

**Kevin MacDonald**  
Chief Executive Officer

13 February 2008

The Hon Brendan O'Connor, MP  
Minister for Employment Participation  
Parliament House  
Canberra ACT 2600

Dear Minister

Thank you for the invitation to provide suggestions on ways the Australian Government might achieve objectives identified in the Social Inclusion and Skills policies.

NSW Business Chamber is the largest business support organisation in the state, interacting with over 30,000 predominantly small and medium businesses across NSW. Our organisation also supports a network of 125 regional Chambers of Commerce.

NSW Business Chamber considers there are a number of critical issues that need be responded to when developing employment support strategies for relevant and sustainable employment for job seekers facing disadvantage.

- Build the capacity for individuals to maintain long-term connection to the workforce not simply skills in applying for employment.
- Respond appropriately to short-term skills shortage and labour market pressures that are based on ensuring equity and inclusion and with an eye on the future skill needs of the Australian economy.
- Build employer capacity to appropriately respond to and engage with 'atypical' employees, who may have limited workplace experience or may be facing a range of disadvantage and challenges requiring flexibility.
- Ensure that the strategies to provide support for those at disadvantage through location, gender, family responsibilities, physical disability and/or cultural heritage are equitable and equally applied to provide the most appropriate outcomes for employment.
- Provide appropriate support responses to support transition into the most appropriate employment for the individual and the employer – be it into full-time or part-time employment and where appropriate support building connection through strategies for full-time employment.

NSW Business Chamber and its members would be pleased to meet with you and Departmental representatives to discuss broader issues related to our response. To coordinate this, or if your department would like to further discuss any of the issues identified, they are invited to contact Kathy Rankin, Senior Manager Policy on 02 9458 7441 or [kathy.rankin@nswbc.com.au](mailto:kathy.rankin@nswbc.com.au).

Yours sincerely

Kevin MacDonald

## **Relevant Employment Services**

An observation of the current system is that it is complex, has tenuous connection to other publicly funded skill development strategies, and has a bias toward building potential employment connections rather than developing strategic interventions for long-term employment.

In reviewing publicly available information it is a concern to the NSW Business Chamber that there is a wide variety of support programs (those targeted at specific needs and circumstances) and services (Job Network and Job Placement Organisations) that makes client navigation to appropriate intervention problematic.

NSW Business Chamber considers that in the first instance a mapping exercise needs to be undertaken to provide guidance to your Department on ways to simplify communication and streamline information on access to service provision to current and potential clients.

NSW Business Chamber notes that a number of potential job seekers may be experiencing multiple disadvantage – physical, geographic and/or family related. It is of concern that the determination of support opportunities, including income support, is focused on a characterisation of disadvantage that is relatively inflexible and often non-negotiable. That is, defined by the disadvantage rather than the support needed to engage the client with employment.

This has the outcome of characterising an individual by providing a focus on the disability or disadvantage, rather than creating a positive environment that builds on the individual's strengths by aiding the opportunity to respond to the challenges.

NSW Business Chamber considers that a review of the benefit of these programs needs to be undertaken to allow for an outcomes focused funding model to be developed that provides resources appropriate to the individual and the potential workplace, to encourage transition to employment.

In a related issue, the current income support programs are available only for those outside the workforce. It has been NSW Business Chamber's experience that the non-financial benefits that apply to the unemployed cease upon employment, resulting in a net loss of disposable income.

The costs of travel, child-care and other additional employment related expenses increase and may act as a financial disincentive, even though the initial employment income may be marginally higher than the unemployment benefit.

NSW Business Chamber considers that an opportunity exists to review the scope for applying wage assistance to a broader group than is currently available for disability employment. Research undertaken in 2000 by this organisation related to the unemployed in the Illawarra showed that the loss of complementary benefits for people transitioning into employment acted as a considerable disincentive.

A wage subsidy, as a percentage of the existing income support could be applied for those clients who are identified as being in exceptional circumstances or needing intensive assistance, and may be available for a period of 3 to 6 months, reviewed periodically.

## **Incentives to Improve Employability**

Under the current system of employment support the focus is on building the skills for initial contact with the employer and not supporting the development of a productive employment experience for both the employer and employee. It is our experience that the greatest challenges occur within the first 3 to 6 months of employment.

