



Budget priorities 2017 + beyond

**Realising the  
win-win value in  
employment services**

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## About NESA

The National Employment Services Association (NESA) is dedicated to creating opportunity for everyone through employment and inclusion. Our mission is to lead a sustainable, effective and diverse employment services sector.

NESA was established in 1997 and is the peak body for all of Australia’s world-renowned contracted employment services, which provide labour market assistance to improve opportunities and outcomes for employers and disadvantaged job seekers.

NESA members include not-for-profit and for-profit organisations that have extensive coverage of jobactive, Disability Employment Services (DES), the Community Development Programme (CDP), as well as other complementary programmes such as Transition to Work (TTW).



20 years  
experience  
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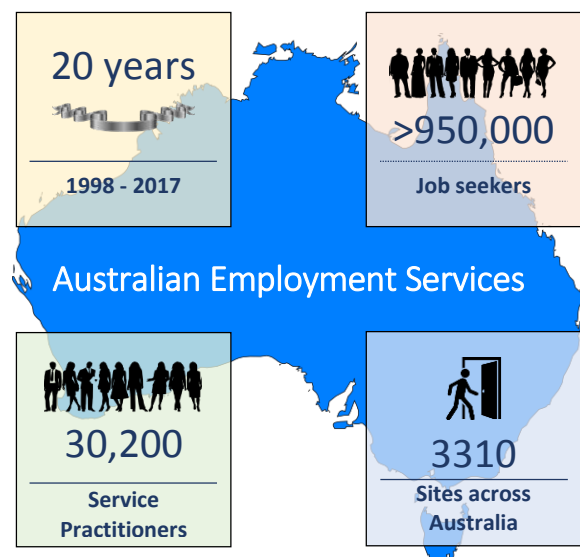
## About this submission – A statement of NESAs position

OECD work on the Productivity-Inclusiveness Nexus<sup>1</sup> suggests that labour market disadvantage (and related inequalities in education, access to jobs, income and access to innovation) impedes productivity growth, while poor productivity catch-up increases inequality. A broad and evidenced approach is called for in an effort to boost productivity, jobs and inclusion. The response requires employment and skills policies and programmes that are responsive to local circumstances and practice. Australia has well-established tools to do this.

NESA calls on the Federal Government to better **recognise** the unique value of our enduring employment services system. Its strength lies in its potential for tailored, ground-up, place-based practice that 'does what it takes' to overcome barriers to work. As a system focused on outcomes it can also more easily reorient outputs in response to changeable labour markets. This submission proposes six priority strategies to **realise** the most value from our employment services – including short term actions for 2017 and longer-term sustained improvements.

Our proposals cross three Budget Portfolios (Employment, Social Services and the Prime Minister and Cabinet). While many portfolios impact on employment it is timely to shine much needed light on a core government intervention in labour markets: the services that forge pathways to match disadvantaged job seekers with work options.

These services address the productivity-inclusiveness nexus and are a win-win Budget investment as they can be shown to pay for themselves through reducing future potential costs. They impact on the resilience of businesses, communities, the economy and all of society. It is no surprise that the Budget forecast for demand-driven employment services has been noteworthy for many years. When all programmes are combined, the multi-billion dollar investment supports a caseload at any given time of almost one million across about 3310 sites supported by more than 217 providers.



Employment services are a big Budget investment driving important outcomes. Yet they are not well known or understood. There is a current risk that their potential will be undermined.

This submission presents a case for using the current **system strengths** to mobilise Australian know-how and respond to critical and emerging labour market challenges. If we are smart we can efficiently end labour market disadvantage and increase productivity. Some proposals would benefit from new money but mostly we recommend reaping value by refocusing existing Budget investment to:

- ★ free-up opportunities to tailor services **at the ground** with less prescription, more trust and more support to revitalise practitioner skills and capacity
- ★ align employment services with broader government agendas – common sense joining up of effort currently funded across government for the most disadvantaged communities.

## Summary of priority actions for better employment outcomes

**Current labour market trends require a response:** There are warning signs in labour market statistics (with negative trends for Indigenous people, people with disability and long term unemployment) coupled with evident change in industry structures, and in related arrangements for work. This signals further labour market disruption. It is increasingly important in light of these trends to build resilience and reduce potential negative impacts on individuals, businesses, communities and the economy. Positive employment participation is a core contributor to resilience for all stakeholders. In contrast poor employment outcomes, even for a relatively short period of adjustment can have devastating impacts on individuals and communities.

**An effective response is relatively easy to deploy:** NESAs urges Government to make better use of its existing nimble employment service system to address these emerging labour market challenges. Well-targeted refinements in the policy, funding, stakeholder-management and administration settings can promote continuous improvement in practices that are responsive to on-the-ground realities and circumstances.

