


SVA PERSPECTIVES

Employment



One million people live in disadvantage in Australia today. Each year billions of dollars are poured into social services and reform programs across welfare, education and health and yet so many people continue to experience disadvantage.

SVA works to improve the lives of people in need. Our unique approach focuses on understanding the structural causes behind persistent disadvantage, then finding and supporting the innovative approaches that can create systemic change. Our practice is evidence based, a discipline we apply to every facet of our organisation.

By offering funding, investment and advice, we support partners across sectors to increase their social impact. Since 2002, we have worked in partnership with community service organisations, philanthropists, governments and businesses to help improve the lives of people in need. Through our work, we have developed a practical understanding of what it takes to tackle disadvantage.

People and organisations that create real impact have a deep understanding of the environment they are operating in. This means being clear on the exact issue they are trying to address and understanding what other organisations are operating in the ecosystem. They design and deliver their programs and services based on evidence of what works best.

High-impact organisations contribute to system change. They introduce innovative approaches, work collaboratively, share their knowledge so others can learn from them (both successes and failures) and jointly advocate for change.

As part of our commitment to driving system change, SVA has developed a series of papers in four focus areas; Education, Employment, Housing and First Australians. We have combined our practical experience with publicly available data and research to present our perspective. In each paper we set out our vision for the future, a summary of the issue, actions required to achieve the vision, a discussion of the drivers of better outcomes and small snapshots of SVA's work.

We hope that these papers spark debate, innovation and collaboration.

Everyone has a role to play. We invite you to join us in building and sharing the knowledge base of what works best to increase funding, improve the impact of services and change lives.

Rob Koczkar
CEO
Social Ventures Australia

SVA's vision

SVA has a vision for Australia where every person can participate to the maximum of their potential.

We believe that as a nation we should harness the opportunities created in our changing economy and labour market to significantly improve the employment of disadvantaged jobseekers, particularly those who have been unemployed for long periods.

We have developed an evidence-informed perspective on what is required to increase the number of jobs that people experiencing disadvantage can access; to match disadvantaged jobseekers with the right employers, and to give employers and jobseekers the support and services they need to overcome barriers to sustainable employment.

The issue

Australia's low headline unemployment rate of less than 6%¹ masks the growing and persistent issue of long-term unemployment, particularly for specific cohorts in the community. Since the 2008 global financial crisis, the number of people experiencing long-term unemployment has risen almost 160%² almost entirely due to slower economic growth³. Now more than 1.8m Australians are either without work, or without sufficient work,⁴ with more than half a million receiving the Newstart allowance for more than 12 months.⁵

Long-term unemployment is a key driver of disadvantage, has far-reaching social and economic consequences, and affects individuals, communities and the economy. The longer a person is unemployed, the less likely they are to get a job.⁶ Long-term unemployment is also associated with higher likelihood of ill health, homelessness, stigma, social isolation and atrophied work skills.

We care about improving economic participation because meaningful employment is a key indicator of quality of life and participation in the community helps people achieve high levels of wellbeing.⁷





THE IMPACT OF LONG-TERM UNEMPLOYMENT

We know unemployment disproportionately affects already vulnerable Australians:

- **Youth unemployment** grew significantly to 14% at the end of 2014, the highest since 1998.⁸ Youth account for 29.8% of the long-term unemployed.⁹
- The labour force participation rate for **people with disability** is only 54%, a third less than for people without a disability (83%).¹⁰
- The unemployment rate among some communities from **non-English speaking backgrounds** could be as high as 20%.¹¹
- **First Australians** continue to experience a significant gap in employment outcomes. Between 2008 and 2012-13 the employment gap between First Australian and non-Indigenous working-age people rose 6.9%, from 21.2 to 28.1 (SVA has also produced a paper on First Australians).¹²
- Only 66% of people whose highest educational attainment is year 12 are employed – 46% with year 11.¹³
- **People exiting prison** are likely to face unemployment. A total of 48% report being unemployed in the four weeks before incarceration. Only 27% of people discharged had paid employment organised to begin within two weeks of their release.¹⁴
- About 32% of working-age people with a self-reported **mental illness** are not working.¹⁵

- About one-third of jobless **mature-age** people are long-term unemployed compared with 22% across all age groups.¹⁶
- Some **rural and regional** areas have extremely high rates of long-term unemployment.¹⁷ Problems include lower employment generated by primary industries, compounded by falling opportunities for unskilled work. Communities in regions with only one industry are also vulnerable to changes in policy or to economic shocks.
- About 70% of poor **children** live in jobless families, making joblessness one of the main causes of childhood poverty.¹⁸ Long-term unemployment can become intergenerational and youth whose parents are not in work have lower labour force participation rates and higher unemployment rates than those with at least one parent at work.¹⁹

Long-term unemployment also results in lost taxation, additional direct welfare payments and higher spending on public housing, healthcare and other social services²⁰. It decreases workforce productivity and can increase wage pressures because of labour shortages.²¹ In 2014, the cost was estimated at \$3.3b a year, according to the Fairfax Lateral Economics Wellbeing Index.²²

Under-employment is also a major issue for households in working poverty, with most working too few hours to escape poverty. Under-employment is a particularly significant issue for young women, with nearly 20% of those aged 15 to 24 reporting they are not working as many hours as they would like.²³

Drivers of better outcomes

SVA believes there is a range of specific conditions and actions that can drive the increased participation of disadvantaged jobseekers. We refer to these as 'drivers' and they are set out in the Driver Tree below.

