A close-up portrait of a woman with dark hair and bangs, wearing black-rimmed glasses and a light blue top. She is smiling warmly at the camera. The background is softly blurred, showing what appears to be an office or indoor setting. The image is overlaid with a teal diagonal graphic element that runs from the top left to the bottom right.

NESA's Submission to Treasury on the Employment White Paper

December 2022

About NESAs

The National Employment Services Association (NESAs) established in 1997 is the peak body for the Australian employment services sector. NESAs is dedicated to a vision of opportunity for everyone through employment and inclusion.

Employment inclusion and participation are cornerstones of the economic and social health of society. Employment participation and productivity are key drivers of economic growth and underpin the quality of life of all Australians enabling access to such things as a well-functioning health system, quality education, and a strong social safety net. For the individual, employment participation is more than a means to an income; it provides connection, purpose and inclusion.

The Australian employment services sector plays a critical role preparing Australians to participate productively in the labour market and connecting them to employment opportunities. NESAs is the voice of the employment services sector with an extensive and diverse membership base which is inclusive of not-for-profit, public and for-profit provider organisations. NESAs member organisations deliver the range of Australia's labour market assistance programs including Workforce Australia Services (Generalist/Specialist), Disability Employment Services (ESS/DMS), Community Development Program, Transition to Work, ParentsNext, Time to Work, Career Transition Assistance, Employability Skills Training and Self Employment programs. In addition, many members are engaged in the delivery of Vocational Education and Training, and State employment programs as well as a range of social and health services to disadvantaged Australians.

NESAs has established knowledge exchange and research partnerships with a range of local and international research bodies including University of Melbourne, University of Portsmouth, Sydney University (Brain and Mind Institute), University of Amsterdam and University of NSW. NESAs works collaboratively with Government Departments, agencies and non-government stakeholders to support the effective design and delivery of labour market assistance and social policy.

NESAs delivers intensive policy, operational and capacity building support to the employment services sector. NESAs is strongly engaged with international employment service stakeholders such as the OECD (Vice Chair Local Development Forum), World Association of Public Employment Services, European Public Employment Services Network, ILO, World Bank, Inter American Development Bank, International Council for Career Development and Public Policy (Board Member) and Asian Development Bank. NESAs is committed to the achievement of excellence in Australian Employment Services, promotion of better practice and professional development of the sectors' workforce. NESAs' commitment to workforce development includes the development of a professional recognition framework for frontline staff with an objective of fully developing an Employment Services Institute to continue to build sector capacity and foster innovation to ensure quality support of participants and employers.

About Australian Employment Services

Employment inclusion and participation are cornerstones of the economic and social health of our society. Employment participation and productivity are key drivers of economic growth, underpinning the quality of life of all Australians by enabling such things as a well-functioning health system, quality education and a strong social safety net. Australia's employment services sector plays a critical role in preparing Australians to participate productively in the labour market and connecting them to employment opportunities.

Citizens who find themselves unemployed for long durations are amongst the most disadvantaged people in our community. Unemployment has negative impacts and those caught in long-term unemployment are prone to experiencing issues such as poverty, physical and mental ill health, housing insecurity and social isolation.

History of Australian Employment Services

While considered a radical experiment, the move to fully outsourced public employment services followed a long history of incorporating outsourced labour market assistance alongside the public provider.

The Whitlam Government significantly escalated active labour market policies to address unemployment resulting from the recession of the early 1970's. To support service delivery, contracted providers were engaged to deliver labour market assistance alongside the public employment service provider, the Commonwealth Employment Service (CES). A range of reviews in the 1980's to develop more effective approaches to address problematic unemployment led the Hawke Government to develop various programs of assistance including Job Start and Jobtrain, and further expanded the successful use of outsourced services to target people with multiple barriers to employment including the creation of Skillshare delivered by NGO's.

In 1993 a Committee on Employment Opportunities comprising senior civil servants, expert advisers and academics tabled a Green Paper titled Restoring Full Employment¹. The Green Paper led to the formation of the Working Nation Strategy, which was presented in 1994 by the then Prime Minister, The Hon Paul Keating MP. Working Nation included a suite of policy and program measures to address unemployment and skill the workforce to bolster the nation's productive capacity, stimulate economic growth and increase our competitiveness in the global market.

A major component of Working Nation was the reform of labour market assistance and introduction of a Job Compact which increased the reciprocal obligations between the Government and the unemployed. The long term unemployed and those at risk of long-term unemployment were prioritised. The Compact offered a job to the long term unemployed (on benefits for 18 months+) which they were expected to accept in order to remain eligible for income support. Job seekers unemployed for 12 months+ or identified as at risk were provided individual case management and relevant labour market assistance to address barriers to employment. To support the effective implementation of the Working Nation Strategy reform of labour market assistance was introduced including:

1. Establishment of the Employment Services Regulatory Authority (ESRA). The Authority was separate from the Commonwealth Employment Service with responsibility to promote the development of community and private sector case management expertise, regulate and ensure fair competition between the CES and other agencies, and provide advice directly to the Minister for Employment, Education and Training independently of the Department of Employment, Education and Training,
2. Building of a competitive market with public and private sector agencies for the provision of case management and other labour market services,
3. Significantly strengthening the CES to address issues identified in the Green Paper to ensure it was responsive and effective and enabled to play a key role in the delivery of the Job Compact and Youth Training Initiative,
4. Enabling greater tailoring of assistance to the needs of individual job seekers,
5. Increasing the responsiveness of labour market assistance to meet local employer needs with closer integration with regional development.

¹ Working Nation - Policies and Programs, Australian Government Publishing Service Canberra, May 1994

During consultations on the Green Paper on Employment, a range of issues regarding perceptions of the CES from both job seekers and employers were raised including high staff turnover, lack of experience among staff and an emphasis on processing, rather than assisting, individual job seekers².

As part of the reform of the CES, Employment Assistance Australia (EAA) was established as a division of the CES to provide individualised support to job seekers most at risk, through provision of Case Management alongside contracted providers. EAA commenced Case Management delivery prior to commissioning of contracted providers. Once established, ESRA established a framework for Contracted Case Management (CCM) and commissioning. ESRA launched the first tender round in January 1995 and a subsequent tender round in December 1995, awarding approximately 20% of the CCM market to outsourced providers.

Working Nation evaluation reports reviewed performance and service quality issues of both EAA and CCM providers. Early evaluation indicated that contracted providers performance rapidly converged with that of EAA³. Findings also indicated that CCM providers had a better grasp of the professional skill base for 'ideal' case management with 52% of CCMs having post-secondary qualifications perceived relevant to case management, compared with 21% of EAA case managers. EAA case managers were more confident of their experience with the CES, labour market programs and use of the Departments (DEETYA's) information technology platform than CCMs. There were also issues of excessively large caseloads, creaming and long wait lists for service by EAA, noting maximum caseloads were set for CCM.

Following a change in Government the decision was undertaken to expand the successful outsourced model. In May 1998 Job Network commenced with approximately 300 providers including Employment National, the government-owned enterprise.

The subsequent employment services purchasing process undertaken in 2000 saw a third of all providers including Employment National failing to win a contract and exiting the market. Thus, Australia transitioned to a fully outsourced model for delivery of the universal employment service. Disability employment services was established under the Commonwealth Disability Services Program in 1987, (Competitive Employment, Training and Placement (CETP) service), delivered by the Commonwealth Rehabilitation Services (CRS) alongside outsourced providers. There have been various interations and reforms of Australia's specialist disability employment services which since the cessation of the CRS in 2015 continues today as Disability Employment Services and is fully outsourced.

Australia's employment services have been a focus of interest from a range of international stakeholders including the OECD. While initially considered a radical experiment, the outsourced model has received high regard from the OECD and today two in five OECD countries have emulated the model introducing and/or expanding outsourcing.

Key Policy Shifts

Job Network 3 introduced significant reform to the program combining separate services into an integrated program with a continuum of service. The program, also known as the Active Participation Model, intensified the work first approach, activation policies and job seeker compliance settings. In recognition of the value of early intervention, eligibility and compulsory participation requirements were introduced for job seekers from commencement of receipt of unemployment. Previously job seekers were not eligible for Job Network until 12 months unemployment. While all job seekers were engaged in services from commencement of income support, eligibility for outcome payments generally commenced at 3 months unemployment duration.

In 2009, the Labour Government reformed the mainstream employment program launching Job Services Australia designed with greater emphasis on a place based, human capital approach to address exclusion and disadvantage via individualised wrap around services. The impact being made on long term unemployment was disrupted by the onset of the Global Financial Crisis.

² Working Nation - Policies and Programs, Australian Government Publishing Service Canberra, May 1994

³ Working Nation: Evaluation of the employment, education & training elements Evaluation & Monitoring Branch, Dept of Employment, Education, Training & Youth Affairs, 1996

The Coalition Government in 2015 reformed employment services introducing jobactive which emphasised work first policy. With jobactive commissioning moved from Employment Service Areas to larger Regional contracts. The number of providers in the market was reduced by approximately 50%, principally to achieve efficiencies through economies of scale. Implementation of the Targeted Compliance Framework further intensified job seeker compliance arrangements and introduced automated breach notification processes.

Australian Employment Services today

Contemporary employment services are significantly more sophisticated than the fundamental labour exchange service delivered by the former Commonwealth Employment Service. Within the parameters of program architecture and resource allocation, providers deliver individually tailored services and harmonise the delivery of social service and labour market assistance to support job seekers overcome barriers, prepare for, find and keep work. Australian Employment Services provide support to eligible job seekers to prepare and find work and as at September 2022 they were supporting a total of 991,000 Australians.

The main programs are:

Workforce Australia which commenced in July 2022 following reform consultation and trials. Workforce Australia is administered by the Department of Employment and Workplace Relations (DEWR) and as at September 2022 was assisting 667,000 people. Workforce Australia includes Workforce Australia Services (generalist and specialist) and Transition to Work (Youth Specialist program) delivered by providers as well as Workforce Australia Online a digital employment service managed directly by the DEWR that is available to “job ready” eligible job seekers who are deemed capable of self-managing their return to work as well as anyone else in the community who is seeking to find or change employment.

Disability Employment Services (DES) is administered by the Department of Social Services (DSS) and as at September 2022 was assisting 287,607 people and helps eligible people with a disability, injury or health condition. Assistance includes career advice, employment preparation, resume development, and training with Ongoing Support in work available where and for as long as is needed. DES has access to funding for necessary workplace modifications and wage subsidies to employers.

The Community Development Program (CDP), administered by the National Indigenous Australians Agency, as at September 2022 was assisting 40,113 across remote Australia. Community Development Program (CDP) is designed around the unique social and labour market conditions in remote Australia and it supports job seekers to build skills, address barriers and contribute to their communities through a range of flexible activities.

Other complementary programs which may be accessed individually or in conjunction with the main programs including Youth Advisory Sessions (YAS), Self Employment Assistance (previously known as NEIS), Entrepreneurship Facilitators, Career Transition Assistance (CTA), Employability Skills Training (EST), ParentsNext (pre employment), Adult Migrant English Program (AMEP), Skills for Education and Employment (SEE), National Careers Institute (NCI) 1800 CAREERS information service, and Employment Access as well as other Australian Government, state, territory and local government employment and training programs such as Apprenticeship services.

Executive Summary and Recommendations

NESA welcomes the opportunity to contribute to the development of an Employment White Paper. NESA embraces the intention to deliver a roadmap to build a bigger, better trained and more productive workforce that enables boosted incomes, improved living standards and the creation of more opportunities for more Australians.

Employment is a key factor in both the economic and social wellbeing of a Nation with unemployment having potential to be a devastating experience for individuals and society. Joblessness presents social and economic costs and threats which can limit our productive potential and growth, and which also further limit employment opportunities. Full employment is generally accepted to refer to a situation in which people who are willing to work at existing wages and are able to readily be able to change jobs, if they wish. In this regard full employment does not feature a situation with persistent involuntary unemployment.

It is incumbent on policy makers to consider and act on all forms of joblessness and adequacy of work. While an individual may be categorised as employed with as little as an hour of work a week, it is economically and socially unacceptable that citizens become trapped in working poverty. A significant proportion of citizens deemed 'Not in the Labour Force' (NILF) are not represented in the unemployment rate. It is essential measures are taken to improve the quality and security of work to boost productivity and ensure no one is left behind.

The Employment White Paper is an opportunity to consider strategies to harness underutilised capacity in the economy, meet skills demand and recover economically. Importantly it should be recognised as a unique time to build solutions to wicked problems to shape a fairer, more inclusive, and secure future of work for all Australians.

Active Labour Market Policies, employment services and programs play a critical role in addressing unemployment, underemployment, joblessness, and meeting skills demands; though there is opportunity to expand and strengthen current arrangements to achieve greater benefits.

NESA believes that the establishment of a national framework and cohesive evidence informed strategies will assist advancement of Australia's economic and social objectives. NESA is particularly pleased that the White Paper themes encompass economic and social factors and draws focus to our most disadvantaged citizens to ensure strategies to deliver inclusive outcomes, with the objective of leaving no one behind.

