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Mr Julian Hill
Member for Bruce
Chair of House of Representatives Select
Committee on Workforce Australia Employment Services
Parliament House
Canberra ACT 2600

Dear Chair,

Re: PRF Submission to the Inquiry into Workforce Australia Employment Services (2023) – revised

The Paul Ramsay Foundation (PRF) welcomes the opportunity to provide a submission to the Inquiry into Workforce Australia Employment Services ('Inquiry').

Our purpose is to help end cycles of entrenched disadvantage in Australia by supporting people and communities to thrive. As one of Australia's largest philanthropic organisations, PRF has invested over $100 million into employment initiatives and organisations. **We focus on employment as it is a powerful disruptor of cycles of disadvantage and entrenched poverty. Employment is essential for economic dignity and for an inclusive and thriving society and economy; however, for structural and systemic reasons, the most disadvantaged people in Australia are persistently shut out of it.** As such, a well-functioning employment support ecosystem serving all people, including Workforce Australia, is essential.

All people and communities should have economic dignity and the opportunity for social mobility. Social mobility is linked to equality of opportunity: the same chances to do well in life regardless of individual identity, the household or community in which you are born, or other circumstances beyond your control.

Unemployment (and underemployment) have a significant human, social and economic cost to individuals, families and society. Long periods of unemployment can be scarring for individuals, households, and communities across a wide range of socioeconomic outcomes. For example, several studies show young people who graduate during recessions suffer worse long-term labour market outcomes over their lifetimes than cohorts that graduate into a booming labour market[1]. Furthermore, a recent study established a direct causal relationship between unemployment and suicide (that is, unemployment is a driver of suicide). Researchers estimate that in Australia, in the 13 years from 2004 to 2016, unemployment and underemployment directly resulted in more than

[1] For example, see Andrews, D, Deutscher, N, Hambur, J and Hansell, D., The Career Effects of Labour Market Conditions at Entry, 2020-01, 2020, https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Ftreasury.gov.au%2Fsites%2Fdefault%2Ffiles%2F2020-06%2Fp2020-85098-202006.docx&wdOrigin=BROWSELINK

93,000 Australians dying by suicide, an average of 230 a year, or put another way 9.5 per cent of the 32,000 suicides reported in Australia in that period[2].

The authors suggest, and we agree, that this human cost of unemployment bolsters the case for **policies to achieve full employment** as well as to **reduce the negative consequences of unemployment**, through expanding unemployment benefits to provide a liveable income, strengthening the mental health system, labour market reforms to achieve greater job security and considering the role of a **targeted** job guarantee. The United Nations also recently discussed the place of job guarantee programmes to protect workers from global employment challenges, such as the rise of Artificial Intelligence[3].

We believe that everyone who wants a quality job should be able to have one. **There is not a level playing field in Australia; there is not equality of opportunity**. Many people have not had the same opportunities or investments through childhood and adolescence required to set them up for quality employment. The absence of these opportunities brings with it a set of often insurmountable systemic barriers to entering the workforce, coupled with policy settings that impact employment. Furthermore, not everyone can work, with many people having partial capacity to work. Some people will therefore need a responsive national employment system with intensive and personalised supports to address these barriers to gain a quality job and thrive. To be successful in supporting people, the employment system will need to have strong and deep connections with employers across the country and mobilise these connections to support people to successfully take up these opportunities. If the employment system accepts that is not all about shifting people off welfare, rather to a more wellbeing focus approach, we might consider expanding the jobseekers that the system supports to find work (for example, people excluded from the labour market but not receiving jobseeker payments). **Alongside this, the response needs to include a commitment to full employment, job creation, and a decent income support system to support those between jobs to bounce back. These things will reduce the NAIRU (while imperfect, it is used in monetary policy) and improve wellbeing. Reducing the NAIRU over time should be a focus of fiscal policy.**

The quality of jobs available for all Australians is critical. We are seeing that one's economic independence and dignity is served best by jobs which are appropriate, accessible, and secure. **Employment is not a guarantee against poverty.** Many people hold low-paid and insecure jobs, trapping them in persistent poverty and disadvantage, preventing full economic independence. Headline employment numbers mask underemployment and a material cohort of the "working poor" undermining the power of employment to disrupt cycles of disadvantage and entrenched poverty.