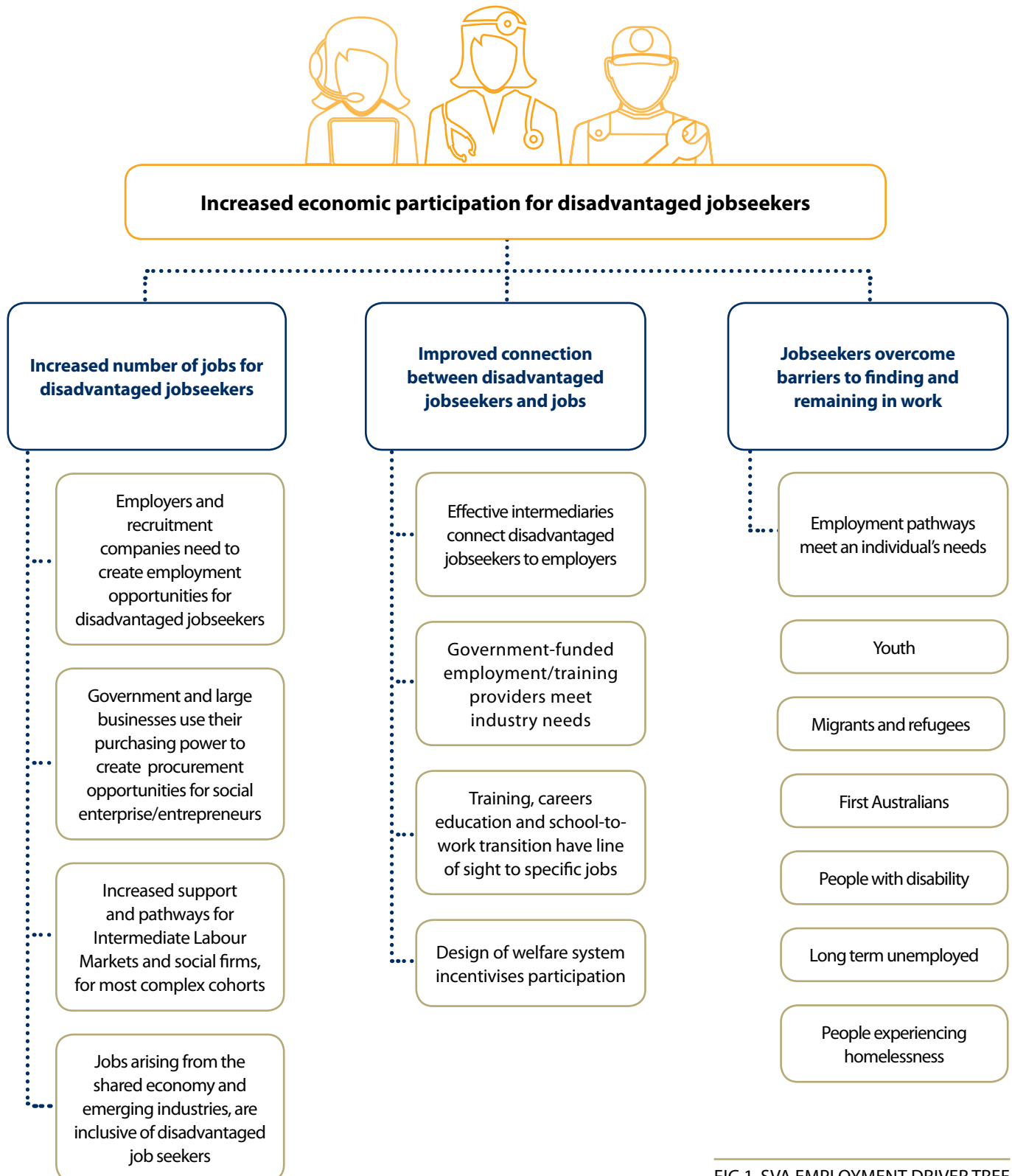


FIG 1. SVA EMPLOYMENT DRIVER TREE

Actions required

With 35% of our working-age population **not** working, we have enormous, untapped potential to address the skills shortage by more effectively engaging additional population groups and boosting the overall participation rate.²⁴ However, this is not a straightforward task.

The job market is changing. The ratio of people of working age to non-working age is expected to continue to decline due to the ageing population. Key growth areas will be knowledge workers in healthcare and social assistance, education and training, and professional, scientific and technical services.²⁵ Entry-level jobs today are shifting from manufacturing and trade to services, community supports and healthcare, and requiring higher skill levels.²⁶ Economic activity is becoming more concentrated in the capital cities and in Victoria and New South Wales.²⁷

The employment ecosystem needs to ensure employers design jobs and build diverse workforces by creating specific opportunities for those experiencing disadvantage in the workforce.