**NESA's six priority actions** below will draw down and realise the full benefit of longstanding investment and of Australian know-how in our employment services sector. The priorities address the most at-risk communities and also invest in a ground-up strategy which focuses on developing and trusting the capacity of practitioners. Detailed proposals are informed by our members' extensive experience with labour market assistance.

**Better align employment services with other strategies addressing at-risk communities:** To boost employment service performance for some cohorts that are not getting sufficient benefit in the current system, NESAs recommends aligning employment services with broader government strategies. NESAs urges the Government to:

1. [Adopt a comprehensive disability employment strategy for all people with disability, which goes beyond the scope of Disability Employment Services \(DES\) alone.](#)
2. [Adopt a cross-sector Indigenous employment strategy aligning all investment and priorities \(beyond the scope of the Community Development Programme \(CDP\), Vocational Training and Employment Centres \(VTEC\), Employment Parity Initiative, DES and jobactive alone\).](#)
3. [Widen employment support options for refugees and migrants and boost access to existing employment services.](#)
4. [Establish early-access mechanisms for retrenched workers.](#)

**Recognise and revitalise the ground-up strength and practice of employment services:** NESAs recommends that the Government expand and harness the potential of the employment services sector through recognising and building on its strengths. We urge Government to:

5. [Invest in the development and recognition of employment service practitioners across all programmes, comprising over 30,000 workers.](#) This should be an industry-led strategy to continuously improve outcomes through lifting practice quality and knowledge while reducing red-tape and prescription – a higher trust and assurance culture.
6. [Invest now in responding to the changing world of work through constructive stakeholder engagement.](#) Learn how things are changing on the ground now and identify, test and implement initiatives or system tweaks that ensure a sustainable system, positive employment outcomes and a robust labour market in our changing world.

## Context

NESA supports the focus on youth unemployment and innovation announced in the last Federal Budget, including the Jobs PaTH and 'Try and Test and Learn' fund. To ensure these initiatives succeed there needs to be strong coherence with the rest of the employment services sector.

### **A grounded understanding of employment service practice should inform policy**

Essential and ongoing coherence between new initiatives and the existing system is enhanced with constructive stakeholder engagement that acknowledges and respects the service providers' role in providing the backbone to a complex service system. The system is necessarily 'organic' in nature due to its responsive connection to the ebbs and flows of the labour market. Organisms, unlike mechanical systems, can't so easily have an arm bolted on or be taken apart and put back together – they die. However, they can evolve, mature, learn new things and respond to change: all things that this sector has done successfully many times in the last 20 years.

The employment services sector is largely a purpose- or mission-driven sector and is made up of experienced, motivated and passionate leaders with a lot to contribute. Our members are keen to have the maximum opportunity to use their know-how to successfully assist people into jobs. Government would do well to harness this energy when designing new complementary initiatives to integrate with the overall system. Ground-up design and growth, rather than separate or bolt-on products that, without care, risk duplicating and undermining aspects of the system, confusing employers and job seekers and ultimately diluting and wasting resources.

System coherence would also benefit from broad investment in practice and practitioner recognition across all programmes. It is the realities and practice on the ground that determine a quality service, whatever the procurement model. The practice on the ground determines how effectively employment service practitioners liaise with job seekers and employers and how well they make decisions about the best support options.

Practice on the ground is: how a practitioner helps a job seeker address a family violence situation, a housing crisis or a health issue that complicates opportunities to work but does not negate their right to access work; or how they build confidence in a shy young person so that they interview well; or how they address unconscious bias or lack of cultural competence with employers; or how they match skill-development with real and current employer need; or how they gently but effectively encourage a job seeker with a serious acquired brain injury and low insight to pursue a different career; or more recently how to match new ways of working using technology, such as digitised rostering that directly matches the customer with a worker, with job seeker needs and successful outcomes, and so much more. Practice on the ground needs recognition and support for continuous improvement.

### **Wider understanding of the employment services sector is needed**

The potential for more powerful use of the employment services system across sector and jurisdictional boundaries is at risk. This is due to a lack of awareness of the inherent strengths in Australia's unique and high-performing employment services system. Knowledge is limited outside of our sector. NESA spends considerable energy bringing many major stakeholders in allied sectors up to speed. This includes State Government departments, local bodies, community service providers, education providers, other Federal Government departments and of course job seekers and employers.

The risk of both missed opportunities and more serious dismantling of current system infrastructure is evident in some proposals to government from other sectors. Worse still, there are risks that policy and funding settings may inadvertently undermine or deplete sector skills and standards if they occur without fulsome knowledge or without sufficient care. This would be wasteful and detrimental for many Australian job seekers and employers as well as labour markets more broadly.

