

# Partnerships to secure jobs for disadvantaged jobseekers





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## Key points

The Australian Council of Social Service, Australian Council of Trade Unions and Business Council of Australia have been working together over the past two years to improve job opportunities for people disadvantaged in the labour market, including people with disability, those unemployed long term, and Aboriginal and Torres Strait Islander Peoples.

This statement summarises our recommendation that the government promote a partnerships approach to employment services, in which service providers partner with employers as well as jobseekers to better match people with jobs. It includes recommendations to strengthen the Job Services Australia system, which is under review by the government. We have also agreed to work with employment services, employers and unions to facilitate two trials of the partnerships approach, at a national and regional level, if support can be provided by government.

At a stakeholder roundtable co-hosted by our three organisations in December 2012, there was a broad consensus around the inadequacy of the current system in matching jobseekers to ongoing employment. During this in-depth consultation with employment service providers, employers and unions, a common theme emerged: employment services could be made more effective if the government adopts a demand-led, or partnerships approach. A partnerships approach would entail the employment service provider working intensively with the employer to identify their staffing needs, train people for particular jobs, and then provide in-work support for the jobseeker, with the possibility of ongoing employment at the conclusion of the scheme.

We have made a number of recommendations to government to embed this partnerships approach in the Job Services Australia system.

Specifically, we recommend:

- The appointment of national and regional employment brokers to promote and coordinate partnerships and to connect employers with disadvantaged jobseekers.
- Establishing regional employment boards or networks in regions with high unemployment to promote employment partnerships among employers, industry organisations, unions, employment services and training providers.

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- Redirecting resources for provider investment in the Employment Pathway Fund to focus more on disadvantaged jobseekers, and allow providers to use the fund for employer partnerships development and related work experience and training.
  - Rewarding lasting employment outcomes, where jobseekers remain in paid employment.
  - Giving providers more incentives to attract jobseekers, and giving jobseekers more information to make an effective choice of provider.
  - Ensuring access within the Vocational Education and Training system to training up to AQF3 level for jobseekers in receipt of income support payments, while ensuring that the training matches the jobseeker's interests and skill sets and aligns with current skills shortages and labour market needs.

## Our goal

Our three organisations have been working together towards a common goal: to provide job opportunities for Australians who are disadvantaged in the labour market while at the same time giving employers access to workers not currently employed in the labour market.

Currently there are over 400,000 people unemployed long term on Newstart or Youth Allowance, and employment rates among Aboriginal and Torres Strait Islander Peoples and people with disability are just half those of the wider community.<sup>1,2,3</sup>

Reasons for this include the slowdown in employment growth since 2007, and a growing mismatch between the skills required by employers and those of many people on income support.<sup>4</sup> Over the past 20 years the nature of the Australian labour market has changed considerably, with a much greater focus on skilled

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1 Australian Government (2014) *Labour Market and Related Payments. A Monthly Profile*, April 2014.

2 Australian Government (2014) *Indigenous employment rates, 2008 and 2012/13*, <http://www.indigenous.gov.au/economic-participation/indigenous-employment-rates-2008-and-201213/> (accessed 4 June 2014).

3 ABS( 2012) *4102.0 - Australian Social Trends, March Quarter 2012, Disability and Work*.

4 Both unemployment and long-term unemployment declined prior to the years of the global financial crisis, but while unemployment began to decline from 2009, long-term unemployment has remained stable. See (ABS) (2011) *4102.0 - Australian Social Trends*, September 2011.

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jobs.<sup>5</sup> Young people have been particularly affected by this, with the unemployment rate for under 25s being double the national average and a reduction in entry level jobs on offer to young people compared to previously.<sup>6</sup>

As we face the challenges of an ageing population and a shrinking workforce, it is important we provide opportunities for the unemployed to gain or regain access to the workforce.<sup>7</sup>

It is vital that people who are on income support and are able to work are kept active in the labour market. At the same time we need to maintain an effective income support safety net so that jobseekers can meet their basic living costs, search for jobs and attend relevant training. We need to rebuild the employment services system to meet these challenges.