The Workforce Australia system is not currently meeting the needs of those systemically shut out of work; it is not currently ensuring that everyone who wants a quality job is sufficiently supported to find one. Evidence of this is well documented in the submissions to this Inquiry.

We posit that these failings result from several factors, and provide a set of recommendations to resolve these factors, in summary:

- The Commonwealth Government should have an explicit full employment goal – **a job for everyone who wants one and can work**. We believe that the social and economic benefits to the individual, their families and communities of full employment far outweigh narrow employment, productivity, and fiscal benefits preserved by the current situation. Linked to this goal, we believe actively **reattaching people who are long-term unemployed to the**

[2] Skinner, A., Osgood, N., Occhipinti, J., Song, Y., and Hickie, I. 2023, Unemployment and underemployment are causes of suicide, American Association for the Advancement of Science, Volume 9, Issue 28. July 2023, https://www.science.org/doi/epdf/10.1126/sciadv.adg3758

[3] United Nations Human Rights, June 2023, https://documents-dds-ny.un.org/doc/UNDOC/GEN/G23/071/64/PDF/G2307164.pdf?OpenElement

labour market can mitigate inflationary pressures (reducing the NAIRU over time) and raise living standards. The only form of unemployment that should be acceptable is frictional unemployment, reflecting the ongoing evolution of the economy and jobs and people exercising their ability to change jobs.

- Employment supports must be respectful and dignified and should deliberately provide for the individual's full economic dignity. Accordingly, the level of **JobSeeker should be increased, using the Henderson Poverty Line as a guide for what is needed to live a decent life**. We welcome the recent increase and hope it continues to increase toward the Henderson poverty line. We believe such an investment would amply pay for itself through the significant economic benefits tied to widespread reductions of poverty. An increase will also enhance people's ability to get a job.
- The employment services system should address the drivers of unemployment, and ensure people have access to appropriate services.
- Workforce Australia should:
    - take a **person-centred and holistic approach to an individual's needs** and barriers to employment; any mutual obligations are flexible, and attend to an individual's circumstances (and are in fact 'mutual').
    - focus on the **quality of a job** and an individual's **wellbeing**, which is enhanced as a result of the support provided.
    - provide **specialist support** to those who need it.
- The Workforce Australia system should have a "**learning culture**", and to achieve this goal there should be:
    - **An intelligent and relational commissioning** approach that rewards **successful sustained outcomes**, is **transparent** and **supports and rewards the ecosystem** required to deliver employment outcomes.
    - "**Innovation zones"** (geographic and cohort-based) to enable testing of different approaches and continuous improvement of the overall system.
    - **Transparent funding flows** so resources are targeted to where they are most needed and successful providers are rewarded. Anecdotally, we know that organisations are not being fairly rewarded for their contributions to employment outcomes and social impact, e.g. social enterprises who take referrals from Workforce Australia service providers, support individuals getting "job-ready" and into employment but receive minimal associated funding.
    - **Transparency of outcomes data** linked to sustained employment outcomes, quality of jobs, the contribution of the wider ecosystem, meeting both the needs of employers and the needs and aspirations of jobseekers; transparency will enable both providers and service users to understand what is working well and what needs improvement.
    - **Outcomes payments to ecosystem participants** which are linked to these same outcomes: sustained quality jobs; meeting jobseeker aspirations; meeting the needs of employers.

Finally, we want to acknowledge that Workforce Australia reform is only a small part of the solution and the broader 'employment system' (which also includes job creation, employer/demand side activation, skills and training system). In fact, for an effective broader employment system to work, it needs to mobilise all the key actors – government, social services, corporates, business, industry

groups and philanthropy, and maximise alignment. To get the most value of philanthropic investment, we need to align the efforts of philanthropy so that it provides complementary investment that supports innovation or areas where government does not have an appetite for risk. An example of how this could work in practice is Mazzucato's mission-based innovation approach[4]. The Investment Dialogue could be a good mechanism for philanthropy and government to align and mobilise on the broader employment agenda. Areas of initial focus may be place to population systems change initiatives, social enterprise, social procurement, foundational pathway that intentionally deal with the upstream drivers of unemployment.