### **About Australia's world-leading employment services system**

The Australian model of publicly funded employment services is a rich and evolving marriage of technology, continuous government monitoring and the dynamics of non-government enterprise. The 'quasi-market' is a constantly adapting forum bringing together stakeholders – Government, employers and service providers, mediated by peak bodies (NESA) – with a common goal to deliver the most efficient services that achieve the most positive outcomes for employers and job seekers. It is an integral and effective bridge across social services and labour markets.

No other country in the world has managed to build a public employment services sector in which the frontline work is entirely carried out by non-government organisations – contracted by government to offer place-based labour market assistance to job seekers and employers. Australia's system has attracted praise from the OECD<sup>2</sup>, and continues to incite the interest of government organisations the world over.

You could say it was ahead of its time. Many recent policy reviews on social services recommend the use of market drivers, the separation of funding from direct delivery, outcome monitoring and outcome-based payments. Australia did all this in the late 1990s with its unique managed market design. Employment services were also an early adopter of computer facilitated 'big data' monitoring. For 16 years now many thousands of complex data calculations regularly go into determining the 'star ratings' for providers. This rigorous and relative performance monitoring determines the continuance of an individual provider's contract. Remuneration for the provider also mostly depends upon successfully placing job seekers in work. The pressure on providers to deliver good outcomes is high, the administrative burden is considerable, and the rewards are hard-earned.

While the basic structure and principles of this system have been sustained for 20 years the system has not been static. Review and reform processes occur with each new tender process and contract cycles are short (mostly three years). Underperforming companies lose the right to re-tender in addition to losing market share during a contract period. The market share is awarded to companies with good results. The advantage of this system design is that it focuses efforts at a local level on achieving successful employment outcomes. This means providers must be responsive to changing labour market conditions. The effectiveness of the system is dependent on information conduits between Government and providers as well as sophisticated data and analysis of labour markets. The Government's IT System (ESS Web) and its allied web and mobile services represent a rich and evolving platform simultaneously serving the needs of Government, providers, job seekers and employers alike.

## Population level employment patterns

### Population employment statistics tell a mixed, incomplete and concerning story

Over the last twelve months, Australia's unemployment rate has decreased by 0.3% to 5.6%, but employment increase rates are slowing (0.7% increase, which is just half the annual average of 1.8% calculated over the past 20 years) and the employment to population ratio has decreased by 0.4%<sup>3</sup>.

At an international level Australian labour market participation statistics have remained comparatively high since the late 1990's, even during economic shocks and structural change. This is a testament to our employment services system. However, there are some cohorts that have not enjoyed such good employment statistics, with recent signs of a further decline. Notably employment participation numbers for people with disability and Indigenous Australians are retreating.

Since 2009 the number of people with disability in employment fell by around six per cent and the unemployment rate for the group has worsened by three per cent. *"The labour force participation rates for people with disability have remained stagnant for the past 20 years and are currently around 53 per cent, compared to more than 83 per cent for people without disability."*<sup>4</sup> At the same time the comparative rates between people with disability and the general population have worsened<sup>5</sup>.

Similarly, the employment gap for Indigenous people is also widening. NESA is very supportive of the Closing the Gap initiative and we commend the Government on their detailed 2017 report. Having transparent data is a critical catalyst for identifying what is and is not working. The target set in 2008 was to halve the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade (by 2018). *"This target is not on track. The Indigenous employment rate fell from 53.8 per cent in 2008 to 48.4 per cent in 2014-15. The non-Indigenous employment rate also declined from 75.0 per cent in 2008 to 72.6 per cent in 2014-15.1 The gap has not changed significantly (21.2 percentage points in 2008 and 24.2 percentage points in 2014-15). This occurred in the context of a general softening in the labour market over this period."*<sup>6</sup>

There are also disturbing trends with long term unemployment. It is where unemployment starts to become a long-term condition that its deleterious effects begin to multiply. The proportion of long-term unemployed is hence a telling figure of labour market health. After reaching a record low of 12% in 2009, the percentage of job seekers who are long-term unemployed (12 months or more) has steadily increased, reaching a quarter (24.9%) in December of 2016<sup>7</sup>. This increase (which includes 36% of unemployed people aged 55-65 and a disproportionate number of Indigenous Australians and people with disability) must be halted.

Long term unemployment has a powerfully negative impact on mental and physical health at the individual level, with flow-on effects to families and communities, and on a macro-level, impacts the national economy in terms of lost productivity, health care costs and welfare. Factors contributing to long-term unemployment must be addressed, and our proposals touch on many of them.

Unemployment is not a simple phenomenon: there is no panacea, and the particular exigencies requiring attention evolve over time and in concert with changes in both demographics and the evolving labour market. Moreover, it is not just the supply side of the labour market that needs to

be considered. It is difficult to get a clear picture of demand in the job market. At the time of writing, the Australian Government Labour Information Portal shows the total jobactive caseload (15+) at 738,938 while the November 2016 Vacancy Report<sup>8</sup> gives the seasonally adjusted number of job vacancies as 163,700, giving a rough total of 4 to 5 unemployed job seekers per advertised position. However, these figures do not take into account the other unemployment programmes nor the issue of underemployment. Furthermore, the vacancy figures are exclusively based on online job boards when we know a great deal of paid work is acquired through networks, self-employment and contracting.