National leadership with flexibility for localised, place-based responses

Australia is a vast country with highly diverse local economies and social infrastructure. Our national average data often conceals large variation in local labour market conditions and disadvantage.

Recommendations:

- All levels of Government and jurisdictions need to be meaningfully engaged in the Roadmap for Full Employment.
- Proactive strategic action on local skill needs via strong coordination and communication between National, State and Local Government should be informed by disaggregated data on current, emerging, and projected needs. Data should be made available to all stakeholders including employment services.
- Strengthen localised, place-based approaches through increasing the flexibility of policy and strengthening the Local Jobs Program.
- Strategic responses require forward planning and partnership to ensure actions are aligned in objective and timeframe, for example skills development to meet demand such as via job creation, infrastructure projects or social procurement initiatives. Lead a collaboration of Commonwealth, State and Territories to provide forward communication about job creation and social procurement initiatives involving potential employment opportunities such as a via centralised portal.
- Commonwealth, State and Local Government should be leaders and role models for workforce diversity and inclusive employment objectives.
- Government partnerships should address development of social infrastructure that enable participation and productivity, including accommodation and housing, transport, education and training, and health services.

Strong Evidence Based Policy and Program Design

In order to reduce barriers to employment, policy needs to be broad, dig deep and crucially be developed with understanding of the combination of barriers individuals are facing, to target and tailor activation policies successfully. Efficient and effective public policy must be informed by solid evidence about, what actually works, for whom, under what circumstances, and at what cost.

Recommendations

- Establishment of an independent body to provide expert oversight of research and evaluation of Australia's labour market assistance policies and programs, including digital services administered by the Department of Education and Workplace Relations, to drive evidence based continuous improvements and innovation. The body should bring together diverse stakeholders, including employers, civil society, academics, and education and training and employment service representatives.
- Provide access to transparent and comprehensive employment service caseload data sets (similar to DSS Demographic data set released quarterly) on a regular basis and enable independent research to contribute to the body of knowledge and strengthen employment and participation policy and strategy via establishment of a research, trials and innovation fund.
- Support continuous improvement of labour market assistance through the implementation of a robust framework for genuine and ongoing co-design and co-production to gather and implement stakeholder views (including services users, delivery agents, and community service partners).

Strong Early Intervention

There is longstanding recognition that the longer a person is out of work the less likely it is that they will exit unemployment. The effects of joblessness are compounding, increase with duration and create further barriers to employment, including through erosion of social, employability and vocational skills.

Recommendations:

- Undertake transparent examination as to how well the employment services assessment and streaming mechanisms, achieve service fit with participants' actual support needs and capacity, and the degree to which service fit impacts outcomes. This should include assessing the methodology for setting and changing bandwidths and ensuring it is primarily driven by the objective of meeting participants' actual support needs. Findings from such research should be applied to evidence-based development of assessment and streaming tools and processes and cost benefit analysis to inform service eligibility policies.
- Amend the maximum duration of digital only employment services from 12 months to no more than 6 months.
- Ensure a robust framework of safeguards is implemented for regular monitoring of participants' progress with human support provided to those experiencing challenges in the online environment. Safeguards should include provision of clear communication about service options and participants' right to elect to transfer to face-to-face services.
- Implement universal digital literacy training option for all unemployed people.
- Increase promotion of Work Assist to improve awareness and use of the service to assist people living with disability or health conditions retain employment.
- Review Work Assist to identify opportunities to strengthen the service model, test using pilot approaches in partnership with DES providers, and implement an enhanced service offer.
- Extend eligibility for the Transition to Work program to young people at high risk of disengagement from school to enable access support of their continued engagement in secondary school or pathways to alternative education, training or employment.

- The Commonwealth take a leadership role working with jurisdictions to strengthen career guidance in secondary schools and strategies to address stronger school to work transitions, including reducing barriers to alternative supports and pathways, where they are in the best interest of young people.
- Review opportunities to improve early engagement of Australian employment services with job creation and social procurement initiatives to improve targeted development initiatives to meet skills demand and create improved opportunity for quality employment outcomes for disadvantaged participants.
- Ensure Jobs and Skills Australia delivers workforce information that supports early intervention and localised, place-based approaches.
- Ensure arrangements for employment services provide adequate stability, flexibility, and resources to engage with employers to meet their skill needs through innovative and joined up partnerships that deliver quality employment outcomes for disadvantaged participants.

Improving Sustained Quality Employment Outcomes

Employment services are most effective when the participant’s individual needs are central, and services are tailored to the participant.

Recommendations:

- To support integrated, joined up approaches Australian employment services arrangements and resources should be sufficiently flexible and adequate to enable development or brokerage of supports so participants can be connected to the expertise that they need, in a timely manner.
- Efforts to develop best practice Work Experience should include the role social enterprises may play in providing work experience and transitional employment pathways.
- Dedicated resources to provide Post Placement Support to all participants should be included in employment services arrangements.
- The government implement a career development approach in Australian employment services with longer term funded post placement support focused on the career advancement of underemployed participants and underemployed workers, including people not in receipt of a working age payment, to assist them achieve career progression and improve the security, quality and/or quantity of work

Build more diverse and inclusive workplaces

High levels of diversity and inclusion in the workplace are associated with greater productivity, innovation, and workforce well-being, yet too little is being done to promote them, particularly among minority groups, meaning that enterprises, workers, and societies are missing out on considerable potential benefits.

Recommendations:

- Develop and implement a national diversity and inclusion initiative that includes place-based strategies, and engage existing employment and related services to leverage their expertise and networks.
- Review the various wage subsidies available through Australian employment services to establish a separate central, demand driven, wage subsidy pool with provision of more equitable incentives and support of cohorts.

Social Security

There is a body of evidence that argues income replacement should be set at a level that maintains the motivation to find work. Worthy of equal recognition is the quantum of research that identifies financial distress and poverty as having significant impact on people’s wellbeing including their mental and physical health; all of which affect employability and contributes to entrenched joblessness. Australia’s income replacement rate of 36% is the fourth lowest of forty OECD member countries.

Recommendation:

- The Economic Inclusion Advisory Committee considerations include all matters relating to income support including concessions, taper rates and supplements, supported by cost benefit analysis of social and economic returns.

Child Care

The availability and affordability of child-care is a major influence in employment participation decisions of carers, for which typically women have primary responsibility. Women's absence from paid work during a large portion of their prime earning years has significant impacts on women's lifelong incomes, and resources into retirement. The talent and productivity loss to the economy is equally an immense waste.

Recommendations:

- A cost benefit analysis is undertaken regarding subsidisation of child-care and after school care to inform investment and to remove barriers to inclusion of parent/carers in the labour market.

Training and Skills

Flexible training, education and employment services are required to proactively respond to skills gaps that may act as barriers and obstacles to participation, business growth and expansion.

The establishment of Jobs and Skills Australia will provide valuable contribution to the skills agenda and provide increasingly vital information to drive strategies that enable Australia to develop skills in demand in an environment of rapid technological change, increased, globalisation, and shifting population demographics particularly in regard to ageing.

Recommendations:

- Maintain a strong and diverse vocational and education sector
 - Ensure VET funding includes adequate resources and requirements to deliver student support including in arranging mandatory vocational placements
 - Ensure skills recognition and the design of training packages offer flexible and responsive solutions to individual and labour market needs including through micro credentials
 - Invest in initiatives to achieve life-long learning
 - Ensure all participants in Australian employment services have access to Employability Skills Training by removing co-contribution requirements
 - Review Australian Employment Services performance framework and Employment Fund arrangements to amend settings that restrict participants' skill development through diverse accredited and non accredited training
 - Review Australian Employment Services arrangements to better reflect the priority of education and skills to the long term prospects of participants, skill demand in the labour market and potential returns to the productivity of the economy
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Introduction

NESA welcomes the opportunity to contribute to the development of an Employment White Paper. NESA embraces the intention to deliver a roadmap to build a bigger, better trained and more productive workforce that enables boosted incomes, improved living standards and the creation of more opportunities for more Australians.

Employment is a key factor in both the economic and social wellbeing of a Nation with unemployment having potential to be a devastating experience for individuals and society. The International Labour Organisation (ILO) agenda for full employment and driving Sustainable Development Goal 8 Decent Work and Economic Growth is founded on the knowledge that high levels of unemployment and underemployment – where jobs are inadequate, rationed, lower-paid or under-qualified, are commonly associated with instability and demand for economic and political change⁴.

Joblessness presents social and economic costs and threats which can limit our productive potential and growth that further limit employment opportunities⁵. For individuals, being engaged in quality work is health-protective, providing positive personal development, self-esteem, sense of identity and social connection⁶. In contrast, experiences of joblessness, underemployment, and poor-quality work, can have profound negative effects including strong impacts on physical and mental wellbeing. Research indicates unemployed people have more illness and disability than those of similar age who are employed, and they are at higher risk of death, including through self-harm⁷.

From an economic perspective, joblessness represents a waste of society's scarce and valuable resources that lends to a permanent loss of society's potential output (GNP). Full employment does not mean 0% unemployment, as some level of frictional unemployment is unavoidable. Full employment is generally accepted to refer to a situation in which people who are willing to work at existing wages are able to readily obtain or change jobs, if they wish. In this regard full employment does not feature a situation with persistent involuntary unemployment, as Australia is currently experiencing.

The Non-Accelerating Inflation Rate of Unemployment (NAIRU) is used to estimate the rate of unemployment at which full employment is projected to be achieved. NAIRU is a proxy measure of 'spare capacity' in the economy via gauging the lowest unemployment rate that can be sustained without causing wages growth and inflation to rise. NAIRU is not observable but is derived from analysis of the relationship between the unemployment rate and inflation. There has been increasing debate amongst economists as to whether the unemployment rate continues to be a reliable proxy for labour utilisation, given the increased share of partial employment in the Australian labour market and reduced uniformity in movement of the rate of underemployment and unemployment⁸. The focus on the headline unemployment rate as the proxy measure is argued to have contributed to inaccurate estimation of full employment, with underpinning stubborn high underemployment contributing to wage stagnation over recent times⁹.

It is incumbent on policy makers to consider, and act on, all forms of joblessness and inadequate work. While an individual may be categorised as employed, with as little as an hour of work a week, it is economically and socially unacceptable that citizens are left trapped in working poverty.

4 ILO Moving towards full employment: An interview with Aurelio Parisotto - SDG8 on Decent Work and Economic Growth Article | 22 November 2019

5 Sila U. & V Dugain 2019, "Income poverty in Australia: Evidence from the HILDA survey", OECD Economics Dep Working Paper, No.1539, OECD Pub Paris,

⁶ The psychosocial quality of work determines whether employment has benefits for mental health, Butterworth et al 2011 JO - Occupational and environmental medicine

⁷ Health and Unemployment D Dooley, J Fielding, and, and L Levi Annual Review of Public Health 1996 17:1, 449-465

⁸ Pressing Towards Full Employment? The Persistence Of Underemployment In Australia; Iain Campbell Journal of Australian Political Economy No 61, 2008

⁹ The extent and causes of the wage growth slowdown in Australia, Geoff Gilfillan Statistics and Mapping Section Parliamentary Services April 2019

A significant proportion of citizens deemed ‘Not in the Labour Force’ (NILF) are not represented in the unemployment rate, but who nonetheless want work and should be considered in strategies to achieve genuine full employment. It is essential measures are taken to improve the quality and security of work to boost participation, productivity, and inclusion.

These are exceptional times. Over recent years Australia has faced numerous significant national disasters and globally the COVID-19 pandemic and the human tragedy of the Russian aggression on Ukraine, have resulted in significant social and economic impacts. Australia, along with the majority of OECD countries, is experiencing a strong bounce back with unemployment returning to pre pandemic levels. However, unprecedented labour shortages, inflationary pressures and continued global uncertainty are challenging recovery¹⁰. While aggregate job creation and vacancy data is strong, as with the onset of the pandemic, there is wide disparity across sectors and local labour markets in this early recovery phase.

NESA believes that the establishment of a national framework and cohesive evidence informed strategies will assist advancement of Australia’s economic and social objectives. NESA is particularly pleased that the White Paper themes encompass economic and social factors and draws focus to our most disadvantaged citizens to ensure strategies deliver inclusive outcomes, with the objective of leaving no one behind.

In order to move forward and create the perspectives for a just and sustainable future we need to invest in people through a human-centred approach to the future of work. That means investing in jobs, skills and social protection. It means supporting gender equality. It also means investing in the institutions of the labour market so that wages are adequate, working hours are limited, and safety and health as well as fundamental rights at work are ensured. And it means adopting policies that promote an enabling environment for sustainable enterprises, economic growth and decent work for all.

ILO Centenary Declaration for the Future of Work, 2019



¹⁰ OECD Employment Outlook 2022: Building Back More Inclusive Labour Markets, OECD Publishing, Paris 2022

National joined up response to achieving and maintaining full employment

The achievement and maintenance of full employment is a complex objective that will require a range of strategic macroeconomic, labour market, and social policy and program interventions. The road map arising from the Employment White Paper has significant potential to provide a comprehensive, cohesive, and strategic approach to how Australia builds back better, to deliver more opportunities for more Australians.