Regards

Ben Gales
Chief Delivery Officer
Paul Ramsay Foundation

[4] https://marianamazzucato.com/

Context

The Paul Ramsay Foundation (PRF) invests in partnerships that aim to reduce systemic barriers to employment. We aim not only to confront the immediate manifestations of unemployment, but also the deeper social and economic conditions that perpetuate unemployment and prevent social mobility ('the social determinants of employment', such as discrimination, social capital, proximity to labour markets, economic conditions, skills attainment etc). In addition, a large body of evidence demonstrates that the impacts of unemployment can be intergenerational. Those who grow up in low-income households have a significantly higher probability of being out of the labour force as adults[5]. That being the case, we have a particular focus on young people (~15-30-year-olds) who are not in employment, education, and training; and on families with children and in which no person is employed). While employment can never be understood as isolated from other socioeconomic causes and outcomes, we believe it is the most important lever for economic dignity and poverty alleviation.

We understand the scope of the Inquiry's Terms of Reference focuses on Workforce Australia Employment Services. However, we believe a well-functioning employment system is only one part of the set of policies needed for economic dignity and social mobility. That is why we continue to lift our gaze towards understanding how system reforms across the tax and transfer system, skills, disability employment, Closing the Gap and CDP, and other human services interact with the employment system, incentives, and broader market conditions and sentiment. Workforce Australia Employment Services cannot be seen in isolation.

See Appendix 1 for how we see our role in the landscape and are investing in employment to support economic dignity and social mobility.

Recognising the wide range of issues and questions canvassed by the Committee's submission guide, PRF's submission focuses on those areas where our work may add value to the Committee's consideration, specifically in relation to:

- **Section 1: Policy objectives that underpin employment services**
- **Section 7: Meeting employers' needs**
- **Section 8: Mutual obligation and activation**
- **Section 11: Research, evaluation & adaptation**

Section 1: Policy objectives that underpin employment services

The current system is system centred rather than person centred, designed to transition people off income support rather than build pathways to lifelong learning and decent work. PRF considers a new system must be underpinned by a goal of full employment, as well as a reconsideration of the role and purpose of the employment system, who it is designed for, and what is the scope of its work.

The Commonwealth Government should have an explicit full employment goal – **a job for everyone who wants one and can work.** A national employment service system is an important way to deliver this, together with activating mainstream employment opportunities (demand side), pathways to self-employment through micro-enterprise, social procurement and growing the social enterprise sector to spur job creation, and an adequate safety net to support people during times of crisis.

[5] See for example, PRF funded Melbourne Institute research melbourneinstitute.unimelb.edu.au/__data/assets/pdf_file/0008/3522482/Breaking-Down-Barriers-Report-1-October-2020.pdf

The purpose of a national employment services system

PRF considers that the overarching objective of an employment service system should be to assist jobseekers in moving along the path towards quality employment, taking account of their starting point, individual needs, aspirations, context, as well as the system challenges that exist.

The role *of a national employment services system*

The national employment services system should be geared toward serving those furthest from the labour market who need such support most.

This contrasts with today's system, that is focused on transitioning people off welfare and does not take a wellbeing or long-term perspective. Indeed, in order to maximise profits, service providers can be incentivised to put people in short term inappropriate roles knowing they will return in 6 months creating further revenue income.

Addressing the drivers of unemployment

Unemployment is caused by a combination of system challenges, vulnerabilities, and trigger events for individuals. The framework below (adapted from Melbourne City Mission and referenced in a report by Social Ventures Australia in relation to homelessness[6]) articulates the compounding factors outside one's control which affect one's employment situation.

Note – what we do not know is the realtive and absolute contribution of each of these factors in impacting the probability of becoming unemployed and/or long term unemployed; or the intersection, interaction and compounding nature of multiple factors.

[6] https://www.socialventures.com.au/sva-quarterly/housing-first-the-challenges-of-moving-from-pilot-to-policy/

The current national employment services system takes a deficit-based approach, which focuses on the perceived weakness of individuals and the people are viewed as the problem. Further, mutual obligations and the points-based activation system that require people to apply for a large number of roles and inevitable rejections is damaging; a major challenge for people is the associated loss of confidence and motivation. A capabilities based approach will be more effective, with a focus on addressing these drivers, building job-readiness, wellbeing, social capital, and self-confidence. Policy responses that underpin employment services need to be reflective of and responsive to the broad range of factors beyond one's control which affect their access to quality work.

Employment needs a whole of Government approach

The lack of integration across Government functions means that there is a roadblock to the creation of better employment outcomes for people furthest from the labour market.