NSW Business Chamber considers there to be a need to work with employers to reduce any negative bias to 'a-typical' employees through post-placement support such as mentoring for employee and employer. This could be achieved by independent case-workers working with employers and employees the develop programs, including cultural awareness, or being a point of reference to discuss progress and develop mutually productive resolution to issues of attitude and performance.

For the last 3 years NSW Business Chamber has received Australian Government funding to operate an intervention program to increase employment outcomes for unemployed youth by working with small and medium employers. While the focus has been on creating opportunities for Australian Apprenticeships, the value of the program has been the identification and support for employers who engage with challenging employees, so that any potential workplace issues are minimised.

Under this program in 2006 an additional 120 training places were achieved in the Illawarra region, with a retention rate of over 90%. The critical benefits have been:

- an independent third party who has strong knowledge of the skill and labour needs in a region to identify broader opportunities for employment
- the independent negotiation of pre-vocational training for the unemployed job seeker providing opportunities to build employability skills and essential OHS and or vocational skills
- an independent adviser to support to the individual to build positive attitudes to work and commence the process of skill development
- an independent adviser to identify initial indicators of concern by either the employer or employee and develop intervention strategies to alleviate the development of issues that may lead to separation.

NSW Business Chamber considers that this program has the potential for expansion and should be considered as an independent, but complementary activity in support of the employment service provider.

A further issue that has been identified by small and medium employers is that the skill shortages being experienced are often not related to entry level employment, but to higher skill and experience requirements. As a consequence, there is limited opportunity to place new, relatively inexperienced employees in either full or part-time positions.

Many small and medium employers rely on contracted recruitment and HR services and have little experience of workforce development strategies. As part of the focus of the Australian Government to build workforce development a complementary service should be developed that works with employers to identify and build workforce capability.

In this way, existing employees would be supported to engage in further skill development to progress to higher levels of responsibility in the workplace, and opportunities for new entrants would be available to transition into employment.

It is recognised that workforce progression is not wholly a responsibility of Government. However NSW Business Chamber considers there is an opportunity for provision of subsidised recruitment and workforce progression support for employers who would increase the size of their workforce and add new employment opportunities in skilled and semi-skilled occupations as a direct result of subsidised intervention.

Feedback from small and medium employers to NSW Business Chamber has also highlighted that as well as the disadvantage issues identified above there is a social driver related to attitudes to progression from welfare dependency to employment.

These negative attitudes, if not addressed in the job preparation activity will result in poor progression, regardless of the engagement of the Employment Service Provider. NSW Business Chamber considers that in times of critically low unemployment levels, such as those being currently experienced, additional support related to motivational factors needs to be considered.

While the ideal success measure for Employment Service Providers needs to be transition from welfare dependency to full employment, consideration should be given for the recognition of outcomes from intensive assistance activities that demonstrably show the building of work-related skills that increase employability and progression to employment, in addition to the recognition of activities that directly relate to an employment outcome within a short period of time.

### **Application of Intensive Assistance**

NSW Business Chamber is concerned that the current funding model results in bias by characterising the service provision under Job Search Support and Intensive Support. Rather we consider that there is a range of interventions required for each individual that need to be personally tailored to respond to their employment need.

Initially NSW Business Chamber considers there needs to be an analysis of the effectiveness of the current categorization of support. This would build a profile of the range of needs of the individuals who have been engaged with Employment Service Providers and they type of intervention that has been required to achieve an employment outcome.

Critically there would need to be a further analysis of the outcome of the intervention that should include the length of employment and the progression of the individual in a career pathway.

In terms of providing an appropriate response to the needs of the individual, it appears to the NSW Business Chamber that the current model provides a minimal intervention or an intense intervention and potentially under-services the middle section.

Rather, we consider that the suite of potential services be unpacked and priced at an individual cost of service. In this way the employment service providers are required to have a clear understanding of the needs of the client – be it minimal support, intensive support to build a resume and prepare for interview.

There should also be a requirement to support the individual to have skills recognised (RPL) and/or a referral to structured vocational education, mapped against the local and sector skill needs.