The Employment White Paper is an opportunity to consider strategies to harness underutilised capacity in the economy, meet skills demand and recover economically. Importantly, it should be recognised as a unique time to build solutions to wicked problems to shape a fairer, more inclusive, and secure future of work for all Australians. Taking stock of experiences and developing human centred and inclusive strategies to strengthen and future proof the Australian labour market, will enable greater resilience and agility to underpin sustainable productivity, growth and capability to respond to further episodes of economic adversity.

There is a vast array of economic and social factors that influence labour force participation. Barriers and disincentives to employment participation are diverse and solutions need to be holistic encompassing a range of economic, fiscal and social policy measures including around housing, health, social welfare and care services, transport and other infrastructure, job creation and the tax and transfer system. Active Labour Market Policies, employment services and programs play a critical role in addressing unemployment, joblessness, underemployment, and skills demand; though there is opportunity to expand and strengthen arrangements to achieve greater benefits for more citizens and the economy¹¹.

The Jobs and Skills Summit demonstrated the power that a culture of co-operation can bring to the generation and implementation of solutions. Interventions to achieve and maintain full employment, need to be cohesive, complementary, and applied flexibly, to address global, sectoral, social and locational issues which influence productivity, employment and incomes. This will take a whole of Government approach, jurisdictional collaboration, and sectoral cooperation.

National leadership with flexibility for localised, place-based responses

Australia is a vast country with highly diverse local economies and social infrastructure. Our national average data often conceals large variation in local labour market conditions and disadvantage. The variable impact on localities, arising from the COVID-19 pandemic and other economic shocks, highlights the vulnerability of economically depressed and disadvantaged communities, which the OECD observe, often experience an inequitable share of negative impact.

The OECD advocates that national policies and initiatives include tailored, local actions as an essential part of recovery. This includes strategies to help the disadvantaged, support firms, job creation and mobilising the social economy¹². There is a strong body of evidence that attests that localised, place-based solutions, if well informed and coordinated, enhance national policy objectives, and have potential to increase return on investment. Good local data can act as a catalyst for coordinated action by enabling identification of local imbalances, capacity gaps and opportunity with greater precision, stimulating people to build concrete engagement and target responses to critical issues¹³.

¹¹ OECD Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris, 2017

¹² OECD Policy Responses to Coronavirus (COVID-19) From pandemic to recovery: Local employment and economic development, Updated 27 April 2020

¹³ OECD, Effective local strategies to boost quality job creation, employment, and participation 15 August 2014

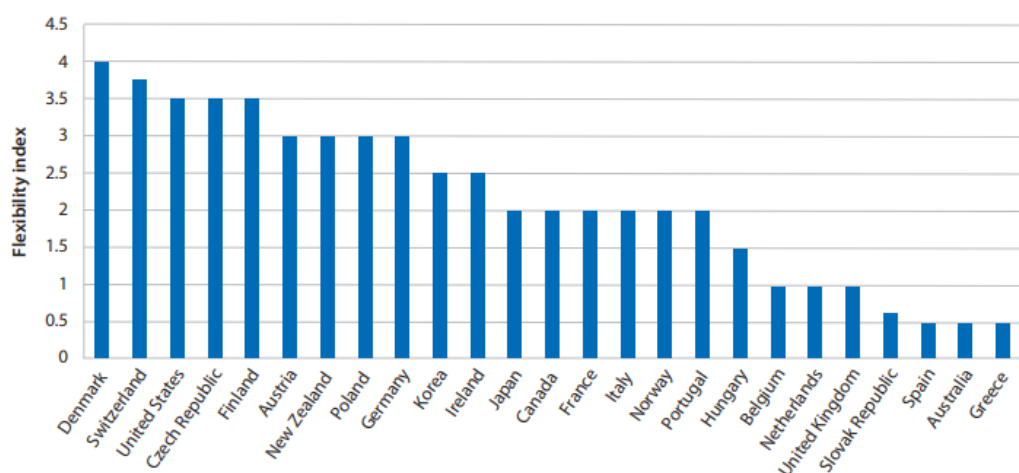
With a focus on long term unemployment and assisting those most disadvantaged who experience complex barriers to employment, horizontal approaches are often needed. Such approaches are effective, when local actors and authorities work together and across policy silos to develop local priorities, strategies, and innovations to address local circumstance.

In its examination of labour market program governance across member countries, the OECD noted, the ability of labour market actors to effectively deliver interventions to address entrenched difficulties, such as multi-generational unemployment and social exclusion, and at the same time harness economic opportunities, are best delivered through joined-up approaches¹⁴.

The OECD stated the flexibility in the management of government policies is the most important factor affecting policy integration at the local level. Policy flexibility takes into consideration the various measures that interact and influence how policies are implemented at the coal face and address local presenting issues, for example performance management frameworks, funding arrangements and legal frameworks. The OECD contends the achievement of joined-up approaches requires adaptable policy management frameworks which require central agencies' stewardship and flexibility to meet objectives, through partnership¹⁵.

In its review, Australia was ranked 25 of 26 participating countries. While this review is dated, NESA notes little change in local flexibility of labour market policy in Australia and where potential flexibilities exist in theory, the associated administrative burden and increased assurance risks, often precludes practicality.

OECD Countries with the Most Local Flexibility in Labour Market Policy¹⁶ⁱ



Source: Breaking Out of Policy the Silo's: Doing More with Less' OECD

The Local Jobs Program provides a foundation on which to strengthen stronger localised, place-based solutions. The Local Jobs Program initially announced in the 2020–21 Budget and implemented in 25 Employment Regions was expanded and now operates in all 51 Employment Regions across non remote Australia with arrangements extended to 30 June 2025. The Local Jobs Program is stated to be a collaborative initiative aimed at improving the function of local labour markets. Its focus is bringing together expertise and resources to improve the local delivery of employment services through leveraging existing programs and resources, reducing duplication, and supporting local initiatives that help job seekers into work or training opportunities aligned to local demand¹⁷.

¹⁴ OECD Breaking Out of Policy Silos: Doing More with Less, Local Economic and Employment Development (LEED), OECD Publishing, Paris

¹⁵ OECD (2010), Breaking Out of Policy Silos: Doing More with Less, Local Economic and Employment Development (LEED), OECD Publishing.

¹⁶ Endnote

¹⁷ Department of Employment and Workplace Relations, Local Jobs Program 2020–2022 Evaluation Report, November 2022

Early evaluation of the Local Jobs Program indicates the initiative has promise. However, local stakeholders emphasise need for greater local ownership, partnership, and collaboration. This includes greater transparency of arrangements for local project delivery. Improving the exchange of better practices across Employment Regions may also deliver greater consistency of engagement, process, and improved outcomes. There may also be benefit to reviewing the Area Consultative Committees (ACC's) established under the Labor Government's Working Nation initiative in 1995 to identify elements of the role, functions and structures of the ACCs including linkages to Regional Development, which have potential to strengthen local coordination and outcomes of the Local Jobs Program.

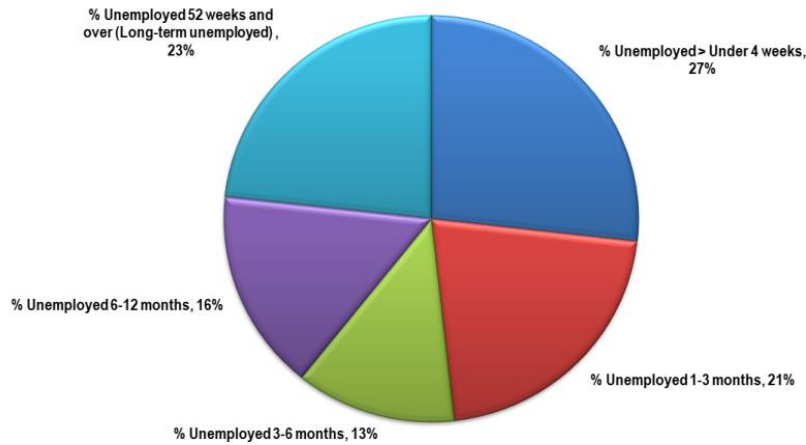
Recommendations:

- All levels of Government and jurisdictions need to be meaningfully engaged in the Roadmap for Full Employment.
 - Proactive strategic action on local skill needs via strong coordination and communication between National, State and Local Government should be informed by disaggregated data on current, emerging, and projected needs. Data should be made available to all stakeholders including employment services.
 - Strengthen localised, place-based approaches through increasing the flexibility of policy and strengthening the Local Jobs Program.
 - Strategic responses require forward planning and partnership to ensure actions are aligned in objective and timeframe, for example skills development to meet demand such as via job creation, infrastructure projects or social procurement initiatives. Lead a collaboration of Commonwealth, State and Territories to provide forward communication about job creation and social procurement initiatives involving potential employment opportunities such as a via centralised portal.
 - Commonwealth, State and Local Government should be leaders and role models for workforce diversity and inclusive employment objectives.
 - Government partnerships should address development of social infrastructure that enable participation and productivity, including accommodation and housing, transport, education and training, and health services.
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Labour force participation, labour supply and improving employment opportunities

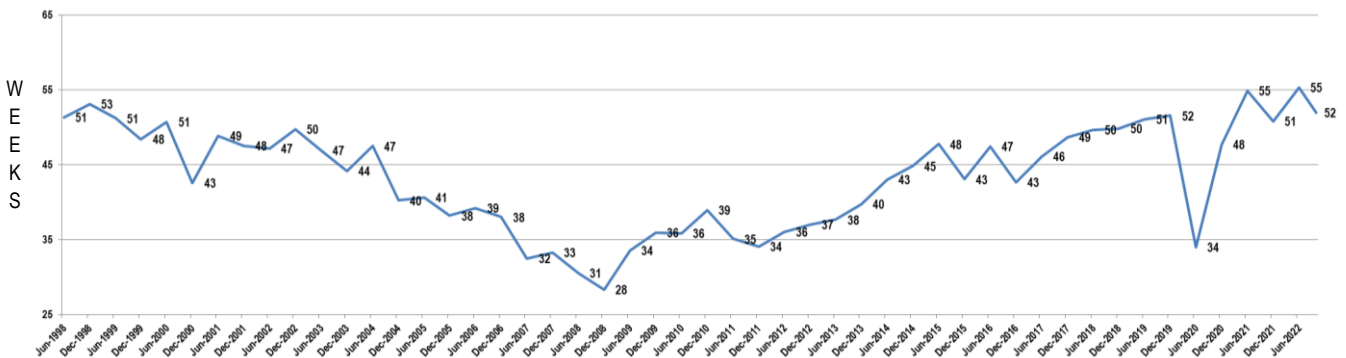
With an unemployment rate of 3.4%, and participation rate of 66.6%, from a pure economic perspective some may argue Australia is at full employment¹⁸. However, despite the tightness in the labour market and the presence of widespread skill shortages across sectors, there are 483,800 people officially recorded as unemployed. The average duration of job search is 52 weeks, with 23% being unemployed long term (52 weeks+) and of those 61% are very long term unemployed (104 weeks+). In contrast to frictional unemployment that is expected in an environment of genuine full employment, the high rates of involuntary joblessness in our economy are indicative of structural unemployment.

Unemployed Population by Duration of Unemployment



Source: Time Series Workbook 6291.0.55.001 Labour Force, Australia, Detailed, Table 14a. Unemployed persons by Duration of job search & Sex

Average Duration of Job Search



Source: Time Series Workbook 6291.0.55.001 Labour Force, Australia, Detailed, Table 14a. Unemployed persons by Duration of job search & Sex

The Reserve Bank of Australia noted that one of the most significant changes to the Australian labour market over recent decades is the rise in the share of part-time employment¹⁹. There is an increasing need to examine and act on the quality and security of work, with a high proportion of Australian workers in precarious employment with limited attachment to the labour market.

¹⁸ ABS Labour Force Australia, October period 17 November 2022

¹⁹ The Rising Share of Part-time Employment Reserve Bank of Australia 2017

Australia has the highest rate of casualisation in the OECD, and as of October 2022, part-time share of employment was 30.2%; underemployment at 6% (846,450 underemployed workers) and underutilisation at 9.4%. Flexible employment options are an important component of the labour market for people who do not want or are unable to work full time, however approximately half of all underemployed part time workers want full-time hours²⁰.