It is neither realistic nor fair to expect job seekers experiencing multiple complex barriers to transition into work without first addressing the barriers preventing them from focusing on and securing employment in the first place. For some cohorts, this might mean support with childcare, transport, housing, disability, mental health, vocational skills, and training. While there is significant government expenditure in each of these human domains, siloed budgets, limited flexibility, and a lack of incentives to collaborate leads the national employment services system to narrow its efforts, minimising its ability to address individual vulnerabilities.

Employment support should be integrated with other social supports. The employment service system should not be seen in isolation of related systems – education, vocational education and training, health, housing, and disability. These services (which are provided by local, state and territory, and Commonwealth Governments) should be integrated, so people facing multiple barriers can be effectively supported. This approach would reduce duplication and maximise the value of public and social expenditure. Examples of how this could be operationalised include Our Place[7], and the Brotherhood of St Laurence's National Youth Employment Body[8].

JobSeeker payments need to be raised for all

Low jobseeker payments were designed to incentivise people to seek work. However, evidence and experience has demonstrated that they are now acting as a handbrake for people to get work and in fact trap people in poverty. Reform to this coupled with commitment to a full employment goal are the most important policy drivers to catalyse and sustain reform of the employment system.

Australia has the second lowest payment for newly-unemployed people – relative to average wages – of the 37 members of the OECD, behind only Greece[9]. People on unemployment benefits have heightened levels of financial deprivation and stress, which can hinder individuals from effectively seeking and securing employment. Ways in which low unemployment benefits hinder employment include: living in poverty can impede job search efforts as individuals grapple with the challenges of meeting their basic needs, making it harder to focus on securing employment; effective job searching often requires access to resources such as transport, internet connectivity, devices, and appropriate attire for interviews and skill development; unemployment can have significant mental health impacts which negatively affect job search efforts, motivation, and employability; with very low level benefits, individuals may feel compelled to accept low-wage jobs that do not align with

[7] See https://ourplace.org.au/
[8] See https://nyeb.bsl.org.au/
[9] Grattan Institute, 2021, https://grattan.edu.au/wp-content/uploads/2021/03/housefin_2021_jobseeker_submission.pdf

their skills or qualifications; contribute to social exclusion and a sense of marginalisation among jobseekers.

The Grattan Institute in 2021 found Australia's unemployment benefit was inadequate before the COVID crisis, and even with the Coronavirus Supplement, the payment would be only about half the full-time minimum wage – and as such not a meaningful disincentive to search for work[10]. An e61 Institute study[11] looking into the adequacy of unemployment benefits to support workers through a period of job loss, found on average, families receiving JobSeeker payment reduce their consumption by 10% following job loss (compared with 7.5% for families not receiving Jobseeker); and for single people, their consumption drops by 15% when they lose their jobs. A sharp drop in consumption suggests that single Australians are forced to make difficult choices following job loss, such as cutting back on necessities or taking up the first job available even if it does not match their skills. This will not lead to sustained outcomes. Another study, by Broadway et al. (2021) found that reducing overall payment levels generally does not improve parent's employment outcomes, and in addition, harms children's academic and social development[12].

Government policy can have significant impact on poverty. During the pandemic, the Commonwealth's introduction of the coronavirus supplement on top of Jobseeker, saw child poverty rates for children of single parents more than halve, falling from 39% to just 17%[13]. This was despite unemployment increasing to a high of 7.5% in July 2020. The supplement was removed in March 2021. Child poverty for sole parent households is currently 34%[14]. Another study conducted into the impact of the COVID response on jobseeker recipients found that the Coronavirus Supplement and suspension of mutual obligations improved respondents' engagement in the labour market as well as their physical and mental health[15].

The Economic Inclusion Committee[16] and the Senate Inquiry into the extent and nature of poverty in Australia (in their Interim Report[17]) both called for urgent action to address rising inequality and entrenched disadvantage, including through the income support system.