Increase the number of jobs for disadvantaged jobseekers

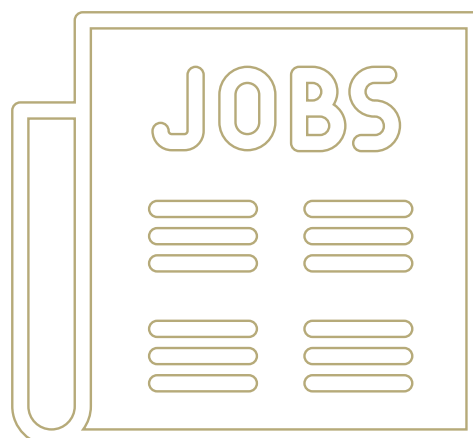
1. Harnessing social procurement opportunities across government and big business will significantly increase demand for social enterprises and social entrepreneurs – which in turn will employ jobseekers requiring additional support in the labour market.
2. To ensure there are enough appropriate opportunities for jobseekers with complex needs, we need to design specific financial supports to increase the size of Australia's intermediary labour market.
3. We need to educate those driving shared economy and emerging industry opportunities to ensure they include disadvantaged jobseekers.

Improve the connection between disadvantaged jobseekers and jobs

4. To better meet the recruitment needs of large employers, an intermediary is needed to deeply engage and support them, work with them to design training, and connect them to appropriate candidates.
5. The design of the welfare system needs to ensure appropriate incentives are in place so that disadvantaged jobseekers are encouraged and supported to participate in finding employment.

Enable jobseekers to overcome barriers to finding and remaining in work

6. The design of the government-funded employment and training system needs to ensure that those who are – or are at risk of being – long-term unemployed, receive individualised and wrap-around support to address employment, vocational and locational barriers.





Understanding the drivers of better outcomes

1. INCREASE THE NUMBER OF JOBS FOR DISADVANTAGED JOBSEEKERS

EMPLOYERS AND RECRUITMENT COMPANIES NEED TO CREATE JOB OPPORTUNITIES FOR DISADVANTAGED JOBSEEKERS

Current landscape

Entry-level jobs are a first step in the employment path for those locked out of the labour market due to disadvantage.

'The loss of low-skilled jobs and the high unemployment rates associated with low educational qualifications make it imperative for people to undertake appropriate education and training to minimise the risk of becoming unemployed and dependent on income support.'²⁸ However, there is scope to create opportunities for disadvantaged jobseekers:

- 42% of employers reported difficulties in filling jobs, with most citing a lack of applicants or no applicants, lack of technical competencies and of experience as the main reasons.²⁹
- There is now a ratio of jobseekers to vacancies of about 5:1³⁰ and this ratio worsens to 18:1 for lower-skilled openings.³¹ But demographic shifts also will create an opportunity to improve participation rates for disadvantaged jobseekers and, by 2030, the economy will create 3 million jobs³².

Ineffectiveness of the present system/service

Employer attitudes: Despite labour shortages in many areas, employers are sometimes wary of engaging people who have been long-term unemployed due to perceived poor attitude and motivation and a lack of recent work experience.³³ Some employers think that candidates with disability or mental illness, particularly, may be more at risk of workers' compensation claims, require more sick leave or necessitate expenses associated with workplace modifications.

Employer capability: Even when employers want a more diverse workforce, they lack the 'know-how'. Employers need guidance, practical tools and training to understand how best to reduce barriers to recruitment and to retain employees. This issue is addressed later.





Evidence of effective solutions

Employer education and support: ensuring employers understand the business case for recruiting and retaining disadvantaged jobseekers

- SVA's *Working it out: Case studies of success in transitioning long-term unemployed Indigenous Australians into sustainable employment*. Four key influences were identified: having the right people involved to engage companies and communities; creating an underpinning philosophy that inspires openness and participation; having appropriate funding and an effective methodology in the delivery of each program.³⁴
- The Australian Chamber of Commerce and Industry has created a series of papers, *Employ Outside the Box*, tackling employment for disadvantaged groups. There is guidance about worker retention and a section on resources to help employers who want to hire First Australians.³⁵ The steps for employing people with disability are obtaining the right information, contacting experts for opinions and support, reviewing the existing staff structure to clearly define the roles, good job matching between person and role, workplace preparation including on-the-job support, mentoring, and ongoing evaluation.³⁶ The paper on employing mature-age workers highlights recruitment, retention and best practices for age management. Extra resources include the Restart Allowance.³⁷

Employment targets: employers with workforce diversity strategies/plans/targets are more likely to employ people who are disadvantaged in the labour market. The ASX Corporate Governance Council recommends listed entities should have a diversity policy that sets out measurable objectives, specifically on gender diversity.³⁸ Research on increased levels of board membership for women provides one example of the results of active target setting.³⁹ Voluntary targets and the publication of diversity strategies increase accountability. Good-practice employers that have specific programs to diversify their workforces include:

- ANZ: has supported the *Given the Chance* program, run by the Brotherhood of St Laurence, since 2007. It provides placements to help former refugees enter the workforce.⁴⁰
- NAB: partners with Jesuit Social Services in the *African Australian Inclusion Program* (AAIP) to provide a six-month paid workplace experience and training program for skilled African-Australians at NAB. More than 180 people have been placed.⁴¹
- Westpac: *2013 Accessibility Action Plan* to increase the participation of people with disability includes career development, encouraging financial independence and embedding accessibility into banking products and services.⁴²
- Sodexo: partners with GenerationOne, Polytechnic West and Work Australia to provide a work readiness program in hospitality for Aboriginal and Torres Strait Islander jobseekers in Western Australia. It helps Sodexo meet its Reconciliation Action Plan commitments.⁴³
- Government departments: federal departments have also made commitments to workplace diversity. The Commonwealth Government's target is for its workforce to be 3% First Australian by 2018.⁴⁴