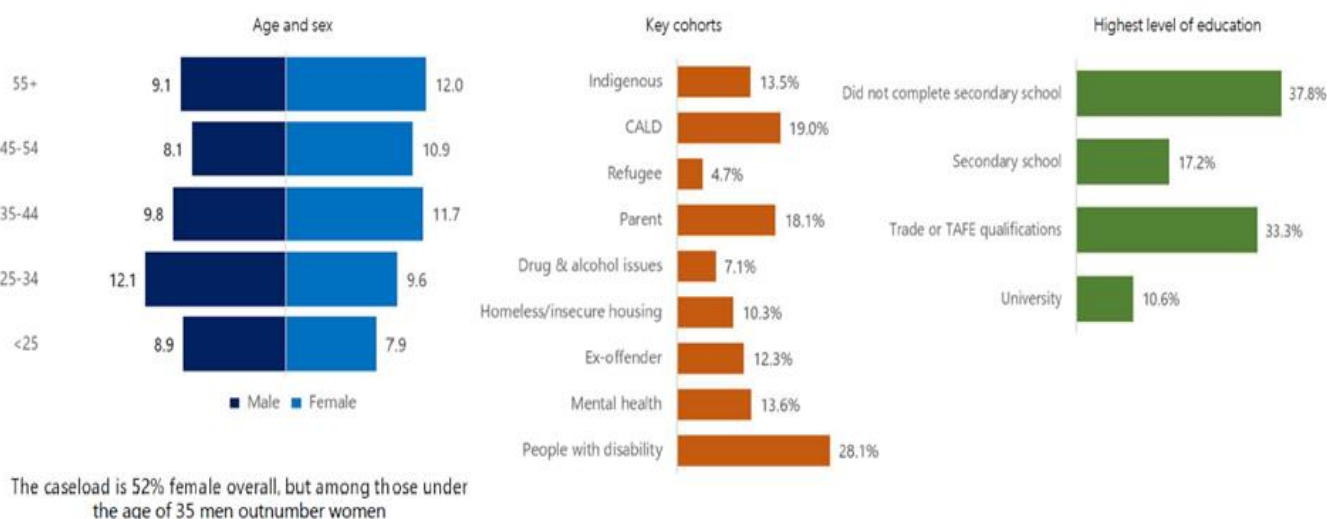
Many of Australia’s underemployed workers are caught in working poverty. Often underemployed workers income is only marginally better than income support, particularly when lost concessions and the cost associated with working, are taken in account. Of underemployed workers:

- 44% had insufficient hours for a year or more,
- 45% of underemployed part-time workers took active steps to gain additional hours
- Commonly reported barriers experienced by underemployed to gain more or alternative work were insufficient experience, lack of skills or education, no vacancies in line of work or too many applications for jobs²¹

Often underemployed people earn insufficient income from work to achieve independence and leave the welfare system. The proportion of JobSeeker and Youth Allowance (Other) payment recipients with declared earnings averaged around 18% pre the COVID-19 pandemic, and as at September 2022 this has risen to 29%. Of JobSeeker and Youth Allowance (Other) payment recipients with declared earnings 14% declared less than \$250 in the last fortnight of the reporting period²².

As Australia moves forward with economic recovery, and as a nation we commit to achieving and maintaining full employment, it is critical that we examine who is excluded and who is being left behind. It is clear that a range of factors are rapidly changing the labour market, the nature of work and the skills and attributes employers seek. A Review of job seeker characteristics and circumstance highlights the prevalence of complex barriers to employment²³.

Characteristics of job seekers on the Workforce Australia Caseload



ⁱⁱ See endnote

²⁰ ABS Underemployed Workers May 2022

²¹ ABS Underemployed workers, May 2022

²² DSS-demographics September 2022, accessed online at data.gov.au

²³ Workforce Australia Select Committee Inquiry: Caseload presentation, 3 November 2022

Strong Evidence Based Policy and Program Design

In order to reduce barriers to employment, policy needs to be broad, dig deep and crucially be developed with understanding of the combination of barriers individuals are facing to target and tailor activation policies successfully²⁴. Efficient and effective public policy must be informed by solid evidence about, what actually works, for whom, under what circumstances, and at what cost²⁵.

Evidenced based approaches are essential to understanding causal factors to ensure interventions are appropriately designed and targeted to deliver intended solutions. Employment services and active labour market programmes (ALMPs) represent substantial expenditure for governments. In 2018, pre the COVID-19 pandemic, spending on ALMPs across the OECD ranged from 0.00% to 2.87% of GDP, with Australia at 0.78% of GDP (OECD Database on Labour Market Programmes).

NESA holds the view that a stronger, evidence-based approach to the development of employment related policies, labour market assistance and initiatives should be at the forefront of ensuring that Australia delivers effective strategies to lift participation and systemically address barriers to employment. Sound evidence about what works can help the government's achievement of strategic objectives, while also informing and shaping labour market strategies and coal face service delivery.

Evaluation of labour market programs are undertaken in Australia; however our framework falls short of gold standard impact evaluation advocated by the OECD and ILO. While noting the use of evaluations to inform new policy proposals, the OECD observed Australia's efforts in evaluation and research could be strengthened through providing more timely, extensive public release of reports and outcomes, in a systematic manner²⁶.

In addition to informing new policy proposals, evaluation should support pursuit of best practice and informing iterative development within programs' life cycles. NESA continues to advocate for a formal ongoing continuous improvement framework for employment services that includes key stakeholders, to inform and promote evidence-based better practice, policy, program design and evaluation. As noted by a number of observers over the years, including the ANAO and Productivity Commission, change often occurs without consultation of key stakeholders. While programs are dynamic, implementation of identified opportunities for immediate improvement are slow in coming to fruition, and often are rolled into the design of the next program. The OECD also made the observation that in Australia there is a lack of continuity of funding, even where programmes have shown good results. Formalised and ongoing consultative process focused on evidence-based improvement has potential to facilitate responsive quality programs and services to support better outcomes for participants and employers²⁷.

There are various models used internationally to identify, promote, and disseminate better practice and expand the body of knowledge to support improved service delivery. For example, the European Union has established a benchlearning model to drive better practice that includes a detailed framework for structured self-assessment and peer-review with mutual knowledge exchange being central. The Innovation Lab in the Belgium VDAB (Flemish Public Employment Service) explores issues, strategies and concepts with a critical perspective to identify potential causes and solutions to labour market problems and drive innovative responses.

²⁴ OECD, Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris, 2017

²⁵ Productivity Commission 2013, Better Indigenous Policies: The Role of Evaluation, Roundtable Proceedings, Productivity Commission, Canberra

²⁶ OECD, Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris, 2017

²⁷ ANAO Report No.4 2017–18 jobactive: Design and Monitoring

NESA invests significantly in leading a sector driven approach to the provision of better practice and developing the professional standing of the Australian employment services workforce. NESA has had an extensive professional development program to deliver the bespoke skills, knowledge and expertise required to successfully work in this sector since NESA's inception in 1997. We have been active advocates for education and training for the sector and have been key stakeholders and participants in the development of employment services qualifications. NESA has developed and implemented a professional recognition framework encompassing a code of ethics, skills matrix and continuing professional development framework with Special Interest Groups and Communities of Practice for professional networks and knowledge exchange. NESA ensures that our efforts in best practice leverage both local and international expertise. We have established knowledge exchange and partnerships with a range of local and international research bodies including with the University of Melbourne, University of Portsmouth, Sydney University (Brain & Mind Institute), University of Amsterdam and University of NSW. NESA maintains currency with international best practice through strong engagement with key stakeholders such as the OECD (NESA CEO is Vice Chair of the Local Development Forum), International Labour Organisation, World Association of Public Employment Services, European Public Employment Services Network, International Council for Career Development and Public Policy (NESA CEO is a Board Member), World Bank, InterAmerican Development Bank, and the Asian Development Bank. To bring all these elements together and further advance the sector NESA has established the Employment Services Institute. NESA's strategies have strengthened the capacity of employment services organisations to develop a diverse and skilled workforce (See Attachment 1 Employment Services Workforce Report).

The OECD considered Australia could deepen the research agenda by delving deeper into understanding cohorts and their barriers, beyond broad categories such as youth, mature aged or parents and initiating more pilots and trials, as well as increasing accessibility of data. There are numerous benefits to be gained from pilots and trials to test approaches and scale up with proven models particularly in response to stubborn issues such as attracting workers to the care sector and women in non-traditional trades.

As the central objective of government is to design and implement policies in the public interest; targeted and tailored strategies to engage key stakeholders (citizens, civil society, unions, private sector etc.) is essential. Open and inclusive policy making as promoted by the OECD, is a culture of governance in which policy-making processes are open to stakeholders to achieve better policy design by broadening the evidence base and recognising that public administration does not hold the monopoly of expertise²⁸. While Australian employment services have an extremely rich data base, stakeholder's access to data is limited. Comprehensive and regular data, on the employment services caseload has many potential benefits to service planning and development, harnessing social capital and importantly enables researchers outside of government to contribute expertise and perspectives to the bank of knowledge.

Rigorous evaluation and research provide a platform for transparency and accountability. Canada has implemented a comprehensive evaluation agenda as a central component of its labour market policy. It is delivered in partnership with delivery agents, subject to external peer review and includes full cost benefit analysis providing security on return on investment to government and taxpayers²⁹.

The OECD also suggested Australia could strengthen evidence-based policy making via undertaking cost benefit analysis to achieve broader understanding of the potential returns on investment³⁰.

²⁸ www.oecd.org/regulatory-policy/public-consultation-best-practice-principles-on-stakeholder-engagement.htm

²⁹ OECD (2022), Assessing Canada's System of Impact Evaluation of Active Labour Market Policies, Connecting People with Jobs, OECD Publishing, Paris 2022

³⁰ OECD, Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris, 2017

The Department of Work and Pensions in the UK have used this methodology to demonstrate the positive benefits and return on investment for its Work Programme. This evaluation indicates for an extrapolation of four years the net positive returns for participant, exchequer and society are delivered by the Programme³¹:

- For the participant: £1.26, with a range of £1.23 to £1.27
- For DWP benefits: £1.76, with a range of £1.21 to £2.32
- For the Exchequer: £3.21, with a range of £2.17 to £4.25
- For society: £3.51, with a range of £2.42 to £4.51

Supporting evidence-based policy and program design should be at the centre of the research an evaluation agenda. A body of evidence provides documented accumulated wisdom to retain corporate memory; enabling continuous improvement and avoiding reinvention of the wheel and repeat of past mistakes.

Independence provides fresh and unbiased perceptions while also increasing defensibility via separation of actual or perceived conflicts of interest. NESAs highlights the Productivity Commission recommendation in relation to human services, that Government should retain a stewardship function, separating the interests of policy, regulation, and service delivery³². The sector considers that enabling independent research has synergy with and will complement the efforts of Jobs and Skills Australia to improve outcomes for cohorts of individuals that have historically experienced labour market disadvantage and exclusion.

In the absence of evidence observers are prone to make assumptions. While assumptions continue, rather than robust examination of policy and program design, and the intersection of policies and program in implementation, policy efforts will address symptoms rather than causes; strengths, and failures will go unrecognised, and issues will persist. To illustrate, NESAs notes criticisms of the CES and Employment Assistance Australia in various reports and evaluations including the Employment Green Paper that mirror those levelled at contemporary employment services. In the current context, conclusions are reached on the basis of presumption that these same issues, such as churn and creaming, are result of an outsourced system.

Recommendations:

- Establishment of an independent body to provide expert oversight of research and evaluation of Australia's labour market assistance policies and programs, including digital services administered by the Department of Education and Workplace Relations, to drive evidence based continuous improvements and innovation. The body should bring together diverse stakeholders, including employers, civil society, academics, education and training and employment service representatives.
 - Provide access to transparent and comprehensive employment service caseload data sets (similar to the DSS Demographic data set released quarterly) on a regular basis and enable independent research to contribute to the body of knowledge and strengthen employment and participation policy and strategy via establishment of a research, trials and innovation fund.
 - Support continuous improvement of labour market assistance through the implementation of a robust framework for genuine and ongoing co-design and co-production to gather and implement stakeholder views (including services users, delivery agents, and community service partners).
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³¹ Department of Work and Pensions, The Work Programme: A quantitative impact assessment November 2020

³² Productivity Commission 2017, Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services, Report No. 85, Canberra

Strong Early Intervention

Older workers, Indigenous Australians, young people, people with disability and health conditions and those with low education attainment are among the cohorts in labour market programs that have long been overrepresented in long term unemployment and underemployment. It is important to recognise that many participants fit in multiple cohorts and have multiple interacting barriers, and diverse circumstance.

There is longstanding recognition that the longer a person is out of work the less likely it is that they will exit unemployment.³³ The effects of joblessness are compounding, increase with duration and create further barriers to employment, including through erosion of social, employability and vocational skills³⁴. Job search is emotionally challenging, often involving a series of setbacks, rejections, and other negative experiences including poor attitudes and about the unemployed and discrimination in relation to characteristics such as race, gender, age, orientation, and disability, which can be discouraging and demoralising³⁵. There is a plethora of research finding negative relationship between joblessness and physical, mental, social, and financial wellbeing.

The Reserve Bank of Australia found the chance of someone leaving unemployment tends to be quite low after a year and the long-term unemployed are more than twice as likely to leave the labour market as find employment in any given month³⁶. People becoming long term unemployed are more likely to experience future episodes of unemployment and international evidence indicates impacts on earnings persist for some time following return to employment³⁷. Consistent with a body of evidence the Reserve Bank found workers who first enter a labour market during a downturn are especially affected and can suffer long-term consequences to income and employment.

Activation policies and measures are designed to encourage job seekers to be active and engage in job search efforts to minimise the adverse consequences of prolonged unemployment. In return jobseekers have reasonable expectation of timely access to appropriate services and support, to assist them to improve their employability and gain assistance to find work as well as income support to sustain them.