Social attitudes to people experiencing unemployment and people receiving income security payments needs to change

As noted in all the systems change literatures as well as much of the employment and disability employment research literatures, it is essential to shift attitudes. These attitudes have had an adverse impact in perpetuating shame and anger, which further damages people's mental health,

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[10] Grattan Institute, 2021, https://grattan.edu.au/wp-content/uploads/2021/03/housefin_2021_jobseeker_submission.pdf
[11] https://e61.in/wp-content/uploads/2023/04/Does-JobSeeker-target-those-who-need-it-1.pdf
[12] Broadway, Barbara, Tessa LoRiggio, Chris Ryan and Anna Zhu (2021). Literature Review on the impact of welfare policy design on children and youth, Journal of Economic Surveys.
[13] See https://www.socialventures.com.au/assets/Making-a-difference-to-financial-stress-and-poverty_full-report-SVA-BSL.pdf
[14] https://povertyandinequality.acoss.org.au/poverty-in-australia-2023-who-is-affected/
[15] Klein, Elise, Kay Cook and Kelly Bowey, 'Social security and time use during COVID 19' (2021) *Centre for Excellence in Child and Family Welfare* https://www.cfecfw.asn.au/covid-19-social-securitymeasures-
enabled-job-seeking-but-payment-cuts-inhibit-this-once-more-finds-survey/.
[16] https://www.dss.gov.au/groups-councils-and-committees-economic-inclusion-advisory-committee/interim-economic-inclusion-advisory-committee-2023-24-report
[17] https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/RB000081/toc_pdf/Theextentandnatureofpovertyin Australia.pdf

confidence and therefore ability to engage. For example, one study[18] found "…. many unemployed people internalise activation's discourses of personal failure, experiencing shame and worthlessness as a result. It also reveals, however, that a significant minority reject this framing and the 'feeling rules' it implies, expressing not shame but anger regarding their circumstances." Recently, Commissioner Holmes in her final report into the Royal Commission into the Robodebt Scheme, wrote "politicians need to lead a change in social attitudes to people receiving welfare payments. The evidence before the commission was that fraud in the welfare system was miniscule, but that is not the impression one would get from what ministers responsible for social security payments have said over the years. Anti-welfare rhetoric is easy populism, useful for campaign purposes."[19]

A full employment policy

Alongside employment services, there is a complementary role for government in job creation to support a full employment policy – everyone who wants to a job and can work should be able to have one.

In addition to employment services, which target the 'supply' of labour (people available and looking for work), the Government should use its fiscal levers to promote labour demand, in support of a **full employment target**[20].

We believe that the social and economic benefits to the individual, their families and communities of full employment far outweigh narrow employment, productivity, and fiscal benefits preserved by the current state of affairs. Linked to this goal, we believe actively **reattaching people who are long-term unemployed to the labour market can mitigate inflationary pressures** and raise living standards (given this cohort does not excerpt upward pressure on wages through wage bargaining power). The only form of unemployment that should be acceptable is frictional unemployment, reflecting labour market labour and people exercising their ability to change jobs.

Key levers for Government in job creation are social procurement, funding social enterprise (through and outcome fund or including them in the Workforce Australia system as a recognised job creator) and recognising self-employment as available and desirable outcome for some cohorts.

We are particularly focussed on how to address employment opportunities in thin labour markets. We are working with the Central Lands Council in the Northern Territory on a 'Jobs Investment Fund', to pilot an alternative to CDP, and demonstrate how a targeted jobs guarantee could work in thin labour markets/rural and remote communities, for people who are long term unemployed..

Social enterprise (job focused or work integration social enterprise / WISE) delivers better outcomes for job seekers

We believe social enterprise can play an important role in providing employment opportunities for people facing barriers, and an important pathway to mainstream employment. It is a more effective to integrate employment and (some) wrap-around supports, rather than separating them out, which is the traditional approach. This leads to a better experience for the individual and more sustained outcomes. A recent report by Taylor Fry commissioned by PRF has found that Work-integrateion Social Enterprise (WISE) offer more cost effective and better outcomes than traditional service

[18] https://journals.sagepub.com/doi/full/10.1177/0950017019845775
[19] https://robodebt.royalcommission.gov.au/system/files/2023-07/report-of-the-royal-commission-into-the-robodebt-scheme.pdf
[20] This view is supported by labour market economist Professor Jeff Borland, see his submission to the Inquiry.

provision models[21]. PRF welcomes the Commonwealth Government's announcement in the May Budget of a $11.6M Social Enterprise Development Initiative, but more is needed. We believe PRF is the largest funder of the social enterprise sector, having invested over $100 million into the social enterprise sector since 2016, including grants and impact investment (returnable capital).

We are also investing in collaboration, peer learning, outcomes funding models and collective evaluation (evaluation of a cohort of organisations) to help build the evidence of what models work and what impact the sector is delivering, despite currently no ongoing government funding mechanism to recognise the employment and broader outcomes being delivered. Social enterprises should be funded for the employment outcomes they deliver, through an outcome fund, or as part of the Workforce Australia system.