GOVERNMENT AND LARGE BUSINESSES CREATE PROCUREMENT OPPORTUNITIES FOR SOCIAL ENTERPRISE/ENTREPRENEURS

Current landscape

Social procurement involves large employers using their purchasing power to obtain goods and services as well as social impact. These employers buy from 'social enterprises', which trade to deliver public and community benefit. The social enterprise provides a stepping stone to mainstream employment and employs those experiencing entrenched, long-term unemployment. This gives them work readiness and transferable skills to move into the open labour market. This can create jobs and opportunities for people who might have struggled to find work, reinvigorate depressed communities and drive better business outcomes.⁴⁵

Ineffectiveness of the current system/service

More than 20,000 social enterprises operate in Australia, employing more than 250,000 people.⁴⁶ However, corporate social procurement represents less than 1% of the total of corporate Australia's spending⁴⁷ and government social procurement is still in its early stages. Local councils have, however, begun endorsing the approach and created some positive initiatives.

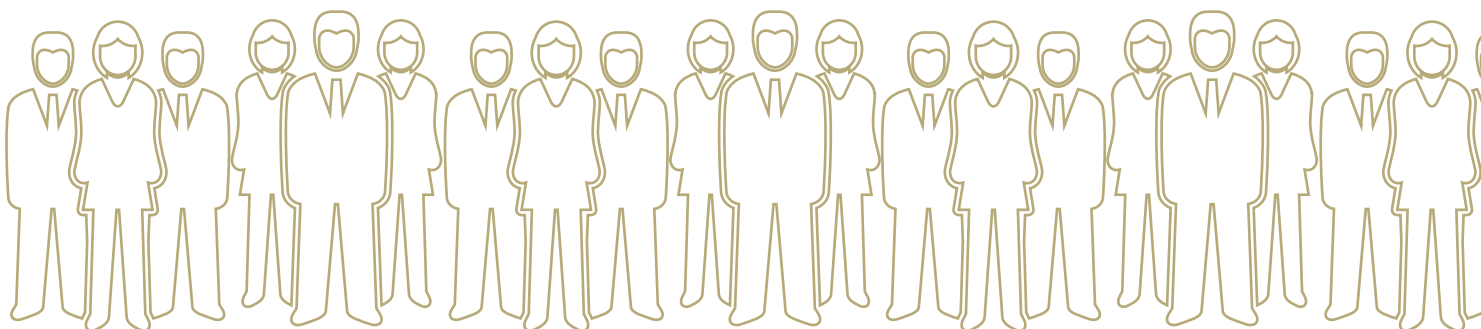
One of the main barriers social enterprises face is limited access to the right mix of intellectual, financial and social capital, restricting their capacity for scalability and to create larger social impact, including employment.

Evidence of effective solutions

*'In unlocking government and corporate procurement budgets, social procurement has the potential to reduce disadvantage and increase workforce participation in Australia.'*⁴⁸

Examples of good social procurement practices include:

- Commonwealth government has progressed its policies, including promotion of Australian Disability Enterprises⁴⁹ and Indigenous businesses but social procurement is not as developed as it is in the US and the UK.⁵⁰ The Commonwealth has committed to a procurement target of 3% of total contracts being awarded to Indigenous businesses by 2020.⁵¹
- UK government – in 2013, the Public Services (Social Value) Act 2012 came into force. It requires public sector agencies, when commissioning a public service, to consider how the service could bring added economic, environmental and social benefits. The sector is now thinking much more creatively about how to maximise procurement decisions.⁵²
- City of Toronto, Canada – began pilot projects under its social procurement framework in 2014. The intent was to provide targets, thresholds and benchmarks to drive additional positive social outcomes from the city's purchasing power.⁵³
- Victorian government created guidelines to help local councils consider social procurement. A toolkit was developed to help in planning and implementing social procurement.⁵⁴ VendorPanel and Social Traders have created a panel of social enterprise providers.⁵⁵
- Yarra City Council partnered with the Brotherhood of St Laurence to clean streets. The cleaning was done by unemployed residents of public housing estates. This allowed the council to drive positive social outcomes and continue to deliver a service for constituents.⁵⁶
- Queensland government issued guidance on integrating sustainability in procurement and a series of sustainable procurement product guides.⁵⁷
- New South Wales government has a number of initiatives aimed at generating positive social outcomes: requiring large infrastructure projects to hire a minimum number of apprentices; simplifying procurement from the Australian Disability Enterprise, and developing guidelines to encourage job opportunities for First Australian people in government construction projects.
- Evidence shows that a thriving social enterprise ecosystem requires early-stage support, a pipeline of social entrepreneurs and a long-term approach to ensure adequate capacity, seed funding, strategic business advice and connection with industry and buyers. To support this a number of funds have been established:
 - The West Australian government created a \$10m fund to increase the number, effectiveness and efficiency of social enterprises. The fund was managed by a consortium of SVA, Social Traders, Centre for Social Impact and the West Australian Council of Social Service.⁵⁸
 - SVA manages a social impact fund of \$9m, which provides loans and equity investments to social enterprises. The 2015 return to investors was 7.5%.⁵⁹ SVA has also partnered with super fund HESTA to establish the Social Impact Investment Trust to invest \$30m in loan and equity opportunities.⁶⁰
 - NAB established a \$1m impact investment readiness fund to help mission-driven organisations prepare for larger-scale investment.⁶¹
 - The Impact Investment Fund has been set up with \$100m to invest in social and environmentally conscious deals.⁶²
 - The Commonwealth government is providing \$30m a year for Indigenous Enterprise Development to help establish and expand First Australian businesses, particularly in regional and remote locations.⁶³





