of the mature age NSA recipients. Only 2.2 per cent of mature age NSA entrants manifested the behavioural change the government intended – take up an MO activity, complete it and leave income support to work. This raises questions on the cost-effectiveness of MO as an ALMP given the expenditure on the program.

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Abbreviations

AFDC	Aid to Families with Dependent Children
ALMP	Active labour market policy
ABS	Australian Bureau of Statistics
ASS	Allocation de Solidarite Specifique
AUD	Allocation Unique Digressive
AWT	Australians Working Together
CDEP	Community Development Employment Projects
DEWR	Department of Employment and Workplace Relations
DEEWR	Department of Employment, Education and Workplace Relations
DID	Difference-in-differences
DSP	Disability Support Pension
FaHCSIA	Department of Family, Housing, Community Services and Indigenous Affairs
GAIN	Greater Avenues for Independence
GDP	Gross Domestic Product
IEP	Indigenous Employment Policy
JSA	Job Seekers' Allowance
JSCI	Job Seeker Classification Instrument
LDS	Longitudinal Data Set
LFPR	Labour force participation rate
MAA	Mature Age Allowance
MO	Mutual Obligation
NEIS	New Enterprise Incentive Scheme
NSA	Newstart Allowance
OECD	Organisation for Economic Cooperation and Development
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
PSM	Propensity Score Matching
RMI	Revenu Minimum d'Insertion
TANF	Temporary Assistance to Needy Families
VRS	Vocational Rehabilitation Services
WC	Working Credit
WfD	Work for the Dole
WtW	Welfare to Work

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