Social procurement as a job creation lever

Social procurement is a powerful lever to support jobs for people furthest from the labour market. For every $1 million of procurement spend, the social enterprise sector produces 9 jobs[22]. Given the lack of entry-level jobs available (as cited above), this type of job creation is a key lever to creating quality jobs for the people who need them most. The efficacy of such an approach can be seen in Indigenous Procurement Policies by both the federal and state and territory governments. For more details on the opportunity presented by social procurement, see the work done by Social Traders (see www.socialtraders.com.au).

Government policies such as targets to commit governments and corporations to procuring the goods and services they need from social enterprises has had a substantial impact on supporting Indigenous employment, self-employment and self-determination more broadly.

The Australian Government should build on the success and evidence of effectiveness of First Nations procurement policies and the Victorian Government's social procurement policy as well as commercial organisations such as Westpac, Lendlease. Philanthropy can also build on this by mobilising networks in business and the social sector, so can have bidirectional drivers for this.

The Australian Skills Guarantee is another example of government using its purchasing power to increase creation of quality jobs.

Self-employment should constitute suitable and sustainable jobs for jobseekers

From FY14-FY22, there were approximately 13,800 FTE (Full Time Equivalent) positions created by PRF's partner, Many Rivers, among their current or previously supported businesses. This is just one example of an organisation delivering support to people to start and grow their own small business. PRF currently partners with ~10 organisations doing this work, supporting a diverse range of cohorts through self-employment. Partners include: First Australians Capital, Many Rivers, Global Sisters, Enterprise Learning Projects; Australian Centre for Rural Entrepreneurship; Menzies Foundation/ Kimberly Jiyigas; Aboriginal Tourism Western Australia Limited (ATWAL); and Outback Academy.

For some cohorts, such as people with disability, women escaping domestic violence, First Nations peoples who want to work on country, or refugees and migrants who are highly entrepreneurial, self-employment (such as through micro-enterprise) can provide a valuable path to economic dignity. The benefits of self-employment are broad and include types of work not found in existing

[21] Initial analysis by Taylor Fry (report publication forthcoming) modelling of the costs and benefits and efficacy of the WISEs in the White Box Enterprises PBO with DSS on disability employment, indicating they are delivering better outcomes and greater benefits than DES providers.
[22] Social Enterprise Australia commissioned report, 2022, Business for Good, https://www.socialenterpriseaustralia.org.au/business-for-good

job opportunities, offering a high degree of control and self-reliance, offering the capacity to schedule work around own and family needs, and potentially overcoming barriers to employment such as lack of transportation, workplace discrimination. The ripple effects for families and for community economic development from micro-enterprise is substantial[23].

These organisations, and others like them, are well placed to deliver the 'Self-employment' assistance provided under Workforce Australia, with a higher level of efficacy than the New Business Assistance with NEIS program[24] (replaced by Self-Employment Assistance in July 2022) as demonstrated by their impact record and embeddedness in their local communities.

Recommendations:

- **Recommendation 1:** Commonwealth Government should have an explicit full employment goal – **a job for everyone who wants one and can work.** Workforce Australia is an important lever to help achieve this goal, but Commonwealth Government has many other levers that it should use such as fiscal policy and social procurement.
- **Recommendation 2: Design Workforce Australia as a person-centred system, with success based on broader outcomes in addition to a job**. The eco-system of employment services and associated supports should be supporting long-term holistic outcomes for individuals, families and communities; the quality of job and long-term sustainability of outcomes are more important than simply exiting welfare. Services should be targeted, personalised, capabilities based (not deficit) and importantly non stigmatising.
- **Recommendation 3: increase** the **Jobseeker rate, looking at the Henderson Poverty Line as a guide for what is needed to live a decent life.** The reduction in payments as employment hours increase[25] should be more limited. Both the Jobseeker rate and the effective marginal tax rate inhibit people gaining employment.
- **Recommendation 4:** Integrate **employment support with other social supports**. Workforce Australia should not be seen in isolation of related systems – social sector supports, education, vocational education and training, skills and training, income security. These services should be coordinated and connected, and ideally integrated, so people facing multiple barriers can be effectively supported. This approach would also reduce duplication and maximise value of public and social expenditure. Example of how this could be operationalised include Our Place, BSL's NYEB etc.
- **Recommendation 5**: Funding amounts should reflect the different complex needs of clients and "distance" from the labour market. Providers should be rewarded for supporting the most complex cohorts, to avoid "parking and creaming".