Early intervention and access to appropriate support can limit duration of unemployment and encourage participation which stems outflows from the labour market. Achievement of early intervention is dependent on gateway settings and mechanisms including assessment, service streaming and eligibility. Accurate and holistic assessment and streaming should ensure participants are linked to the most appropriate service to meet their needs in a timely manner, in the first instance. The importance of accurate assessment to service users was stressed during user-centred design research and stakeholder feedback for Workforce Australia³⁸.

Streaming mechanisms also function to target priority cohorts and disadvantage, to ensure efficient use of resources and control expenditure. Over servicing is likely to result in unnecessary short term program expenditure, whereas arguably under servicing can contribute to poor outcomes for individuals, reduced program effectiveness and increased inefficiency with greater long-term costs. The total lifetime cost of working age welfare recipients in Australia, as at 30 June 2020 was estimated at \$724 billion and \$352,000 on a per recipient basis³⁹.

³³ McLachlan, R., Gilfillan, G. and Gordon, J (2013) Deep and Persistent Disadvantage in Australia, rev., Productivity Commission Staff Working Paper

³⁴ Boyce, C.J., Wood, A.M., Daly, M. & Sedikides, C. Personality Change Following Unemployment, *Journal of Applied Psychology* 2015, Vol. 100 No. 4

³⁵ National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability © Australian Human Rights Commission 2016

³⁶ RBA Bulletin Long-term Unemployment in Australia Natasha Cassidy, Iris Chan, Amelia Gao and Gabrielle Penrose, December 2020

³⁷ Schmieder JF, T von Wachter and S Bender 'The Causal Effect of Unemployment Duration on Wages: American Economic Review 2014

³⁸ I want to work, Employment Services 2020 Report

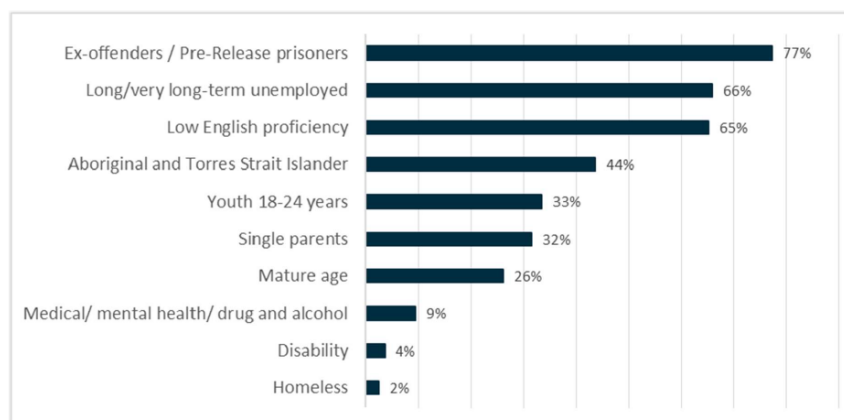
³⁹ The Australian Government Actuary Australian Priority Investment Approach to Welfare 30 June 2020 Valuation Report

The main instrument used to determine eligibility for Australian employment services is the Job Seeker Classification Instrument (JSCI). The JSCI is a regression-based profiling instrument that is used to calculate job seekers relative level of difficulty in getting a job in the local labour market and the probability of becoming or remaining long-term unemployed. There is no definition of disadvantage, the JSCI score used to determine a job seeker's service eligibility and where factors identify the need it may be complemented by a referral to an Employment Services Assessment (ESAt).

A central concern with the JSCI model is its use to maintain distribution of the caseload in line with projected need. This means as the number of participants remaining in unemployment falls and concentration of disadvantage increases, a greater proportion of participants are engaged in inadequate levels of service. While data on participant characteristics in jobactive by Stream were not made available, providers of employment services and various researchers have noted the propensity of participants experiencing significant barriers being classified as 'job ready' Stream A. The fact that newly released prisoners, people experiencing homelessness, mental health issues, or a newly arrived refugee subject to trauma and torture were 'correctly' allocated to Stream A demonstrates inadequacies in identifying actual disadvantage consistent with civil society expectations.

The sector has argued that the mismatch of service eligibility with participants' actual need has contributed to persistent growth of long-term unemployment. It should not be surprising that with its limited funded service offer (in essence a self-help service with compliance monitoring), that the proportion of Stream A that were long term or very long term unemployed, grew to approximately 40%. The issue of fit of the JSCI regression was noted in the recently released evaluation of jobactive with acknowledgement that the model was not working as expected and there were concerns noted by providers and Services Australia⁴⁰.

Graph# Participant Groups with Unexpected Streaming Results



The underpinning methodology for the JSCI, while sophisticated, appears to lack granularity. Recency of employment is a dominant factor influencing a person's assessed probability of labour market reengagement and the JSCI score. However, factors such as age, disability, skills, and education compound and can have a multiplier effect on individuals. Further use of average data for some categories of factors such as mental and physical health do not reflect the variable functional impact on individuals including their employment prospects. NESAs notes there is no transparency into the methodology used to determine or to change bandwidth thresholds, for example, the score that determines job seeker streaming to Workforce Australia Online or Workforce Australia Services or the bandwidth eligibility for moderate or high service incentives.

⁴⁰ Department of Employment and Workforce Relations The evaluation of jobactive final report Nov 2022

NESA argues a better balance of controls in the gateway to employment services (assessment and streaming mechanisms) is needed to reduce emphasis on constraining expenditure and increase that placed on participants' actual need. This position is supported by findings in the jobactive evaluation report which concluded *"A participant's stream allocation is designed to affect their service intensity –participants in Stream A are more job ready whereas, Stream C participants require the highest level of assistance. The effect of stream servicing on outcomes is found to be effective for Stream B participants relative to Stream A participants, as a result of more intensive servicing."*

Program design and gateway mechanisms perpetuate underservicing and delay delivery of appropriate support to participants, resulting in considerable resources being absorbed to achieve reclassification and inefficiencies across programs and portfolios⁴¹. Jobactive data on typical participant flows indicate approximately 10% of participants moved between programs each quarter⁴². The proportion of participants with a disability who exit jobactive and subsequently participate in Disability Employment Services is also increasing, up from 42% in 2017-18 to 51% to July 2020⁴³. An Employment Services Assessment (ESAt) should be triggered by the JSCI where disability, illness or health issues are identified. Further, access to DES is only available to jobactive participants after an ESAt confirms they meet DES eligibility. While the JSCI is a highly cost-effective tool it lacks the rigour of assessment and streaming processes of some models used internationally⁴⁴.

In consultations on New Employment Services one of the most important components that the stakeholders expressed the new service model needed to 'get right' was the assessment and the subsequent classification of jobseekers. Further, all stakeholders recognised the importance of building a comprehensive understanding of jobseekers, helping to determine the required intensity of support and personalisation of individuals' pathways to work with agreement the JSCI was not sufficient, nor sufficiently sophisticated, to serve as the prime assessment tool⁴⁵. The current intake process for employment services remains centralised on the JSCI and the assessment process falls short on the commitments made in the I Want to Work Report.

Australia's activation policies have focused on achievement of rapid engagement to eligible service and activity requirements. The strength of activation in regards of the quantum and speed people are commenced in services and activities is not in dispute, however alone these attributes do not equate to early intervention.

Workforce Australia Online - Digital Employment Services & Early Intervention

NESA agrees some participants can self-manage their job search successfully and digital services offer great potential. However, given the scarring effects of long-term unemployment it is difficult to find rationale for maintaining participants, in a digital only employment service, for 12 months.

Workforce Australia Online is still in its infancy compared to digital services operating internationally, with some models in operation for over a decade, well tested and established such as leading examples in the Belgium, German and Dutch public employment services. While there have been forays into digital only services most countries have established omnichannel approaches providing digital services alongside personalised case management.

⁴¹ Siobhan O'Sullivan & Michael McGann & Mark Considine Buying and Selling the Poor, December 2021

⁴² Workforce Australia Select Committee Inquiry: Caseload presentation 3 November 2022

⁴³ DSS Mid-term Review of the Disability Employment Services (DES) Program August 2020

⁴⁴ OECD, Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris, 2017

⁴⁵ Nous Group | Employment Services 2020: Consultation report | 10 August 2018

In addition, international digital services are supported by rigorous holistic assessment and streaming processes that are focused on identifying competencies, actual support needs and fit to service interventions, particularly in relation to issues such as mental health.

The Belgium employment service VDAB's digital-by-default approach comes from a high affinity of the community with ICT and companion training by VDAB to improve the digital skills of their clients, with face-to-face services commencing at 3 months. Similarly, the PES in Germany has significantly redeveloped digital services over the last few years to improve usability but maintains a multi-channelling approach with integrated components of the services.

The focus of successful employment services internationally tends to be blended channels in a client-oriented way rather than suppressing or replacing non-digital channels. Clients are demanding a seamless experience when switching between channels, requiring the employment service to reduce mistakes and ease administrative burdens, for example by not requiring them to enter the same information multiple times. International experience also indicates that augmented services bringing together human and ICT strengths deliver the best result for participants and employers.

The level of support and functionality currently available to participants in Workforce Australia Online is not clearly visible to stakeholders. NESAs understands that, at present, functionality outside those which support activity and reporting are limited with development continuing. The IT platform for Workforce Australia Provider Services has not been delivered with seamless integration, with many information sources not visible or accessible to providers. By design, this includes inability to view information such as the career profile and participant's resume, necessitating recreation of information with participants transferring into face to face services and storage outside the system.

It has been acknowledged that Workforce Australia Online participants may be at a greater risk of missing out on early interventions that may assist them to move into employment sooner⁴⁶. The status of the proposed digital safeguards for participants in Workforce Australia Online is not yet evident. It was proposed that safeguards including in the assessment framework, activation and activities would be implemented to ensure participants were engaged. The proposed assessment framework was to play a key role in ensuring participants were referred to the most appropriate service, including ensuring they had the right skills and access to use Digital Services effectively. However, the assessment framework proposed in the I Want to Work report has not been delivered as outlined.

NESA understands that 'Opt Out' provisions enable participants to move from digital services to face to face services, and these provisions are being used. However, the extent to which these provisions and the service options available are fully understood by participants is in question. Additionally, feedback to NESA suggests that the process to Opt Out may not be as straight forward as intended and misperceptions and concerns about job seeker compliance and activity requirements also act as a deterrent. Findings from the Online Employment Services trial indicate approximately 30% of participants were not aware of Opt Out provisions, and most had little knowledge about alternative provider services available to them⁴⁷.

The cohort intended for Workforce Australia Online are those 'most job ready' and having capacity to self-manage their job search with an estimated 78% of all new entrants projected to be assessed as suitable for digital servicing.

⁴⁶ New Employment Services Model—Regulatory Impact Statement

⁴⁷ Online Employment Services Trial Evaluation Report

The rate of exit from Workforce Australia Online is currently not publicly available; however current rates of exit are unlikely to be typical given the changed profile of the caseload due to effects of COVID-19 pandemic and recent economic activity. However, of all job seekers who commenced in jobactive between October 2020 (UE rate 7%) and March 2021 (UE rate 5.6%) 43% exited services within 6 months, 52% by 9 months and 57% by 12 months⁴⁸. It is arguable, in the current climate of skills demand, that if participants in Workforce Online have not found employment in the first 3 months, there is reasonable probability of unidentified barriers, development and/or support needs. Given the potential for scarring effects and the decline in exit rates after 6 months there is a cost benefit argument for the provision of active personalised support prior to participants becoming long term unemployed. Gains from employment outcomes and associated efficiencies are likely to outweigh additional investment in services.

Digital Literacy

The growing transition to a digital economy and predominance of digital servicing including across government, business, and recruitment, is further impacting social and economic opportunities for disadvantaged participants. The OECD has noted that the pandemic has emphasised the need to boost digital skills. Digital literacy barriers to employment and other assistance such as e-health services during the pandemic were noted by employment services providers. A range of strategies were put in place to develop functional levels of digital literacy as well as providing access to technology to enable engagement and participation. The OECD recommends increased intervention to support low skilled participants to acquire and develop digital literacy. International leaders in digital literacy training includes Portugal, which has introduced a suite of digital training and a digital giving guarantee to enable access to digital literacy training to all unemployed people⁴⁹.

Recommendations:

- Undertake transparent examination as to how well the employment services assessment and streaming mechanisms, achieve service fit with participants' actual support needs and capacity, and the degree to which service fit impacts outcomes. This should include assessing the methodology for setting and changing bandwidths and ensuring it is primarily driven by the objective of meeting participants' actual support needs. Findings from such research should be applied to evidence-based development of assessment and streaming tools and processes and cost benefit analysis to inform service eligibility policies.
 - Amend the maximum duration of digital only employment services from 12 months to no more than 6 months.
 - Ensure a robust framework of safeguards is implemented for regular monitoring of participants' progress with human support provided to those experiencing challenges in the online environment. Safeguards should include provision of clear communication about service options and participants' right to elect to transfer to face-to-face services.
 - Implement a universal digital literacy training option for all unemployed people.
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⁴⁸ Workforce Australia Select Committee Inquiry: DEWR Caseload presentation 3 November 2022

⁴⁹ OECD Designing Active Labour Market Policies for Recovery, 2021

Early Intervention to Reduce Disengagement of People Living with Chronic Ill-Health or Disability from Employment

The employment gap between people living with a disability and those without is the second highest of all OECD countries, with employment of people with mental illness being particularly problematic. The OECD noted anti-discrimination legislation is probably more developed in Australia and the United States than in any other OECD countries but observed that it has not reduced the employment gap in participation of people with a disability or chronic health conditions.