### **We need to heed the warning in current labour market statistics**

The worsening labour market figures for the most vulnerable groups may herald economic and structural changes with potential for a significant impact on all aspects of Australian labour markets in future. This requires attention. Furthermore, there are major concerns with some groups right now. We need to understand what is going on and respond in an evidence-informed manner.

Sometimes NESAs has observed these negative population cohort statistics being used in a misleading way to call for radical reform of the employment services sector. However, closer analysis indicates quite the contrary is called for:

For example, the majority of working age people with disability who are not in work do not participate in the employment services system. The population eligible for DES is a relatively small subset of people with disability impacted by barriers to employment. About 180,000 people are eligible for DES at any point in time which is 8% of the estimated 2.2 million working age Australians with disability, or about 17% of the over 1.034 million in that cohort who are not in work<sup>9</sup>. Therefore, the poor population statistics for people with disability cannot be due to DES. Indeed these figures suggest that, widening access to employment services should perhaps be a core plank in a strategy to improve the outcomes for this population cohort.

NESA would also argue that the system is not appropriately calibrated for people who experience complex cross-sector barriers to entering the workforce. Reform is required, but through building on what works, not by abandoning effective structures and systems. The focus needs to be on addressing these barriers through increased coherence and collaboration at the community level between different systems. This needs to be facilitated at a Ministerial level. Fixing the cross-sector challenges has always required strong leadership and commitment and it fails when bureaucratic cost-shifting or silo thinking prevails.

It would be judicious for Government to commit to the necessary change and investment that can turn the negative trends around as soon as possible. This will contribute to the creation of more resilient communities, improving both social and economic well-being, reduced costs and job growth at a population level.

NESA has six strategic proposals that draw on two decades of experience, evidence and analysis. Our proposals build on and complement what works in our current employment services with a more comprehensive approach – an approach that acknowledges the inter-dependence of impacts across various Government initiatives for the most disadvantaged job seekers. A strategic and comprehensive approach to improving employment outcomes will align employment service policy with complementary investments in other sectors.



## Six Priority Actions:

### 1. Adopt a comprehensive disability employment strategy for all people with disability, which goes beyond the scope of DES alone

Access to employment for people with disability is fundamental to the creation of a successful and inclusive society. It is a priority for implementation of the National Disability Strategy and of the United Nations convention on the Rights of Persons with Disability. NESAs strongly supports the vision and overarching strategies outlined in these ground-breaking policy developments.

NESA has always emphasised the importance and the value of employment for everyone. Employment not only gives people economic independence, it also provides a connection to community and a sense of self-worth and is a significant marker of success for rehabilitation.

An often unaddressed barrier to full employment opportunities for people with disability is a pervasive set of entrenched misconceptions. That people with disability are necessarily less productive was demonstrated to be false in a study carried out by Swinburne University in 1999<sup>10</sup>, results that have been repeatedly vindicated since. Concerns that employees with disability will incur greater material costs are similarly rarely based on any kind of empirical data, but represent unexplored fears derived from lack of exposure, understanding and experience.

An international study published in 2014 showed that a three-tiered approach to changing entrenched attitudes – at interpersonal, organisational and legislative levels – can be effective but only if coordinated<sup>11</sup>. Employment services should play an important role in delivering such an approach, but will only be one aspect. NESAs has outlined the key components we would like to see in this strategy:

- a. **Raise the expectations and visibility of employment for people with disability** including through investment in:
  - early transition support, planning and work experience so that people with disability have the same opportunities to start work when they reach working age as their peers do
  - raising the disability confidence and knowledge of employers, recruiters, educators, families and people with disability through coordinators, employment networks, targeted campaigns, practical assistance and targets.
- b. **Expand employment options for people with disability**, including through investment in:
  - technological solutions to barriers.
  - micro-business development or ‘job-carving’ in existing businesses, supported by employer or customer coordination to create paid work tailored to an individual’s skills and capacity.

**c. Reduce disincentives in the welfare system and ensure sufficient income security**

Not all work options will generate sufficient income to live on at all times and for many people the way their work dovetails with the welfare system is very important. In 2013, only 8.3% percent of people on the disability support pension received any income from paid employment<sup>12</sup>. This is a damning statistic indicating the current interface is not working well.

**d. Give people with disability a voice in the design of employment support options**

The development of any support options or policy that affects people with disability must be informed by the experience and views of people with disability themselves. This co-design approach needs to happen at a strategic level as well as at a one to one service level.