Section 7: Meeting employers' needs

The redesign of Workforce Australia needs to be mutually beneficial to jobseekers and employers to maximise employment outcomes. Employers are a critical actor in the employment services system, but too regularly they are disconnected and disengaged from it. Employment services

[23] See for example, the ten year evaluation of Many Rivers, https://prod-manyrivers.s3.ap-southeast-2.amazonaws.com/wp-content/uploads/20230522141600/Many-Rivers-10th-Annual-MED-and-3rd-Annual-CED-Evaluation-Report.pdf

[24] https://www.dewr.gov.au/employment-services-evaluations/resources/encouraging-entrepreneurship-and-selfemployment-initiative-2016-2019-evaluation-report

[25] Jobseeker recipients face a very high marginal tax rates of around 50¢ in the dollar if they earn more than $75 a week, see https://e61.in/do-people-change-their-earnings-to-avoid-losing-benefit-payments/

systems and policies typically address unemployment through supply side approaches that focus on supporting job seekers to obtain work. Less attention is paid to the demand side of the market and the critical role that employers play in providing secure, meaningful work opportunities, especially for disadvantaged job seekers. **A system which works for the most disadvantaged people requires that the business is engaged, confident and willing to recruit people from marginalised and disadvantage backgrounds, and are capable of recognising the unique capacities and assets they will bring to their business.**

Preliminary insights from our partnership with the Behavioural Insights Team[26] highlight the following:

- Current Workforce Australia outcome payment settings incentivise providers to focus on volume, rather than ensuring quality and person-job fit for candidates they refer, which has **eroded employers' perceptions of service providers and the job seekers they work with**. As a result, employers are now regularly at best disengaged from the employment services system, and at worst, hostile to it.
- Employer attitudes to jobseekers mirror broader social attitudes (this is also embedded in design of Workforce Australia). Perceptions of disadvantaged job seekers referred by service providers which flow into decisions made not to recruit them, may be influenced by ***unconscious bias***. For example, although wage subsidies are intended to incentivise employers to recruit disadvantaged job seekers, such incentives may inadvertently send negative signals about the 'quality' of such candidates, and so, perversely, they may actually discourage employers from recruiting the job seekers the incentives are intended to support.
- Employers and HR professionals are often under pressure to fill roles quickly, and prefer to recruit individuals with experience and existing skills. This preference reflects employers' ***present bias*** and ***risk aversion***, as employers prefer to recruit experienced and job-ready candidates, rather than investing in training and development for job seekers with less experience but additional and diverse capabilities and assets. As a result, employers tend to rely on existing systems or hiring techniques that are perceived to reduce their risks (for example, by screening for tertiary qualifications and recent work experience), **creating a 'free-rider' problem and erecting further barriers to job seekers from disadvantaged circumstances, who may have lacked opportunity, and with more complex needs.**

Mainstream employment practices (including recruitment) tend to exclude the most disadvantaged people, such as those with experiencing social discrimination or prejudice, with low skill attainment, with histories of contact with justice systems, with less opportunity to develop social capital, those experiencing homelessness and those living with a disability. Complex forms of disadvantage like these make it extraordinarily difficult to compete in a labour market with others who do not face these barriers[27]. While some can, they are the few. Most within these cohorts experiencing disproportionate levels of systemic disadvantage **require a supportive public system to realise their potential.**

There is an education piece missing for employers to understand how to support these cohorts and tap into the unique value they bring. Within current settings, there is little incentive for employers to take this on. Increasing focus on social licence may provide some much-needed impetus. We know that many people will thrive in mainstream employment with adequate support, but understanding what works across different cohorts needs to be demonstrated and facilitated. A redesigned

[26] Behavioural Insights Team / System 2 Limited, to be published later in 2023.
[27] See for example, Booth, A, Leigh, A & Vargonova, E (2012). *Does ethnic discrimination vary across minority groups? Evidence from a field experiment.* Australian National University: ACT.