INCREASED SUPPORT AND PATHWAYS FOR INTERMEDIATE LABOUR MARKET (ILM) PROGRAMS FOR THE MOST COMPLEX COHORT

Current landscape

The ILM model generally involves paid temporary work of community benefit for the long-term unemployed, with additional support to move them into mainstream jobs. Programs deliver a variety of job types, provide intensive training, and support workers or case managers. Because ILMs target those with high barriers to employment, they can be time and resource intensive to run and the number of ILMs in Australia remains unknown.⁶⁴

Ineffectiveness of the current system/service

The government-funded employment system seems most effective in moving people from unemployment to under-employment. More than half of those in streams 1-4 who get work move into casual, temporary or seasonal work⁶⁵ with implications for churn in the system.

JSA EMPLOYMENT OUTCOMES, JUNE 2013 TO JUNE 2015⁶⁶

	Jun 2013 (%)	Sep 2013 (%)	Dec 2013 (%)	Mar 2014 (%)	Jun 2014 (%)	Sep 2014 (%)	Dec 2014 (%)	Mar 2015 (%)	Jun 2015 (%)
Stream 1-4	41.3	42.8	42.2	41.9		42.8	42.5	42.8	42.1
Stream 1	55.9	57.2	56.0	54.8	55.1	55.8	55.8	55.9	55.2
Stream 2	41.4	41.4	40.6	41.2	41.2	40.6	40.2	40.1	39.5
Stream 3	31.1	33.8	33.2	32.6	33.4	33.4	32.5	33.3	32.6
Stream 4	22.6	23.4	23.1	23.0	23.6	23.8	22.8	23.1	21.8

Evidence of effective solutions

The ILM approach is to support the “hardest to place” cohort into mainstream jobs and ILMs have had strong success in doing this – although not on a large scale.

A 2011 study found social enterprises providing employment to vulnerable groups generated a rise in employment of almost 10%, with almost one-third of clients finding work in the mainstream market.⁶⁷

- In the UK, Europe and the US a number of ILMs operate strong independent businesses but most receive some government funding to cover the cost of the social service they provide.
- The development of ILMs in Australia has been restricted by the challenges of developing sustainable businesses and the lack of government funding. Examples include:
 - Resource Recovery Australia (RRA) operates a mattress recycling program, *Soft Landing*, to recover steel, timber, foam and other materials from waste mattresses and divert them from landfill. The program employs people who face barriers to entering the workforce. Before its sale to RRA, *Soft Landing* was one of five Mission Australia social enterprises, whose portfolio also included Featherweight, Green IT, Charcoal Lane and Synergy Car Repair.⁶⁸
 - Brotherhood of St Laurence’s *Customer Safety Information Services* hires public housing tenants, many of whom are long-term unemployed, as paid trainees for up to a year to provide a friendly reception service on public housing estates and gain qualifications in security operations. The program is into its 11th year and has maintained employment rates of graduates at more than 70%.⁶⁹
 - *Yourtown* runs several ILMs for youth, which include paid transitional employment, accredited training, case management support and post-placement support. Participants are generally highly disadvantaged.⁷⁰
- A study of 65 ILMs in the UK found they achieved more than twice the job entry rate, longer-lasting and better-quality outcomes than other programs.⁷¹
- Previous studies in the UK showed job outcome rates of 60% or more for certain ILM programs.⁷²
- Social enterprise is heralded in the UK as adding more than £55b to the economy and employing more than 2m people.⁷³

SVA Social Impact Fund

- **Focus:** gives for-profit or non-profit social enterprises with loan or equity investments of between \$150,000 and \$1m and access to capital for organisations that provide opportunities for disadvantaged members of the community.
- **Achievements:** Investments totalling \$2.7m. In 2013-14 the fund received 107 applications for investment, conducted due diligence on 20 social enterprises and made new investments in organisations with an employment focus.





JOBS ARISING FROM THE SHARED ECONOMY TO INCLUDE DISADVANTAGED JOBSEEKERS

The sharing economy is also known as the 'collaborative economy' and the 'peer-to-peer market'. It is a platform connecting buyers and sellers and reducing transaction costs.⁷⁴ Australia's sharing economy has grown significantly over recent years, particularly in the transport and accommodation sectors.⁷⁵ In 2015, it contributed \$504m to the New South Wales economy alone⁷⁶.

An example of best practice inclusion is the partnership between Uber and Enabled Employment. Uber, a global ride-sharing platform, and Enabled Employment offer flexible work opportunities to thousands of people with disability who are able to drive, on uberX.⁷⁷ 'The platform presents a possibility to change the status quo, which has so far failed to create gainful economic opportunities for people with disability.' – Jessica May, founder, Enabled Employment.