## What we are doing

Our three organisations are working together to help improve the employment opportunities for people disadvantaged in the labour market in two ways:

1. By participating in the review of the Job Services Australia system, so that employment services are more responsive to the needs of both jobseekers and employers.
2. By offering our support for, and having active involvement in, trials of employment partnerships: one at the national level and another at the regional level, as detailed below.

## Problems with the existing employment services system

### **(1) It is not responsive enough to the needs of jobseekers**

The present Job Services Australia system focuses on improving labour supply by helping unemployed people with job search methods, work preparation and training. The system rightly focuses on those most disadvantaged in the labour market, since they are the least likely to obtain a job without assistance.

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<sup>5</sup> Department of Employment (2014) *Australian Jobs 2014*.

<sup>6</sup> Australian Workforce and Productivity Agency (2012) *Future Focus: Australia's skills and workforce development needs*. Discussion Paper 2012.

<sup>7</sup> 'Opportunity for All', A joint statement between Australian Council of Social Service, Business Council of Australia, and Australian Council of Trade Unions (2012).

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The needs vary greatly among different groups and also within groups. For example:

- Many sole parents benefit from career counselling and training to refresh their skills or to complete the education they may have missed out on while raising children.
- Many young people who are unemployed and on income support can benefit from training provided in a work setting, with the strongest possible link to a mainstream paid job.
- Many older unemployed workers and people with disability may already have the skills and experiences to be successful in the workplace, and just need the opportunity to demonstrate their ability to an employer.

In theory, the system gives employment service providers the flexibility to respond to individual needs. It rewards providers for achieving employment outcomes and also provides funds for investment in training, work experience and other help to overcome hurdles to employment (the Employment Pathway Fund) without directing providers as to how these should be used.

However, in practice, the service received by most jobseekers is standardised. All too often, the intensive effort needed to get the most disadvantaged jobseekers into paid employment is not made.

The reasons for this include:

- Wastage of resources on very detailed reporting requirements to government.
- Resources for investment in work experience and training through the Pathway Fund are spread too thinly and providers are often paid for people who are likely to get a job in any event. In fact, what is needed is an intensive effort to prepare the most disadvantaged for employment and connect them to an employer.
- Providers are rewarded for quick employment outcomes (three to six months) rather than helping people to secure lasting employment and working in a sustained way with employers.
- Because most people are automatically designated to a provider by Centrelink, there are few incentives

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for providers to attract, and respond to, the individual needs of each jobseeker. Their client is the government, not jobseekers or employers.

## **(2) It is not responsive enough to the needs of employers**

In a context of high competition even for low-skilled jobs, there can be real barriers for some people in getting their foot in the door. While employers are generally aware of the need for people to be given a chance to prove themselves at work, it can be difficult for those who have been unemployed long term to gain experience.

As the population ages and the working-age population becomes a smaller proportion of the overall population, employers will have a stronger incentive to draw from a wider range of applicants, including people who have been unemployed long term or who are disadvantaged in the labour market.

To assist employers to recruit more widely, and to skill-up disadvantaged jobseekers to match their workforce needs, the employment services system should pay much more attention to the needs of employers, the other crucial half of a successful job match.

Some reasons why the job services system is not as effective as it could be in matching jobseekers and employers include:

- Competition among providers, so that employers may be approached by many different agencies at once, with no real incentives for providers to work co-operatively.
- An over-emphasis on short-term employment outcomes.
- Funds for investment in work experience and training being too thinly spread.
- A vocational education and training system that is not geared to provide on-the-job skills development for disadvantaged jobseekers.

The employment services system should encourage providers to build enduring partnerships with employers, unions and training providers to assist people who are disadvantaged in the labour market to prepare for employment, train on the job, and to give both the jobseeker and the employer the opportunity to test whether they are suited to a position.