**e. Improve and widen access to Disability Employment Services (DES).**

NESA has recently made a submission on the pending reform of DES<sup>13</sup> which provides a detailed account of what initiatives will make the biggest difference, informed by significant practice knowledge about what works on the ground. Advice related to strategic coherence that we believe is important to emphasise here includes the following:

- Given the range of benefits of employment to individuals, communities and our economy, it is imperative that labour market programmes be viewed by Government as an investment rather than a cost. This applies to all employment services delivery. An additional challenge for disability in the context of budget development is that historically spending on various type of essential disability support has hit a cross-sector impasse. For example, to illustrate this point, the consequences of inadequate transport can create additional housing costs and a barrier to education, employment and health services. However, the silo responsible for employment may not be prepared to address the transport costs. These broad cross government(s) challenges are what the National Disability Strategy is designed for, and some issues will be significantly resolved through the National Disability Insurance Scheme. However, a sub-strategy focussed on employment is also called for and it must include wider access to DES.
- Another core and long-standing issue that impacts on disability employment is perverse incentives created by the interface with the income support system. For example, there is the group of clients assessed as having capacity to work and sent to DES for an 18 month trial. If they do not get a job then their assessed capacity may be reduced and they can become eligible for the pension. There is research noting the significant psychological factors that can detrimentally influence work-readiness associated with having to prove you can't work to get access to income support.
- NESA strongly advocates that investment in sector and workforce capability and an industry-led co-regulation framework will most efficiently focus quality assurance activity on building effective practice not bureaucracy. We need to recognise the skills and knowledge required to deliver tailored and co-designed support that enable participants to make choices and take more control of their career pathways in a context that includes mutual obligations and employer demands

## 2. Adopt a cross-sector Indigenous employment strategy aligning all investment and priorities

Overriding policy settings are not meeting their goals and it would be negligent to keep doing what we have been doing and expect different outcomes.

As noted earlier despite eight years of investment in “Closing the Gap” the gap in terms of employment is actually widening. NESAs acknowledges investment in many well-intended initiatives and we celebrate the success and valuable initiatives in some localised areas. We believe it is critical to work together on understanding what has worked, what has not worked and why, in order to improve the outcomes in future.

By together, we mean all stakeholders, Indigenous people and their communities, employers, all employment programmes that Indigenous people access, the provider organisations, practitioners and the funders. NESAs has discussed the challenges and opportunities with many of the stakeholders which has informed our report on the actions and investment required to improve outcomes for Indigenous people. The full detail of this report on this is available on our website<sup>14</sup> and a summary of key activity is noted below.

When considering the implementation of our proposed actions it is important that we start to engender a culture of continuous improvement and collaboration in our collective efforts to improve employment outcomes for Indigenous Australians. This requires active evaluation where data is interpreted with close attention to the experience of people on the ground. It also requires trust so that what works well is shared and expanded and failure is understood and adjusted without fear or favour.

NESA would like to see data and incentives based on the jobactive Indigenous Outcome Targets used as an opportunity to build knowledge as well as positive motivation and collaboration at a local level. Rather than being used to sanction providers. This can happen if there is good trust, simplicity and transparency in the target calculations so that key stakeholders at a local site level can get involved with local providers. Wouldn't it be terrific if all local bodies, Indigenous organisations, employment service providers and business associations all had a joint interest in ensuring their area and community is collectively reaching the targets.

NESA urges the Government to:

### **a. Allow employment service providers sufficient flexibility to meet employer and Indigenous job seeker needs**

Employment services providers continually point out that their capacity to be effective depends upon highly granular, often case-specific responses. This is not a matter for policy-makers who are geographically, culturally and experientially separated from the reality that the service providers must deal with on the ground.

Realistically, a centralised authority cannot be expected to create effective across-the-board policy for such context-specific situations. Providers who understand the reality of the social, cultural and economic situations of both their job seekers and local labour market options are the only ones capable of making consistently effective decisions on a case-by-case basis, and must be afforded the trust, wherewithal and authority to do what everybody in the situation ultimately wants, which is to get the job seeker into gainful employment.

Currently overly prescriptive processes as well as blunt classification tools and rules alongside related compliance strictures can work against performance. Department administration should focus on monitoring and verifying outcomes, which impact on payments and the ratings, the core incentives in the scheme design that should drive providers. However, the department should also adjust settings to allow providers to make the appropriate practice decisions about who needs investment, and what kind from the employment fund etc.

Our members have informed us of specific changes required in current processes to improve their flexibility to access necessary resources and tailor appropriate support. Some of these specific changes are listed below (detail is in our complementary paper<sup>15</sup>).