While this is a nascent sector, as new industries and sectors emerge, there is a significant opportunity to ensure that marginalised jobseekers have opportunities to participate. It is also essential that vulnerable jobseekers are not exploited if they are working outside traditional sectors.

2. IMPROVE THE CONNECTION BETWEEN DISADVANTAGED JOBSEEKERS AND JOBS

INTERMEDIARIES CONNECT DISADVANTAGED JOBSEEKERS TO EMPLOYERS

Current landscape

More than 700,000 Australians are unemployed and more than 168,000 of these have been unemployed for over a year.⁷⁸ Those receiving a government benefit are (where appropriate) required to work with federally funded employment and training organisations to find a job. All federal employment services are contracted out to for-profit and non-profit organisations, which are region based and include:

- Mainstream service jobactive with annual expenditure of about \$1.5b.
- Specialist service Disability Employment Services (DES) with annual expenditure of about \$800 million.
- Specialist service for First Australian jobseekers, VTEC, with total expenditure of \$45m.

Service providers also link jobseekers to government-funded Vocational and Education Training (VET) courses provided by registered training organisations and other educational institutions.

Ineffectiveness of the current system/service

- Most disadvantaged jobseekers use the government-funded employment system to find work but historically only 7% of employers use it to recruit.⁷⁹
- Employers consistently say the system is too complex with differing quality among providers. The localised system does not suit the recruitment needs of national employers which hold many of the entry-level jobs.
- The Australian Employment Covenant shows a willingness among some employers to engage but progress from aspiration to sustainable jobs has been slow.
- While it is too early to gauge the effectiveness of the new jobactive arrangements, large employers make it clear they prefer a 'one-stop shop' to interact with the employment services system.
- Government wage subsidies are available for some jobseekers. However, appropriate targeting is required to minimise the payment of subsidies for job placements that would have occurred anyway and to ensure the subsidy is not too high a proportion of the gross wage.⁸⁰

Evidence of what works

Several peak bodies publicly endorsed the need for an intermediary to better connect employers with disadvantaged jobseekers. These include National Employment Services Association, Business Council of Australia⁸¹, Australian Chamber of Commerce and Industry⁸² and the Australian Network on Disability.

To significantly increase job placements for disadvantaged jobseekers, greater engagement with employers, government and non-profit service providers is needed. Trust, deep engagement, flexibility and values alignment are critical.

Demand-led programs in the UK and the US are highly successful in providing disadvantaged jobseekers with sustainable employment. The *AMBITION* Program in the UK worked with employers to identify opportunities and co-design training and support, and 62%-86% of jobseekers who gained employment retained their roles for more than six months. In the US, through Wildcat Corp, 86% of the single parents on government benefits 'completed demand-led employment training programs and 95% of them retained their jobs for more than six months.

In Australia, retention rates have risen to about 70% when part-time and full-time work is included. This falls to 24%-30% (depending on age) when only full-time employment is considered.⁸³ These figures remain well below the levels demonstrated by premier demand-led programs. NAB and ANZ have successful partnerships with Jesuit Social Services and the Brotherhood of St Laurence in designing employment programs. The *African Australian Inclusion Program* and *Given the Chance* have placed more than 100 employees.⁸⁴

McKinsey's report *A Labor Market That Works: Connecting Talent with Opportunity in the Digital Age* highlights the potential for growth of talent platforms.⁸⁵ The McKinsey Social Initiative program, *Generation*, intends to place 1 million candidates in jobs by 2020.⁸⁶

Industry Employment Initiative

- **Focus:** The IEI is prototyping a model to meet the recruitment needs of national employers through a one-stop-shop model while improving outcomes for long-term unemployed jobseekers.
- **SVA:** leads the consortium, employer engagement sources funding, contributes funding, provides program support through networks, quality assurance, risk management and measurement and evaluation.





GOVERNMENT-FUNDED EMPLOYMENT/TRAINING PROVIDERS MEET INDUSTRY NEEDS

Current landscape

The fact that only 7% of employers use the government-funded employment and training system to recruit staff⁸⁷ puts a huge number of entry-level jobs out of the reach of jobseekers. The World Economic Forum acknowledges that matching skills and jobs is a high priority⁸⁸ and in an Australian context, pressure is mounting to reform the VET system because of high dropout rates and perceived profiteering of training providers.⁸⁹

Ineffectiveness of the current system/service

- Employers working with employment service providers have found:
 - poor candidate matching: the most common reasons for employer dissatisfaction with the system were lack of practical skills, relevance of skills and the low standard of training.⁹⁰
 - short-term focus on job outcomes: the system focuses on 12 and 26-week outcomes, leading to churning of jobseekers through unstable employment and no evidence of improvement in wellbeing for the most disadvantaged jobseekers⁹¹. A 2014 report by the Auditor General found services delivered by Job Services Australia had not been adequately assessed in terms of deadweight (what would have happened anyway) and churn.⁹²
 - the 2015 Employment Services – *Building On Success Issues Paper* acknowledged some stakeholders view the employment support system as good at generating short-term jobs but not as efficient with long-term employment.⁹³ The jobactive outcomes payments are at four, 12 and 26 weeks⁹⁴, with a star quality rating attached to 52 weeks, but reporting on long-term placements is not as transparent.
- Feedback from the SVA's 2014 Employment Dialogue showed employment and training service providers found it difficult to build relationships with national employers because they lacked resources.
- Providers say the government's 'low-trust, high-compliance' contractual approach limits their ability to engage with employers, due to their being time poor, to red tape and focused on meeting time-heavy KPIs focused on throughput.
- Employment and training providers have also reported that staff often lack the skill to adequately support jobseekers and engage employers, and that overall capability needs to improve.