The OECD further observed that to support employment participation and improve opportunities early intervention could focus on stemming the proportion of people living with disability who lose their employment.

The OECD recommended policy responses to enable engagement of people living with disability at risk of losing employment with an offer of holistic services to assist them to retain engagement in the workforce. International models put forward for consideration included the Austrian Fit2Work Service and UK Fit for Work Service. There are a number of similarities between the programs including focus on early intervention with workers and enterprises during sickness absences with self and diverse social referral partners, for example insurers, GP's and community organisations, characterised by a biopsychosocial approach with case management and joined up integrated health and wellbeing interventions tailored to individuals focused on work retention including negotiating in work adjustment or support.

Whereas the OECD observed Australia lacked any public intervention in this area; NESA highlights that Disability Employment Services (DES) includes Work Assist to all people living with a disability or health conditions at risk of losing their job assistance to retain or change employment. While not as robust as the models suggested, Work Assist provides a base for development. There is low awareness of Work Assist amongst the community and with employers and it is underutilised. However, while current data is not available at this juncture, past evaluation has found it a successful intervention. Work Assist was previously known as Jobs in Jeopardy and was rebranded along with other improvements to service design as part of the DES reform in 2018. Evaluation indicates Jobs in Jeopardy achieved good outcomes saving more than 50% of participants' jobs and as high as 73% within the DES ESS program⁵⁰.

Recommendation:

- Increase promotion of Work Assist to improve awareness and use of the service to assist people living with disability or health conditions retain employment.
 - Review Work Assist to identify opportunities to strengthen the service model, test using pilot approaches in partnership with DES providers and implement an enhanced service offer.
-

Early Intervention – Young People

Participation in education or starting employment after concluding compulsory education assists individuals to develop abilities and skills and encourages a socially inclusive and productive society. Young people most often make successful transitions from school to work, moving directly to employment or to further education and training, and then transitioning to work.

⁵⁰ Department of Employment and Workplace Relations Evaluation of Disability Employment Services 2010–2013 Final report

However, for some young people transitions are difficult and include periods of disengagement. Recent data indicates that 8.5% of 15 – 24 years old young people were not engaged in education, employment or training (NEET) at May 2022, declining from 12.2% in 2021, (noting the survey and outcomes may have been impacted by the pandemic).⁵¹ The proportion of young people who were considered NEET was highest in inner regional areas, the lowest socioeconomic areas and disproportionately impacted young women. In Australia the representation of young women in the NEET group is 51% higher than young men, while across OECD countries the average gap is 36%. Given the substantial potential consequences, including future unemployment, lower incomes and employment, and associated social and health issues for individuals and society; young people who are NEET are a policy concern worldwide⁵².

Transition to Work (TtW) is an Australian employment service for young people at risk of long-term unemployment. Young NEET are eligible for TtW. Young NEET are often difficult to engage as they are frequently not attached to the income support system and TtW increases engagement by permitting providers to accept referrals outside the primary gateway and directly registering this cohort. TtW has demonstrated its effectiveness in assisting young people improve their job readiness and employment prospects as well as social and personal wellbeing⁵³. TtW includes expectations for providers to engage with a range of community networks including secondary schools.

Early intervention opportunities to strengthen engagement of the NEET population and outcomes for young people could be delivered through stronger career guidance in secondary school. The quality and intensity of career guidance within the education system is highly variable and regularly commence in years 10 – 12. The majority of TtW participants (69%) completed Year 10 or 11, 13% had completed less than Year 10, and providers report few had any interaction with career guidance in the education system and did not have informed career direction. Arguably by Year 10 elective education choices will impact career choices. Supporting more comprehensive career guidance in schools and making it accessible earlier will improve individual opportunities in education and the labour market as well as contributing to productivity and skill needs. Early access to career guidance also offers foundations for developing a culture of lifelong learning.

TtW eligibility requirements preclude provision of assistance to young people who are currently enrolled in education. If subject to State or Territory compulsory school enrolment and attendance requirements TtW and other Australian employment services must have an approved exemption from legal requirements to attend school. Many NEET young people of school age remain formally enrolled in education however have disengaged, often for extensive periods. While arrangements differ across jurisdictions, and school to school there is a common experience of school refusal to support exemption, despite parental requests. For the majority of NEET approaching TtW, resuming attendance is not an option given their social and academic experiences or wellbeing considerations. Central to concerns is that decisions to reject requests for exemption appears to be influenced by funding arrangements rather than the best interest of the young person. Delayed engagement in alternative supports, such as TtW, compounds disadvantage and exclusion.

Recommendations:

- Extend eligibility for the Transition to Work program to young people at high risk of disengagement from school to access support to their continued engagement in secondary school or pathways to alternative education, training, or employment.

⁵¹ Education and Work, Australia Data on engagement in work and/or study, current and recent study, qualifications, and transitions to work May 2022

⁵² OECD, Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris, 2017

⁵³ Department of Education Skills and Employment Transition to Work Final Evaluation Report May 2021

- The Commonwealth take a leadership role working with jurisdictions to strengthen career guidance in secondary schools and strategies to address stronger school to work transitions; including reducing barriers to alternative supports and pathways, where they are in the best interest of young people.

Early Intervention – Demand Side Focus

Australian employment services play a vital role assisting employers to gain the skills they need for productive workplaces. Structural changes in the labour market, including technological advancement and development of new sectors and industry are increasingly lifting skill requirements. Initiatives driving employment opportunities such as social procurement and infrastructure projects are having a positive effect on demand.

Over the past 20 years Australia's employment services have featured a strong work first approach that has emphasised the value of any job as a stepping-stone into the labour market. While training for training's sake is universally discouraged, work first and associated policy arrangements has overshadowed opportunities to substantially improve the skills development of unemployed people. As indicated earlier, the current population of participants in Workforce Australia feature people with low education attainment – 37.8% did not finish secondary school (of which a proportion have not completed primary education), 17.2% have secondary education and while 33% have trade or TAFE qualifications often these are outdated or can no longer be used by the individual due to acquired limitations.

In order to improve the skills supply chain there is a need for stronger coordination and forward planning to support job creation initiatives via early engagement and intervention with employers.

Providers note spikes in demand for skills associated with job creation projects and social procurement often cannot be met as time for skills development of employment services participants has been insufficient. Inability to fill roles and presentation of insufficiently prepared candidates creates employer dissatisfaction and ultimately, disadvantaged participants are left behind. Early intervention will better enable Australian employment service providers to design tailored training incorporating both soft and vocational skills, engage the employer in relation to workplace supports to improve both placement and job retention. A strategy that enables forward communication about Commonwealth, State and Territories job creation and social procurement initiatives such as a central portal, would be beneficial.

The Australian employment services sector welcomes the establishment of Jobs and Skills Australia as a statutory body to provide independent advice on current, emerging, and future workforce, skills and training needs. Workforce forecasting, workforce skills requirements and cross industry workforce analysis will assist the provision of employment services including career guidance, identification of transferable skills and targeted development of participants, particularly if information is provided at an Employment Region level.

Improved forecasting and workforce analysis can support early intervention to generate skills needed for industry or sectoral growth and emerging opportunities such as in clean energy. In addition, it can foster improved engagement and support of sectors and workers in decline or transformation to address labour market prospects and mobility of workers, to reduce potential spells of unemployment.

Early engagement enables strategic interventions such as collaborative demand led initiatives in partnership with employers to meet projected skill and job requirements which requires sufficient lead time. Such initiatives generally involve development of tailored solutions that encompass pre-employment training and post-employment workplace support. Mentoring and other workplace supports strengthen intended outcomes for disadvantaged groups and their pathways into secure and sustainable quality work. Employer

involvement in recruitment for training programs provides participants with a strong line of sight to a job, increasing motivation and completion rates.

There have been many demand led strategies undertaken by employment services that have delivered highly successful projects for diverse cohorts including Indigenous participants, Ex-Offenders, CALD jobseekers and refugees. They have also been effective in addressing sectoral needs, for example, connecting women to non-traditional roles such as in construction and trades. This approach has also enabled a multi-employer approach to common skills challenges, making it feasible to deliver initiatives that assist small and medium enterprises, particularly relevant to some sectors and regional markets where scale to deliver cannot be achieved with a single enterprise. For example, attraction of workers to the care sector has been achieved by partnering with a collective of local employers in disability and aged care to deliver initiatives. While such strategies are highly effective they require strong and stable relationships with employers, flexible arrangements to tailor approaches and resources to ensure the right mix of coordination, training, in work and social supports.

Recommendations:

- Review opportunities to improve early engagement of Australian employment services with job creation and social procurement initiatives to improve targeted development initiatives to meet skills demand and create improved opportunity for quality employment outcomes for disadvantaged participants.
 - Ensure Jobs and Skills Australia delivers workforce information that supports early intervention and localised, place-based approaches
 - Ensure arrangements for employment services provide adequate stability, flexibility, and resources to engage with employers to meet their skill needs through innovative and joined up partnerships that deliver quality employment outcomes for disadvantaged participants.
-

Improving Sustained Quality Employment Outcomes

Employment services are most effective when the participant's individual needs are central, services are tailored to the participant and providers feel secure to implement interventions or innovative strategies. Participants assisted by Australian employment services are diverse, each having a unique set of characteristics, experiences, strengths, and barriers to employment. Disadvantage in employment services is contextualised as relative labour market disadvantage as determined through observable characteristics and administrative data measured by the JSCI. While many advocate for strengths-based approaches as best practice, reliance on proving disadvantage for adequate service eligibility or to justify and enact flexible service arrangements, can drive a deficit focus and limit tailoring due to perceived risk of compliance action when providers deviate from standard servicing requirements.

Integrated Approach

The ILO noted public employment services are going beyond traditional ways of working, moving towards joined-up services to help people facing complex barriers to employment in finding work and building skills, with the aim of achieving more sustainable positive outcomes⁵⁴.

Disadvantage participants have a range of vocational and non-vocational barriers best overcome through joined up and wrap around services including through service partnerships for example with community, health, disability, alcohol and drug, disability, mental health, legal, and education and training services to the extent that they are available.

⁵⁴ ILO Technical Note - Public employment services: Joined-up services for people facing labour market disadvantage

Accessing services, particularly in a timely way is often difficult particularly in areas with limited local social infrastructure such as regional, rural, and remote settings and engaging services that are in high demand such as housing and drug and alcohol.

Employment services actively create partnerships harnessing social capital to develop service responses for participants and support of employers. Given the increasing proportion of the employment services caseload of participants with multiple and complex barriers, coordination of support across a number of service partners is often required. However, social and health services are under great strain and there are limitations to the extent services are free and readily accessible. To illustrate, mental health and drug and alcohol services experience high demand and access is not immediate, unless circumstances are acute. Many providers have developed internal allied health capability to ensure they can meet participants immediate support needs until they can transition to community-based services. There are many examples of innovative supports offered to participants during pandemic lock downs such as access to purchased confidential allied e-health/teleservice. Some highly effective tailored services and supports are often not funded and are only available to participants, if they can be purchased. Australian employment services resourcing and arrangements should be sufficiently flexible and adequate to enable development or brokerage of supports so participants can be connected to the expertise that they need, in a timely manner.

Work Experience

Consistent with national data, the evaluation of jobactive found 12% of participants surveyed indicated they lacked sufficient work experience. The primary justification for extending access to unpaid work experience is that it enhances employability, through increased skills, knowledge, experience that assist individuals to match their human capital profile to labour market demands. Participants in quality work experience, report satisfaction and positive outcome including improved confidence and employability skills through developing a more practical understanding of the world of work. However, the sector acknowledges that work experience is a vexed issue and adequate protections need to be in place to mitigate potential risks⁵⁵. NESAs supports the efforts of the government to develop a best practice approach to delivery of work experience as a part of Active Labour Market policy. This should include consideration of the role social enterprises may play in providing work experience and transitional employment pathways.

Post Placement Support

In reviews of Australia's employment services, the OECD Employment Outlook (2005) first noted that while work-first strategies have a short-term impact, human capital development approaches deliver longer term impact and returns. Conversely, the train then place model which emphasises fully skilling participants prior to job placement can delay engagement in work, sometimes unnecessarily. Blended approaches which address pre-employment training and continue when the participant is in work, enhance sustainable employment and provide a balanced strategy of skills and experience.

Participants in employment services most often compete for employment in lower skilled occupation categories (for example ANZSIC Levels 4-5) where on-the job training is provided, or minimal formal qualifications are required for entry. Data indicates participants in employment services are more likely to find work in occupations and industries that incurred amongst the highest job losses during the COVID-19 pandemic including Retail, Hospitality and Accommodation, Construction, Manufacturing, Health Care and Social Assistance.