Any additional costs that may be incurred with these 'flexibility' changes would likely be alleviated by reduced administrative costs for departments. More importantly these costs would be more than countered by reduced long-term costs, including across sector boundaries (health, welfare, housing, justice) as a result of improved outcomes. This has a similar logic to the Priority Investment Approach established by the Minister of Social Services in the 2016 Budget. Prioritised investment is required to close the gap and get Indigenous people and their communities over a short term hurdle, through raising the visibility of Indigenous people who have successfully gained employment. Once the options and potential for employment are better understood and witnessed, the motivation and competence of employers and job seekers will increase. Key changes include:

- remove a streaming approach for resource allocation with Indigenous job seekers in jobactive and VTEC and allow providers to prioritise and tailor investment and access to what is required -they are in the best position to know
  - introduce an eight week employment outcome milestone
  - ensure permissible breaks are suitable for Indigenous people
  - align payment rules in employment services with the social procurement and employment parity initiatives
  - automatically approve a set post-placement support fee for Indigenous job seekers
  - allow funding for job seekers and employer mentors in the pre-employment phase
  - allow pre-employment funding for broad pastoral care with some family contexts
  - allow sufficient funding for transport to employment and for drivers licences
  - widen the options for employer engagement, 'job carving', or business development and adjust related activation or mutual obligation requirements
  - fund providers to work with cultural experts and employers to create jobs and job pathways
  - review the funding model for the Community Development Programme (CDP). The current model requires considerable effort to administer, drawing effort away from job seekers and community servicing.
- b. **Promote and enhance cultural competence through** standards for providers with relevant funding attached. This could be extended to employers receiving funds through social procurement or the parity initiatives.

- c. **Fund an independent national coordinator of Indigenous employment engagement and response for larger employers.**
- d. **Establish a driver's licence taskforce.** The 2014-15 Aboriginal and Torres Strait Islander Survey estimated that 17000 indigenous job seekers experienced transport difficulties as a barrier to employment, and attempting to overcome this barrier by driving unlicensed can lead to fines and imprisonment. The barriers to addressing this issue are cross-sector and cross-government and need urgent and comprehensive attention.

Investment will be key and it is a very good fit for the 'try, test and learn fund'. However, it goes beyond welfare expenditure and would impact on health, justice and policing. It is important that it does not fail as a victim of cost shifting between jurisdictions and sectors.

- e. **Increase social procurement initiatives and introduce monitoring of implementation.**

### 3. Widen employment support options for refugees and migrants and boost access to existing employment services

*"There is overwhelming evidence that employment provides the bedrock for successful settlement. The best way to help humanitarian migrants to build flourishing lives is to help them find work. Yet the current expansion of Australia's humanitarian program comes at a time of profound changes in the economy that mean many of the jobs taken up by refugees in the past are becoming scarcer"<sup>16</sup>.*

Australia accepts 13,750 refugees annually<sup>17</sup>. As a nation built from a rich blend of cultural traditions and in order to honour our obligations as a signatory to both the 1951 United Nations Refugee Convention and the 1967 Refugee Protocol, Australia must provide incoming refugees with the means to overcome the considerable barriers that they often face in integrating into their new culture.

Many refugees are professional adults, whose lives have been brutally disrupted by war or social upheaval, and who find themselves suddenly projected into a context where language, cultural values and professional expectations are unfamiliar. Others may not have a history of work. Most refugees will require some investment in training and capacity-building to successfully enter the Australian labour market.

Many programmes such as the Adult Migrant English Program (AMEP) and Skills for Education and Employment (SEE) are well-established and have been operating for many years. The importance of adequately funding such programmes cannot be overstated. Many refugees have been forced to flee formerly stable and comfortable situations. Such people want nothing more than to integrate into their new home, to find work and to rebuild their disrupted lives. But if the systems we have in place begin to fail them, they will inevitably join the ranks of the long term unemployed, placing further strain on the welfare system, and leading to the inevitable social and medical issues that accompany long term unemployment, and their associated costs.

But beyond the existing structures, NESA recommends that effort also be directed towards improving and expanding access to employment services. Investment in building practice for tailored assistance is required to address specific barriers such as:

- Employer bias or discrimination.
- International police checks.
- Learning new language- and work-related cultural norms.
- Access to health, disability, family and trauma support.
- The non-transferability of skills for qualified refugees.

Forcing people to totally requalify is expensive, time-consuming and often unnecessary. The systems in place for recognition of prior learning (RPL) within the VET and Higher Education sectors are often cumbersome and prohibitively expensive. They also place the onus for RPL on the refugee or migrant. NESA would like to see an authority established to oversee a more open and supportive approach to qualification recognition.

## 4. Establish early access mechanisms for retrenched workers

Changing technologies, changing social expectations and changes in the job market itself have meant that the old model of a single-job career has all but vanished. People will change jobs probably more than once during their lifetime, either by choice or because they are made redundant. Australia's labour market assistance programmes and aspects of its flexibility (allowing probation periods for example) have been seen as factors in the nation's strong performance through the global financial crisis starting at the end of 2008<sup>18</sup>.