Evidence of what works

Effective employer engagement is crucial to align education and training with labour market needs. SVA's experience has shown the following factors are critical:

- significant time invested to build a trusted relationship
- understanding current and future vacancies, workforce development needs, workplace culture and the business case for employing jobseekers who are disadvantaged
- a thorough understanding of labour market conditions
- adapting engagement and delivery models to meet employer needs.

TRAINING, CAREERS EDUCATION AND SCHOOL-TO-WORK TRANSITIONS ARE MORE EFFECTIVE

Current landscape

The careers education and training system fails to give many individuals the skills to progress through education and training into sustainable employment. The challenges include the limited range of qualifications, numerous suppliers, vulnerabilities of the target population, quality assurance limitations, and inability to adequately compare and audit performance.⁹⁵

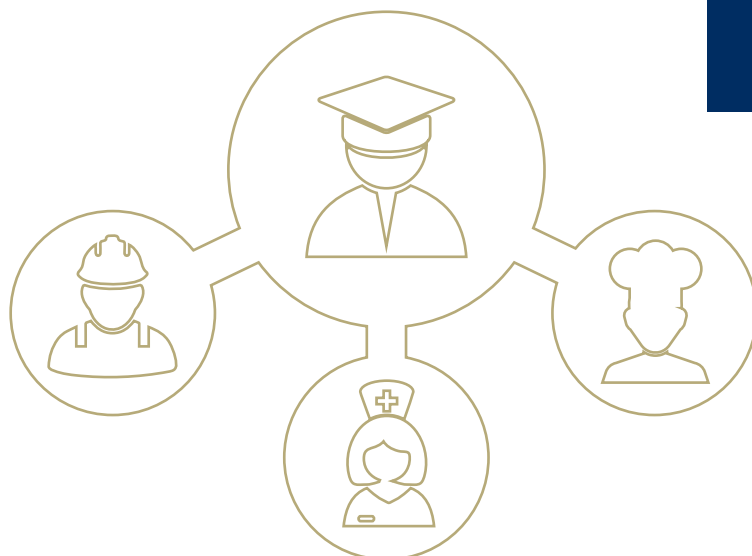
The *Beyond the Classroom* report defines four factors that must govern thinking about careers education. These include:

- Global changes (including knowledge economies, globalisation, longer life expectancies and digital technology).
- Changes to the nature of work brought about by technology and the need for more innovation and creativity.
- New strategies to tackle the ‘wicked problems’.
- The need to address educational equity issues.⁹⁶

Digital access and education are, however, reshaping the way youth can learn. The national Digital Education Advisory Group (DEAG) was established to support the Digital Education Revolution (DER).⁹⁷

Ineffectiveness of the current system/service

There is a growing disconnect between what youth learn in school and the work skills required. A McKinsey report showed that even though 72% of education providers believed youth were graduating well equipped for work, only 44% of employers thought the same.⁹⁸ Furthermore, less than half of young people believe they are ready for work upon graduating. The serious problems with registered training organisations, including rorting, exploitive marketing practices and lax auditing have also resulted in exploitation of vulnerable job-seekers.⁹⁹



Evidence of what works

SVA undertook a review of the international evidence of what is required to improve youth employment published as *The fundamental principles of youth employment*. The principles are divided into Personal: young people are ready for work, and Community Infrastructure: collaboration to deliver employment solutions for young people. The principles include:

Personal:

- identity
- building aspirations
- literacy and numeracy capability
- employment skills
- careers management

Community infrastructure:

- business partnerships
- early intervention
- personalised support
- alternative employment pathways
- financial support

CareerTrackers

- **Focus:** CareerTrackers creates professional career pathways for First Australian university students. It matches their aspirations with private-sector employers that provide paid internships. CareerTrackers is the vital link that ensures First Australians have the guidance they need to successfully transition from a learning environment to a rewarding career.
- **SVA support:** Since 2010, CareerTrackers has linked 943 students with 86 employers and achieved an 83% completion rate. SVA has helped CareerTrackers to expand nationally, become more financially sustainable, and develop a stronger management strategy.



DESIGN OF WELFARE SYSTEM INCENTIVISES PARTICIPATION

Current landscape

The Department of Social Services paid \$112.4b to people unable to fully support themselves in 2014-2015.¹⁰⁰ While the welfare system is designed to support people experiencing disadvantage, it sometimes can hinder people from moving into employment. This is largely due to the tipping point whereby the money earned from work (casual or otherwise) reduces a person's eligibility to access other social services.

The government employment system is designed to ensure jobseekers meet their obligations but it is often described as being more about 'proving eligibility' and compliance than finding employment.