This would allow a greater opportunity to adequately respond to the needs of the individual – be it an analysis of their current employability skills, support for resume and interview, or opportunity to support the individual to engage in structured training available as under Australian Apprenticeships or engagement with jurisdiction specific funded training opportunities. It would also allow for improved analysis of the types of interventions required and the outcome of targeted support and provide an opportunity for benchmarking against service provision.

## **Performance Management Principles**

A review of the *workplace.gov.au* website provides general information about employment services and the programs available, but as identified previously there is a complexity to the information and diversity of programs that can add confusion to job-seekers – not the least for people from non-english speaking backgrounds.

While there is reference to a ‘Code of Practice’ for the Job Network it was not available as a clear and concise document. Similarly ‘Service Guarantee’ provided general statements of activity – without providing any clarification as to what constitutes acceptable levels of service.

It is difficult to measure current levels of performance and set targets for increased performance without publicly available benchmarks or a statement of what constitutes a minimum level of service. While NSW Business Chamber is aware that there is currently a rating system for providers of Employment Services, this does not appear to be readily available to prospective clients, providing little opportunity to choose providers that may best suit their job search requirements.

To ensure transparent reporting and to build performance NSW Business Chamber considers that outcomes based reporting be initiated that could identify, but not be limited to, the

- range of clients supported
- types of intervention activities undertaken
- employment outcomes – both full-time and part-time – and retention levels
- published aggregated client satisfaction ratings (both employer and employee) based on a standard reporting template.

NSW Business Chamber also considers that employment service providers should have a demonstrated clear understanding of the local labour and skill needs for the region in which they operate and be required to report outcomes against these.

It is noted that the Industry Skills Councils have been contracted by the Australian Government to identify additional training opportunities under **Skilling Australia**. In order to provide seamless interventions and a whole of Government response NSW Business Chamber considers that employment service providers should be required to identify engagement with these and other skill development strategies to aid job seekers to participate in existing programs to increase the relevance of the intervention strategies and engagement with broader skill development initiatives.

While not all employment service provider interventions should require engagement with structured vocational training, an awareness of the range of skill needs by sector would benefit the selection of interventions by employment service providers and add quality processes to the service provision.

NSW Business Chamber is aware that a number of organisations undertake employment and training service contracts with Government – JPO, Job Network, Group Training, RTO and Australian Apprenticeships Centers. In most cases these operate as separate divisions.

Advice from small and medium business indicates that in a significant number of cases there is minimal cross-reporting between the activities under these contracted arrangements. The individual business units act independently of others. Demonstration of interplay and interaction between these contracts in achieving sustainable employment and skill development outcomes should be required.

While NSW Business Chamber does not recommend that service providers be selected on their ability to operate a number of complementary programs, it is considered important that providers are able to demonstrate strong and responsive interactions between a range of skill and employment services – be they publicly funded or delivered by private, commercial providers.

NSW Business Chamber strongly endorses the need for competitive tendering principles to be included in the selection of Employment Service Providers, allowing for a mix of providers who operate a variety of business models in a range of sectors – community, not for profit and commercially independent business models.

This demonstration should not be limited to the demonstration of linkages at the time of applying for the right to deliver services, but the progression to appropriate complementary providers be included as a key measure of outcomes against contract deliverables.

Performance management is not simply reporting the outcome of interventions. In reviews of the Job Network undertaken by the previous Government, NSW Business Chamber identified concerns about the opportunity for professional development of the staff in these organisations. These concerns still exist and the building of quality service provision is a direct outcome of the skills and currency of knowledge of the contracted organisation.

NSW Business Chamber considers that a critical part of the assessment of the capacity to deliver against a contract for employment services should include a career development framework for all employees of the contracted organisation.

The 2007 Australian Quality Training Framework, the performance measurement tool for publicly funded Registered Training Organisations is currently being trialed. This audit process for vocational training providers has moved from a desktop, process analysis to an outcome based assessment. NSW Business Chamber considers there is scope for the employment services providers to be required to report against a similar framework structure developed for their scope of operation.

### **Minimising the Impact of Administration**

Unnecessary administration and red-tape is counterproductive to achieving outcomes and is a cost to business. With the creation of the Department of Employment, Education and Workplace Relations an opportunity exists to streamline reporting with skill development outcomes. Opportunities exist to increase on-line reporting and the development of complementary terminology across the agencies operating under the DEEWR structure.