⁵⁵ ILO Internships, Employability and the Search for Decent Work Experience

Post Placement Support arrangements have been variable over the life of Australian employment services moving from being separately funded to the present model where it is expected to be delivered under the basic fee arrangements.

Participants have diverse support needs with some requiring little to no support; while others need intensive levels to maintain employment. The level of support needed may not be evident to the provider, participant or employer at the time of placement and is often identified when participants' non vocational circumstance changes and/or workplace performance is progressing unsatisfactorily. As such, dedicated resources to provide Post Placement Support to all participants should be included in employment services arrangements.

Greater Support for Quality and Secure Work - A Career Development Approach

The government objective to realise improved quality and security of work for all, is supported by the Australian employment services sector. Flexible employment options are an important component of the labour market and enable economic inclusion. Many participants have goals and circumstance which drive motivation to obtain employment quickly and are reluctant to undertake training to improve their prospects of higher skilled employment. Part time and casual employment is predominant across low and moderate skilled roles.

Flexible employment is also important to ensure employment for people who do not want or are not able to work full time, for examples parents or carers. There is a high representation of people with a Partial Capacity to Work (PCW) engaged in all Australian employment services and is reflected in the high share of part time and casual employment outcomes achieved. Capacity to Work influences mutual obligation requirements and expectations such as suitable employment. NESAs notes, the prevalence of PCW is not restricted to Disability Support Pension recipients:

- Of all JobSeeker Payment recipients 42% have a PCW with the main primary conditions being Psychological/Psychiatric 41% and Musculo/Skeletal & Connective Tissue 31%.
- 17% of Youth Allowance (Other) recipients have a PCW with primary conditions also being Psychological/Psychiatric in 58% and Intellectual/ Learning accounts for 24%.

For many underemployed workers their part time wage is only marginally better than income support, particularly when taking into account lost concessions, and the costs associated with working. The proportion of participants with declared earnings averaged around 18% pre the COVID-19 pandemic. During 2015 to 2019, part-time workers sought around 15 hours (or 2 days) of extra work per week⁵⁶. Of the 908,838 Australians in receipt of JobSeeker Payment or Youth Allowance (Other) as at June 2022, 22% have declared earnings; but earn so little they are still eligible for income support⁵⁷.

It has become more common for people to develop a portfolio of part time work, but it is highly complex to balance the needs of respective employers as well as navigating the tax and transfer systems. The ACTU highlighted in July 2021 a record 867,900 Australians were working more than one job, with approximately 24% of those people, working three or more jobs and despite this, average earnings were still less than the average full-time wage⁵⁸.

⁵⁶ Underemployment in the Australian Labour Market Mark Chambers, Blair Chapman and Eleanor Rogerson RBA Bulletin, June 2021

⁵⁷ DSS Demographics June 2022 sourced online at data.gov.au

⁵⁸ Breaking point: The rise of working more than one job

A strong Work First approach has underpinned Australia's employment policies over the past two decades, reinforced over recent times by the mantra that the best form of welfare is a job. Work first drives objectives to place participants in any suitable work as soon as possible. One rationale promoted by advocates of a 'work first' approach is that low-paid, part-time or temporary jobs can serve as 'stepping-stones' to better jobs; as such it is better to place participants rapidly, in whatever work is available.

The 'stepping-stone' effect is highly contested with evidence suggesting it works for some groups, it does not work for others, and workers can become trapped in the 'secondary' labour market (of low-paid, part-time or temporary jobs).

Despite the evidence that market forces do not facilitate advancement, there has been an absence of policy initiatives to support underemployed people with the capacity and desire to achieve improved quality or quantity of work. Australian employment services consider that the Work First dynamic has contributed to churn that sees participants return to welfare. The risk of becoming entrenched in underemployment deters people from taking up part time employment including in areas of opportunity and such as disability and aged care, which is experiencing shortages. NESAs members report participants trained and placed in such roles that have capacity to independently navigate the labour market, don't necessarily have the capacity to achieve progression without support. As such, after gaining work experience, they often leave roles they have been trained for, to move to better compensated or more secure roles in other sectors.

The OECD made a recommendation that policy settings for Australian employment services be strengthened to enable better emphasis on delivery of pre-placement training and post-placement supports to achieve greater promotion of employment retention and advancement⁵⁹. The OECD review argued policies to increase labour force participation of groups either prevalent in unemployment and/or underemployment groups would have multiple effects, increasing the wellbeing of individuals and contributing to higher and more inclusive economic growth.

The number of Australians caught in long term underemployment has grown and a continued absence of policy intervention will see more people with tenuous attachment to the labour market; and entrenched in working poverty. There are various models of assistance adopted internationally that could inform an Australian approach. These models are applied to underemployed and low-income workers to support improved quality, quantity and sustainability of employment. Examples of these models include Career Advancement, Career Laddering and Career Development delivered via various mechanisms including through government and non-government organisations, existing labour market assistance programs, and via voucher systems.

Recommendations:

- To support integrated, joined up approaches Australian employment services arrangements and resources should be sufficiently flexible and adequate to enable development or brokerage of supports so participants can be connected to the expertise that they need, in a timely manner.
- Efforts to develop best practice Work Experience should include the role social enterprises may play in providing work experience and transitional employment pathways.
- Dedicated resources to provide Post Placement Support to all participants should be included in employment services arrangements.

⁵⁹ OECD (2017), Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris.

- The government implement a career development approach in Australian employment services with longer term funded post placement support focused on the career advancement of underemployed participants and underemployed workers, including people not in receipt of a working age payment, to assist them achieve career progression and improve the security, quality and/or quantity of work

Build more diverse and inclusive workplaces

High levels of diversity and inclusion in the workplace are associated with greater productivity, innovation and workforce well-being, yet too little is being done to promote them, particularly among minority groups, meaning that enterprises, workers and societies are missing out on considerable potential benefits: ILO⁶⁰.

As reflected in the Jobs and Skill Issues Paper there are groups within our community who routinely face barriers to employment, including younger and older people, First Nations people, women, people with disability, unpaid carers, culturally and linguistically diverse people, LGBTQIA+, and those living in certain regional and remote areas. It is noted that people may align to a number of cohorts and experience barriers, including those attitudinally based, that unfairly reduce access to employment and other opportunities.

Despite the potential benefits that may be realised, progress on improving workforce diversity and inclusion has been slow in Australia, and internationally. While there have been some improvements in participation for some groups, unacceptable gaps persist. For example, the Closing the Gap Report 2022 indicates employment/education rates of Aboriginal and Torres Strait Islander youth at 57.2% compared to 79.6% of non-Indigenous young people. For 25 – 64 year olds, the employment rate for Aboriginal and Torres Strait Islander people was 51% compared to 75.7% for non-Indigenous. People living with a disability are twice as likely to be unemployed than people without disability and also more likely to be underemployed.⁶¹

There is a strong body of evidence outlining the business case for increasing the diversity and inclusion of workplaces and which demonstrate strong returns for business, individuals, the economy and society. To illustrate,

- If Australian women between 25 and 45 participated in the labour market as much as men, the economy would benefit from 475,000 potential new workers – providing an enormous boost to economic growth, delivering \$70 billion per year to GDP as well as an additional \$30 billion per year to family income⁶².
- An extra 3 percentage points of labour force participation among workers aged 55 and over would result in a \$33 billion boost to GDP representing approximately 1.6% of GDP and with a more ambitious target of 5 percentage points having potential to deliver 47.9 billion or 2.4% to GDP ⁶³.
- Closing the gap between labour market participation rates and unemployment rates for people with and without disabilities by one-third would result in a cumulative \$43 billion increase in Australia’s GDP over the next decade, in real dollar terms and in addition to indirect effects from improved government fiscal balances and increased employment opportunities for carers⁶⁴.

⁶⁰ ILO Greater progress on diversity and inclusion essential to rebuild productive and resilient workplaces April 2022

⁶¹ Australian Institute of Health and Welfare (2022) People with disability in Australia 2022, catalogue number DIS 72, AIHW, Australian Government

⁶² The Centre for Future Work at the Australia Institute Gender Inequality in Australia’s Labour Market: March 2020

⁶³ Deloitte Access Economics, Increasing participation among older workers: The grey army advances’ (2012)

⁶⁴ Deloitte Access Economics The economic benefits of increasing employment for people with disability August 2011

- The most diverse companies are now more likely than ever to outperform non-diverse companies on profitability. Findings of an international study indicated the profitability margin increased from 15% in 2014 to 25% in 2019. On gender diversity alone companies with more than 30% of woman in executive teams are achieving substantial performance differential of 48% between the most and least gender-diverse companies⁶⁵.

While there are many structural and social factors contributing to barriers to participation, there is little argument that it is necessary to address intentional and unintentional recruitment and workplace practices that discriminate or exclude people, and/or fail to adhere to workplace minimum standards. The Willing to Work report from the National Inquiry into Employment Discrimination against Older Australians and Australians with Disability found discrimination in recruitment and employment ongoing and systemic and is damaging to those experiencing it. The Inquiry found employers may lack knowledge, awareness, and skills to develop inclusive workplaces, implement recruitment and retention strategies to support older people and people with disability⁶⁶.

The OECD noted anti-discrimination legislation is probably more developed in Australia and the United States than in any other OECD country but observed that it has not reduced the employment gap.

Research shows that regulatory settings contribute positively, particularly in relation to stimulating action by larger organisations. However, regulatory mechanisms in isolation are insufficient to create meaningful transformative cultural change to workplaces that enable genuine flexibility and responsiveness to the needs of workers⁶⁷.

It is recognised that achieving strong workplace diversity and inclusion is influenced by the diversity and inclusion in an organisation's leadership⁶⁸. When leaders and workers are surveyed those organisations with less inclusive leadership, have propensity to over-estimate inclusion compared to their workers. In these organisations leadership underestimate the obstacles reported by women, people from racial or ethnic groups and LGBTQIA+ people by 10–15%. In a 2021 survey, inclusive leadership emerged as the key issue across organisations where inclusion was least common. Only 31% of Australian workers reported their immediate manager was inclusive, compared to 49% reporting their team was inclusive, and 40% reporting their organisation was inclusive. Workplaces that create a genuinely diverse and inclusive environment for all workers record higher rates of retention.

There have been a number of good initiatives in Australia focused on inclusion of particular cohorts such as EmployAbility, Employer Champions, AccessAbility Day, EmployMyAbility campaign and other lapsed initiatives focussed on Parents and Mature Aged cohorts. Very often people belong to and have needs spanning more than one cohort. There may be added value in the broader effectiveness of these initiatives to drive systemic change by contextualising and supporting a range of cohort focused initiatives under an umbrella of diversity and inclusion. There is commonality in the fundamentals of diversity and inclusion relevant and valued by all cohorts and all workers. These foundations can establish an openness and insights that encourage organisations to take additional actions to strengthen inclusion in relation to specific cohorts.

⁶⁵ McKinsey & Company Diversity Wins: How Inclusion Matters, May 2020

⁶⁶ Willing to Work National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability, © Australian Human Rights Commission 2016

⁶⁷ Transforming enterprises through diversity and inclusion International Labour Office – Geneva: ILO, 2022

⁶⁸ McKinsey & Company Diversity Wins: How Inclusion Matters, May 2020

The employment services sector advocates for greater investment in development of diverse and inclusive workplaces. While larger firms have resources often small to medium enterprises do not. The sectors experience engaging with small and medium organisations is that there a high level of openness to provide opportunities to disadvantaged participants where employers have commitment of support. An 'EmployerAbility' initiative has potential to improve the diversity and inclusion confidence of employers that can be a catalyst for grass roots change. As the Human Rights Commission noted, stemming the flow of people out of the labour force is imperative to lifting participation rates and requires both supply and demand driven strategies, in essence as we develop people's employability we should concurrently be lifting 'employerability' with the intent to make inclusive workplaces the norm (rather than open to accommodating individuals) for the benefit of all diversity groups and all workers.

Examples like the 'Just add one' campaign initiated in the US and replicated in Dandenong Victoria can help to address perceptions and long-term unemployment. This initiative called on employers' corporate citizenship and asked them to do their part in supporting job creation by offering just one unemployed person a job. The initiative created outcomes across a number of cohorts including CALD, refugees, people living with disability, sole parents and Indigenous participants, but would not have succeeded without local leadership and encouragement of employers to shift their perceptions of the 'unemployed'.

The ILO highlighted the high potential for public employment services to be effective agents of change creating attitude shifts and breaking barriers⁶⁹. Australian employment services are well positioned, given its diverse network across the country, to make considerable contribution to a diversity and inclusion initiative with capacity to transform good will into outcomes.

Australian employment services stress the challenge of breaking down barriers is grounded in perceptions and attitudes. This encompasses views and attitudes held about all cohorts as well as the experience of being unemployed. Dialogue and policy interventions that perpetuate myths and stereotypes around unemployment such as it results from a lack of motivation and effort of participants to get a job, increases barriers and reinforces victim blaming attitudes. Such barriers limit the employment services sector's capacity to engage both participants and employers in a way that is necessary to deliver results. Similarly, stronger transparency and promotion of the outcomes achieved by active labour market programs including Australian employment services will support greater engagement with participants, employers, and community stakeholders.