Ineffectiveness of the current system/service

Several facets create barriers and disincentives to work:

There are 20 payment types and 55 supplementary payments, making it difficult for people to determine when they will be better off in work, which undermines the system.¹⁰¹

High effective marginal tax rates are built into the system because as people move into the workforce their benefits are withdrawn at a rate that reduces the incentive to work and can make them materially worse off if they take a job.

The significant gaps between pensions and allowances and the different criteria for eligibility mean that those on higher pensions fear that if they try to get a job and go off income support, but then are unsuccessful in the job, they will be put on a much lower payment (Newstart).¹⁰²

Income support payments for some groups are inadequate to meet basic living costs and are so low that they create a barrier to working because people focus on paying for essentials rather than job preparation, increasing their skills, going to interviews, and even appropriate clothing.¹⁰³

Rates of withdrawal of support payments with a direct link to workforce participation can also act as barriers to employment.

Some welfare measures such as rent assistance are highly dependent on location and can be inadequate in areas of higher labour market growth. Even after the supplement, 40% of recipients experienced housing costs stress in 2014.¹⁰⁴ And 59% of youth were even more likely to experience rental stress, despite the supplement.¹⁰⁵

Evidence of what works

Welfare systems are complex and different countries have adopted very different approaches from higher levels of universal service provision as in northern European nations, to time limited and tightly controlled eligibility programs. Impacts on workforce participation need to be assessed in light of interactions with local labour market and labour laws.

Two recent policy directions from which Australia could learn include:

- In Britain, the distinction between pensions, allowances and student payments has been replaced by Universal Credit, which pays a basic level adequate to cover life's essentials. Additional payments are available to those who need them most. This removes much of the complication and allows basic support for those who are disadvantaged. But it has been criticised for its failure to address the adequacy of the basic payment.¹⁰⁶
- New Zealand has taken an 'investment approach' where funds are intentionally directed to initiatives that will generate the highest returns on investment and a reduction of future costs. While the system is not perfect, and needs to better account for social outcomes as well as economic ones, it puts a burden on services and initiatives to generate positive long-term results.¹⁰⁷

3. ENABLE JOBSEEKERS TO OVERCOME BARRIERS TO FINDING AND REMAINING IN WORK

EMPLOYMENT PATHWAYS MEET AN INDIVIDUAL'S NEEDS

Current landscape

- Many people who are long-term unemployed face non-work barriers preventing them obtaining work, which may include childcare, transport, safe housing, access to social services and financial stress.
- Personal barriers include low self-esteem, poor mental and physical health and drug or alcohol problems, lack of job-ready skills such as work experience, low education levels, no vocational qualifications and lack of knowledge of workplace practices.
- These barriers are often far beyond the capacity of employment services.
- Jobseekers who are at risk of being, or who are, long-term unemployed require upfront, individual and wrap-around support to address these barriers.
- Services provided through the welfare system, including gambling counselling, mental health community supports, alcohol and drug services, can be critical to help jobseekers overcome barriers to work.

Ineffectiveness of current system/service

- The support provided through the employment system is insufficient. The level of assistance for an unemployed person reduces over time when it should increase.¹⁰⁸
- Assessment of individuals and the development of their employment pathway are often inadequate, further marginalising the groups that need the most support.
- Changes to the system mean service providers are incentivised to work with those who are easiest to place and 'park' those who are more difficult to place.
- The jobseeker classification instrument assesses people's need and capacity to work but it is delivered by phone and there is concern about failures to correctly classify jobseekers.¹⁰⁹ An example of this was highlighted when data on the Centrelink homelessness indicator was analysed showing that many people were not identified as homeless and so were incorrectly streamed.¹¹⁰

Evidence of what works

- Different people require different approaches – individualised service provision for those facing multiple barriers is key.
- A review of the Employment Pathway Fund found that intensive upfront investment tailored to need was an effective way to get job outcomes.¹¹¹
- Programs that address barriers to employment have been shown to make people keener to work.¹¹²
- The Industry Employment Initiative has shown that barriers are not immediately apparent but wrap-around support helps individuals as issues arise.
- The Australian actuarial analysis of income support will likely show that a much larger upfront investment, particularly in vulnerable youth, could have a very significant saving to government over time.
- Tailored pre-vocational training that builds realistic expectations of a move into work helps identify barriers. A focus on the individual's capacity to work coupled with the opportunity to access support services ensures the individual has the best chance of success.
- Work experience can be used to further confirm the expectations of the employer and potential employee. A supportive workplace is imperative and giving the jobseeker the real-life experience of working on site gives them the insight and confidence they need.
- A mentoring component has proved valuable. The mentor is designated to support the jobseeker through the program and into employment.
- Post-placement support is also imperative as issues that are difficult for an individual to overcome often do not become apparent until weeks into employment. A mentor, case worker, supportive employer and a network of personal contacts are recommended to ensure success.

STREAT (SVA Venture Philanthropy and Impact Investing)

- **Focus:** This social enterprise in inner Melbourne works to stop youth homelessness. Its cafes, catering unit and coffee roaster provide on-the-job training and generate revenue to give young people a range of supports – help to find stable housing, vocational skills, improved mental health and wellbeing.
- **SVA support:** SVA has partnered with STREAT since 2011 to help them grow their impact; including by providing grant funding and conducting SROI analyses.

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