However, some 'emergency' labour market measures put in place at that time are required on an ongoing basis as retrenchment continues as a major concern. Furthermore, it is increasingly impacting on mature workers. Although the largest demographic of retrenched workers in 2013 was the 25-34 age bracket, fully one third of those retrenched that year were mature age<sup>19</sup>. These older job seekers often face the perverse reality of being the lowest priority in the current system because they often score high in 'employability' assessments having significant work experience but in reality getting new work often proves a major challenge. Mature age qualified and experienced job seekers can face considerable reinsertion difficulties in terms of

- unfamiliarity with new job-searching methodologies and industry expectations
- out of date skills and competencies
- difficulty in gaining recognition for existing skills and experience ("RPL" – Recognition of Prior Learning)
- age discrimination.

While most mature age retrenched workers find work again within 12 months, an increasing number fall through the cracks and risk ending up in long term unemployment, despite having considerable skills and capacities to offer. The longer an individual is out of work the harder it is to get them back into work. To assist with this problem NESA recommends

- a. **Earlier access to employment services from the time a company announces a retrenchment**  
The most ideal outcome would be for the job seeker to gain new work, or be started on

training and a new chosen career pathway, prior to ending with the previous employer, and prior to requiring income support.

Currently, retrenched workers who receive redundancy payments are required to wait for a period equivalent to the value of the redundancy package calculated as continuing income before they are eligible for NewStart and allied support payments. But this purely financial measure fails to take into account the fact that access to employment services assistance is also denied during this period.

**b. Revise the capacity assessment tools to address additional for barriers for mature workers**

If a retrenched worker is unfortunate enough not to find work and ends up eligible for New Start they are usually streamed in to low support categories. There needs to be specific resources available and practice knowledge developed to assist the unique requirements of mature retrenched workers.

## 5. Invest in the development and recognition of employment service practitioners across all programmes

The OECD Activating Jobseekers Report (2012) put forward several suggestions for lightening the administrative load of the system for providers. This concern is still current, and undoubtedly contributes to a recent and alarming statistic to emerge from NESA's own commissioned research. Staff turnover is troubling, with the average annual turnover in the sector rising from 28.3% in 2010 to 41.9% in 2016<sup>20</sup>. Reasons given for staff voluntary departures varied, but 70% of responses were related to dissatisfaction with aspects of their role (such as the level of administration activity and high caseloads), lack of opportunities for development, seeking better remuneration or changing career altogether. Furthermore, a Melbourne University survey of employment services staff found that they regarded the level of red-tape and administrative tasks as increasing significantly and detracting from both job satisfaction and results.

An organisation rises or falls on the enthusiasm, motivation, skills and commitment of its staff and managers. Realising the full potential of employees by creating a work environment supportive of individuals is a key to success.

The current atmosphere in the sector is constrained by the focus on prescriptive administration and compliance monitoring with sanctions. This is in addition to the long-standing market incentives which are built in to the system design through regular re-tendering processes as well as business reallocations for under-performance. There is an increased sense of distrust in the sector. This somewhat disengaging atmosphere can hamper frontline performance, which is where the success or failure of the entire system plays out.

The culture must be changed and the practice and contribution of employment service workers need to be recognised, supported and valued, and the workers themselves need to be given opportunities for continuous professional development.

NESA therefore urges the government to,

**a. Shift the focus of quality assurance from prescription, approval processes and compliance to recognition of practitioner competence**

Accountability needs of funders and managers can be met without reducing frontline flexibility and responsiveness. Instead of top-heavy department monitoring that undermines the outcome-focussed incentives in the system design, we should be assured that workers have the knowledge, skills, cultural competence and flexibility required.

NESA strongly advocates that investment in an industry-led co-regulation framework will most efficiently focus quality assurance activity on building effective practice not bureaucracy. We propose a shift from assurance activities focused on organisational competence to a professional and ethical workforce framework led by the sector. Such a shift would acknowledge the importance of decisions and activity at the frontline.

**b. Invest in sector and workforce capability and in skill recognition**

While it is an employer responsibly to train staff there needs to be a recognition that the increasing 'efficiency' of service delivery over the years and the related shift of costs from government to the sector has slowly eroded capacity. For example, recurrent funding for peak body led capacity building work ceased in 2013. This reduction in resources for frontline capacity is also evident in higher caseloads and lower pay. Front line employment service practitioners salaries have shown an average increase of *just 8.5% over the last decade*<sup>21</sup>.

There is also a need for a sector-wide approach to building and recognising workforce capability rather than employer-led approaches in a highly competitive and financially tight market. Workers do move around different employers and they need to see career pathways to ensure their skills are retained in the sector. A cross-sector approach would facilitate this.