Equity of Support

Incentives have played an important role in the Australian labour market for decades and they can be a defining edge in employers' recruitment decisions. There are a number of wage subsidies available with eligibility tied to participant characteristics including age, disability and length of unemployment with variable investment attached. To illustrate: Workforce Australia has two wage subsidies, one for Youth at \$10,000 and one for all other participants meeting length in service eligibility, offering a maximum of \$10,000. Disability Employment Services has three wage subsidies ranging from \$1650 for all participants, \$6000 for Youth or long term unemployed and Restart for Participants 50+ of up to \$10,000. The number of subsidies creates some confusion and inadvertently can compound exclusion.

⁶⁹ ILO Technical Note - Public employment services: Joined-up services for people facing labour market disadvantage

Recommendations:

- Develop and implement a national diversity and inclusion initiative that includes place-based strategies, and engage existing employment and related services to leverage their expertise and networks.
- Review the various wage subsidies available through Australian employment services to establish a separate central, demand driven, wage subsidy pool with provision of more equitable incentives and support of cohorts.

Social Security

There is a body of evidence that argues income replacement should be set at a level that maintains the motivation to find work. Worthy of equal recognition is the quantum of research that identifies financial distress and poverty as having significant impact on people's wellbeing including their mental and physical health; all of which affect employability and contributes to entrenched joblessness. Australia's income replacement rate of 36% is the fourth lowest of forty OECD member countries⁷⁰

The cost of life necessities such as basic food, shelter, transport, and clothing, easily consume and most often exceed the current levels of working age income support. Costs associated with participation, job search and activity requirements create additional financial pressure.

Participants are subject to an asset test meaning they have little or no financial reserves, and these dwindle rapidly with duration of unemployment, particularly in the current inflationary climate. Our members report high levels of financial stress amongst participants. This includes rising levels of housing stress due to reduced availability of affordable housing stock and increased rental costs. Participants with mortgages are challenged by rapidly rising interest rates and a depressed real estate market making for many, the prospect of selling without remaining in debt, low.

The appointment of an Economic Inclusion Advisory Committee to provide advice on economic inclusion including policy settings, systems and structures, and the adequacy, effectiveness and sustainability of income support payments to support budgetary considerations is welcomed.

Recommendation:

- The Economic Inclusion Advisory Committee considerations include all matters relating to income support including concessions, taper rates and supplements, supported by cost benefit analysis of social and economic returns.

Child Care

The availability and affordability of child-care is a major influence in employment participation decisions of carers, for which typically women have primary responsibility. Women's absence from paid work during a large portion of their prime earning years has significant impacts on women's lifelong incomes, and resources into retirement⁷¹. The talent and productivity loss to the economy is equally an immense waste.

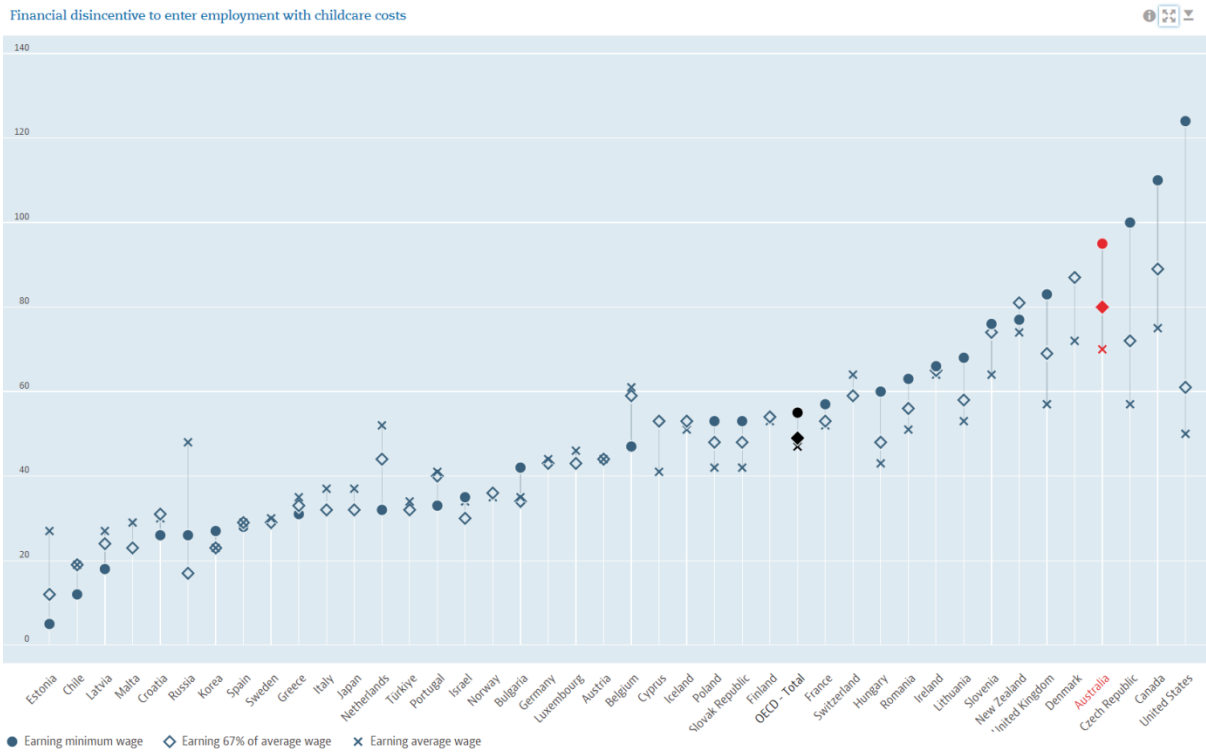
If Australian women between 25 and 45 years of age participated in the labour market as much as men, the economy would benefit from 475,000 potential new workers – providing an enormous boost to economic growth, delivering \$70 billion per year to GDP as well as an additional \$30 billion per year to family income.

⁷⁰ <https://data.oecd.org/benwage/benefits-in-unemployment-share-of-previous-income.htm#indicator-chart>

⁷¹ The Centre for Future Work at the Australia Institute Gender Inequality in Australia's Labour Market: March 2020

The OECD has observed that Australia had considerable untapped potential in female labour force participation and could stand to achieve a 12% increase in GDP over the next 20 years, if female participation was equal to that of males. Female participation is the third lowest of all OECD countries. Motherhood was found to have a strong impact, with women with dependent children, particularly young children having low participation with lone mothers having the lowest rates.

The cost of child-care is significant in Australia, posing the 3rd highest financial disincentive to entering the labour market of all OECD countries.



The OECD made recommendations that Australia adopt stronger cost benefit analysis to support investment decisions about policy and strategy to lift participation. The OECD highlighted the German approach in relation to modelling of a proposed child and after school care package, at 100% take up rate would in the long term deliver 8% return on investment.

The provision of child-care impacts social inclusion as well as economic including participation in activities, networks, training and services all of which may assist parents/carers in a return to the labour market.

Recommendations:

- A cost benefit analysis is undertaken in regard to subsidisation of child-care and after school care to inform investment and to remove barriers to inclusion of parents/carers in the labour market

Training and Skills

Flexible training, education and employment services are required to proactively respond to skills gaps that may act as barriers and obstacles to participation, business growth and expansion.

The establishment of Jobs and Skills Australia will provide valuable contribution to the skills agenda and provide increasingly vital information to drive strategies that enable Australia to develop skills in demand in an environment of rapid technological change, increased globalisation, and shifting population demographics, particularly in regard to ageing.

The OECD raises training and skills as central issues to the engagement of most cohorts that are currently underutilised in the Australian economy⁷². Further, the OECD identified that Australia's stubborn, high long term unemployment rate is indicative of the divide between employer skill demands and the skill of those unemployed.⁷³

The consequences of having low skills⁷⁴

- Low-skilled adults are more likely to be inactive
- Low-skilled adults are more likely to be out of the labour force than those with stronger basic skills however, some 60%, or two million adults, with low skills are employed.
- 5% of low-skilled adults are unemployed, and another 36%, or more than one million, are out of the labour force
- Low-skilled adults earn less
- Low-skilled adults are less likely to participate in adult education and training in comparison to other Australians
- Low-skilled workers are less likely to receive work-based training, and this is more likely to be through learning on the job – learning by doing notably in Australia, around 46% of low-skilled employees report learning-by-doing on a daily basis, one of the highest rates among OECD countries.

According to the internationally-harmonised data collected by the OECD, only 0.01% of GDP is allocated to skills training in Australia, which represents one of the lowest expenditures on training across OECD countries, even among countries with a similar or lower level of unemployment (e.g. Denmark, Austria, Switzerland, Germany, New Zealand and Norway).⁷⁵

Skills need to be considered in a broad context which includes, but is not restricted to, accredited training and qualifications. An emphasis on full qualifications can underplay the increasingly important function skill sets and micro credentials play in meeting the skill needs and labour demand. The OECD recognises social and emotional skills are also seen as crucial components of 21st century employability skills and are increasingly crucial for an individual's personal and career development, as well as a productive economy⁷⁶. Employability skills and competencies that are used in the performance of jobs such as problem-solving, communication, literacy, numeracy, and increasingly digital literacy are examples of skills that the labour market and employers value that may be developed outside the accredited training system.

⁷² OECD (2017), *Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia*, OECD Publishing, Paris.

⁷³ OECD (2018), *Getting Skills Right: Australia*, OECD Publishing, Paris.

⁷⁴ *Building Skills for All in Australia: Policy Insights from the Survey of Adult Skills* © OECD 2017

⁷⁵ OECD (2018), *Getting Skills Right: Australia*, OECD Publishing, Paris.

⁷⁶ OECD *Beyond Academic Learning: First Results from the Survey of Social and Emotional Skills*, 2021

Reflecting on the investment in skills delivered through Australian employment services the OECD found policies such as restrictions to use of the Employment Fund and administrative approval processes had delivered a compliance driven approach to skills development and training. Employment services arrangements driven by the work first approach and reinforced through performance assessment, financial and contractual penalties reduced investment and placed emphasis on short training, despite where longer-term skills training would result in better matches. The OECD recommended that arrangements should support investment in skill development aligned to labour market and employer need, opposed to restrictions focused on qualifications.

An important aspect of skills development is matching the appropriate delivery modes and learning environment with participants learning style and support needs. To this end, Australian employment services use and need relationships with a diverse range of Vocational Education Training providers. The ability to partner with agile VET providers to tailor training responses to employer's needs and implement quickly is a highly effective means of delivering local outcomes for participants.

Given the range and nature of circumstances that participants of employment services face, the capacity of VET providers to be inclusive and deliver student support is paramount in selecting the most suitable VET providers for participants. Disadvantaged learners benefit from joined up approaches with the employment service and VET provider working collaboratively to ensure support and maximise successful completion. A significant issue for employment services is the lack of support to students to arrange vocational placements where this is compulsory to obtain qualifications. Too often, participants are encountered who completed all requirements other than the vocational placement component of a qualification. With the lapse in time and changes to training packages it is not always feasible to complete the qualification.

Community training providers are also important partners for skills development, particularly for non-accredited training, practical learning modes and intensive learner support. Non accredited training can deliver a range of employability skills which not only prepare the participant for work but can also establish a basis for ongoing learning and education.

Recommendations:

- Maintain a strong and diverse vocational and education sector.
 - Ensure VET funding includes adequate resources and requirements to deliver student support including in arranging mandatory vocational placements.
 - Ensure skills recognition and the design of training packages offer flexible and responsive solutions to individual and labour market needs including through micro credentials.
 - Invest in initiatives to achieve life-long learning.
 - Ensure all participants in Australian employment services have access to Employability Skills Training by removing co-contribution requirements.
 - Review Australian Employment Services performance framework and Employment Fund arrangements to amend settings that restrict participants' skill development through diverse accredited and non-accredited training
 - Review Australian Employment Services arrangements to better reflect the priority of education and skills to the long-term employment prospects of participants, skill demand in the labour market and potential returns to the productivity of the economy
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¹ Note: This analysis was carried out using a flexibility index which ranked flexibility according to a number of different factors including (1) input into the design of policy, (2) budget management, (3) eligibility criteria, (4) performance management, (5) outsourcing, and (6) collaboration with other actors. The research drew on the results of the Questionnaire to the Employment, Labour and Social Affairs Committee (ELSAC) on Activation of Labour Market Policy in 2007. The findings were supplemented by further research in March and April 2008. Source: Giguère & Froy, 2009.

¹ Note: All figures shown are percentage of the total Workforce Australia caseload as at 30 September 2022. Workforce Australia as at September 2022 was assisting 667,000 people. Workforce Australia includes Workforce Australia Services (generalist and specialist) and Transition to Work (Youth Specialist) programs delivered by providers. It also includes Workforce Australia Online a digital employment service available to eligible job seekers capable of self- managing their return to work as well as anyone else in the community who is seeking to find or change employment.



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