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## Proposed directions for reform of employment services

In many cases, employment services are more effective where all of these stages of the job matching process are coordinated in advance with individual employers or employer organisations, so that the partnership benefits all.

This partnerships, or demand-led, approach to employment assistance is not a panacea for unemployment. Every jobseeker and employer has different needs and in many cases employment counselling and training on their own are sufficient, while in other cases a targeted wage subsidy to give someone an opportunity to demonstrate their ability may be all that is needed. However, the present system throws up barriers to effective and enduring partnerships with employers and these barriers should be removed.

The government will soon announce a new employment services system for unemployed people. We do not have a detailed blueprint for reform in this area, but we advocate the following directions for reform of employment services:

(1) Employment services that are responsive to the needs of individual jobseekers, especially those disadvantaged in the labour market. In particular:

- Reduce reporting requirements in the employment services system and devote the savings to better assistance for disadvantaged jobseekers.
- Redirect resources for provider investment in the Employment Pathway Fund to more substantial help for disadvantaged jobseekers.
- Reward lasting employment outcomes, with jobseekers staying in paid employment.
- Give providers more incentives to attract jobseekers, and jobseekers more information to make an effective choice of provider in the first place.

(2) An employment services system that encourages partnerships between employers and employment services, especially to secure jobs for:



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- Very long-term unemployed people (over two years) participating in the employment services system.<sup>8</sup>
  - Aboriginal and Torres Strait Islander Peoples identified as disadvantaged jobseekers within the employment services system.
  - People with disability (which may include a mental health condition) identified as disadvantaged jobseekers within the employment services system (including Disability Employment Services as well as Job Services Australia).

(3) As far as possible, the employment partnerships approach should be embedded into the mainstream employment services system, so that duplication of effort is avoided and best practice is spread as widely as possible. Specifically:

- Appoint national and regional employment brokers to promote and coordinate partnerships to connect employers with these three groups of jobseekers. This would help avoid situations where multiple employment services are engaging with and assisting the same employer. The brokers would not substitute for individual employment services; rather they would identify employers with an interest in forming employment partnerships and facilitate contact with employment services at a local or national level through an open and transparent tender system. Local employment coordinators could play this role, where they operate.
- Establish regional employment boards or networks in regions with high unemployment levels to promote the partnerships approach and improve coordination among employers, industry organisations, unions, and employment service and training providers.
- Allow Job Services Australia providers to use Employment Pathway Fund credits to fund employer partnership development, and work experience and

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<sup>8</sup> Older people, people with disability and Aboriginal and Torres Strait Islander Peoples are over-represented among very long-term unemployed people. One advantage of focusing on unemployment duration is that this covers a wide range of groups who are most disadvantaged in the labour market, without stigmatising any single group.

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training as part of a partnerships arrangement. This could be paid for by reducing the use of Employment Pathway Fund expenditure and in-house services such as additional interviews with employment consultants where they are not needed.

- Ensure access within the Vocational Education and Training system to training up to AQF3 level for jobseekers in receipt of income support payments, providing the training is linked to the jobseeker's aptitudes and a genuine career pathway, and not just training for training's sake. Also, provide rewards for registered training organisations that achieve employment outcomes for the above target groups in partnership with employment services and employers.

## Trials of employment partnerships

We propose that the employer partnerships model be trialled at two levels:

- At the national level, a trial of a partnership between employment service providers and large national employers.
- At the regional level, a trial of a partnership between local employment service providers and a network of regional employers.

These trials would:

- Be facilitated by our organisations (though not financially) and by government, but initiated by the service providers and employers concerned.
- Target one or more of the three target groups identified at point (2) above.
- Run for approximately two years and be evaluated by the Department of Employment, in collaboration with the parties involved, with the evaluation report to be publicly released.
- Inform best practice and policy planning to extend the employment partnerships approach more widely through the mainstream employment services system.





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