Furthermore, there is currently a lack of understanding or recognition of the practitioner skills within the broader community. Practice is a critical determinant of outcomes through a deep understanding of the wide range of barriers to employment, labour markets and activation techniques. The delivery of tailored and co-designed support that enables job seekers to make choices and take more control of their career pathways in a context that includes mutual obligations and employer demands requires a mix of practice, skills and system service design and currently there is insufficient attention to practice.

Practitioners need access to:

- continuous learning as labour markets evolve and new engagement techniques become available through technology
- specialist knowledge for specific cohorts: Indigenous, Disability, refugees and migrants, mature, youth and more, noting that some people will fall into more than one cohort.
- opportunities to network and share ideas, stories and best practice.

**c. Invest in research and development of practice knowledge**



## 6. Invest now in responding to the changing world of work through constructive stakeholder engagement

There are many alarming predictions about the way industry will restructure in the next decade and beyond. Futurists are suggesting that<sup>22</sup>: half of current jobs will cease to exist in less than a decade, current industrial relations measures will be redundant and there will be a proliferation of highly insecure work. Rapid business innovation and adoption of robotics, digitisation, and other technology-based efficiencies may increase individual business productivity but there is a significant risk that institutions responsible for regulation, resource distribution and safety nets will not respond fast enough to prevent the disruption reducing overall economic productivity.<sup>23</sup> There may be more jobs at risk than gained and job seekers may not know how best to participate in rapidly evolving labour markets.

An increasing casual- or contractor-based approach to work is already very evident in many industries. This trend has a number of drivers including increasing use of digitised systems which directly match customers and workers and leave traditional employment out of the equation. Technology also provides a wide range of opportunities and productivity that did not use to be available and could be positive for many historically disenfranchised groups if well harnessed. For example, people can more easily work remotely which suits people with caring responsibilities or access constraints.

Future structural change, technology and demographic trends need to be considered as both opportunities and challenges for employment when government develops its overarching policy strategies. While NES is heartened by some government developments such as the idea of adopting an investment approach to welfare spending we are disappointed by what appears to be scant regard for the critical role that the employment services sector can and should play as part of the solution.

Employment services should be a frontline response to some industry restructuring and related labour market disadvantage. They are designed to adjust to emerging trends. Indeed employment services are an investment approach that should reduce life-time costs for crisis services such as welfare, health and justice. Moreover, the employment services sector should be understood as lead informants for government about what is happening, what is causing problems and what should be done.

The exact nature of the future world of work is hard to pin down. However, we are certain that the employment services sector has some of the clearest insights into what is happening on the edges of the labour market where restructuring is starting to make in-roads. It is these parts of the labour market that provide both work opportunities for job seeker clients of employment services and it is from these parts that new job seekers come once their skills are found to be surplus to requirements. In addition to looking to the future, strong stakeholder engagement would allow all current systems to adjust faster to address changing labour market dynamics. For example, there needs to be simple ways of including appropriate new work arrangements as legitimate outcomes, and more support for micro-business creation, for re-skilling people respectfully and for engaging early enough to create effective motivating pathways.

**We call upon government to revisit its stakeholder engagement approach to both employment services and any policy related to the future of work.**

The employment services sector needs to have a core place in these discussions. To be most effective there needs to be a culture of trust and cooperation where the knowledge and experience of stakeholders in the employment services sector is recognised and sought.

In recent years many conduits for sharing information between government and the sector and even across the sector have been hampered with tighter resources for providers and reduced funding for capacity-building or sector networking opportunities alongside the removal of funding for representative activities. While the employment services sector operates as a market, unlike other industries it is a quasi-market wholly beholden to its funders. This means that the stewardship role of government is critical and it can only be properly performed with highly effective consultative engagement as well as fair and sufficiently stable contracting practices. There is a complexity and sophistication to the Australian employment services sector that needs well informed stakeholder engagement. Otherwise there is a risk of inefficiencies, the loss of infrastructure and skills and most importantly a major risk of opportunity loss. In particular the opportunity to respond most effectively to emerging labour market challenges.

OECD economies have been experiencing a slow-down in labour productivity growth for two decades, a trend which has now spread to emerging economies. *“It is driven by a range of structural problems including a breakdown of innovation diffusion from leading to lagging firms and regions, barriers to entrepreneurship and business dynamics, skills mismatches and limited skills formation. At the same time, OECD economies are facing rising inequality.”* The OECD calls for policy makers to *“adopt a broader, more inclusive, approach to productivity growth that considers how to expand the productive assets of an economy by investing in skills, entrepreneurship, employment opportunities, and innovation diffusion to lagging firms and regions”*<sup>24</sup>. Australia’s employment services sector can help to do that.

**NESA strongly contends that with proper stakeholder engagement and adjustments to some employment service policy settings (as outlined in this submission) Australia can use our world-leading employment services system to build win-win solutions for productivity, jobs and inclusion in the face of industry restructuring.**

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