Workforce Australia should consider what it takes to make mainstream employers more receptive and active in creating an environment for our target cohorts to thrive. This could include financial levers, more evidence of the positive business impacts, funding for capacity building, facilitating partnerships with intermediaries to help businesses, including skills and training providers who can support employers to establish alternative pathways to employment e.g., through apprenticeships and traineeships[28]. Workforce Australia should also consider the role of employers in the design and delivery of pre-employment models, including Employability Skills Training, to ensure those industries facing skills shortages and future growth have a pipeline of job ready people prepared to address future need. Support for employers has to include explicit measures to mitigate the risk aversion, reform to HR and recruitment practices and in particular digital recruitment platforms, evidence making that demonstrates value to business of diversified recruitment etc.

Social enterprises can demonstrate what is possible when employers take seriously and value the experiences and attitudes of people from disadvantaged circumstances. However, for opportunity to be writ large across Australia, business and mainstream employers must be empowered and enabled to follow suit. We believe investments in the capabilities and confidence of employers is critical to realising employment parity for cohorts such as First Nations people, people with a disability, people from culturally and linguistically diverse backgrounds, people living in poverty, and people for whom work and education has never been the norm, to name just a few groups left out of the mainstream labour market.

We are partnering with a number of organisation to activate mainstream employers and demonstrate what it takes, such as:

- **Social Ventures Australia on the Building the Career Ladder Employer Innovation Lab pilots**, working with employers, supporting them to open up quality career pathways for young people with no university qualification in South West Sydney, Western Sydney, and North Melbourne (regions with too high youth unemployment). See the SVA Submission for more information on this initiative.
- **Australian Human Rights Commission's IncludeAbility pilots**. This initiative is building momentum behind employer behavioural change and adoption of best practice supporting people with significant disability in open employment. Two pilots to date have demonstrated participating employers making changes in practices such as implementing accessible recruitment practices, linking to their reasonable adjustment process in job advertisements, ensuring their online recruitment systems are accessible to screen readers and other assistive technology, encouraging people with disability to apply for positions, ensuring interview panellists have disability awareness training, and offering targeted employment pathways such as graduate programs for people with disability. There is clear evidence that people with profound disabilities can work in open employment and self-employment, provided adequate and fit-for-purpose support and a system which eliminates rather than imposes barriers, are in place[29].
- **Social enterprises and charities (various, e.g. Two Good, Hotel Etico, Australian Spatial Analytics, Xceptional, Good Sammy, Asylum Seeker Centre etc) –** Many of the social enterprises, charities and other for purpose organisations we support, are working directly with their own employer networks, to transition the people they support to mainstream employment, when they are ready to make that transition. In the absence of any systemic program that supports mainstream employers create an environment for people to thrive,

[28] What will it take - Draft Report - V3.1 FINAL (socialventures.com.au) & GJP-Youth-Pullout-Report_AW_No-Crops-1.pdf (youthfuturesfoundation.org)
[29] AHRC, 2021, *The economic and business benefits of employing people with disability*, URL

they often work 1:1 and support people for an extended period of time after they have transitioned, to ensure the transition is successful and sustained.

Recommendations:

- **Recommendation 6:** Commonwealth should adopt social procurement targets to support job opportunities for those furthest from the labour market, building on the success of its Indigenous Procurement Policies.
- **Recommendation 7:** Commonwealth should support business and mainstream employers to be capable and confident hirers of people furthest from the labour market, recognising there are different approaches to how to achieve this.

Section 8: Mutual obligation and activation

Mutual obligation requirements continue to place the onus on the job seeker to prove compliance and motivation. For individuals consistently reminded for the structural conditions which dictate their employment outcomes, this is stigmatising and demoralising, and it lets other system actors, including government, off the hook to, providing meaningful support to people to skill, retrain where needed, and find work.

Preliminary insights from our partnership with the Behavioural Insight Team[30] highlight the following:

- The employment services system fails to tap into the power and importance of the relational aspects of supporting job seekers. The overwhelming focus on compliance during meetings with service providers and the potential for **punitive outcomes hinders the ability for job seekers to establish rapport and trust in their case managers**. Further, mutual obligation requirements (MORs) are often **deficit-based**, focusing on mobilising job seekers to fix individual barriers to their employment, many of which may be out of one's control, rather than enabling job seekers to identify and tap into their assets, aspirations and capabilities. A generic and unfit-for-purpose approach to MORs ignores the complex barriers faced by job seekers and who require support with complex barriers may have more pressing needs that they require support with (such as mental health challenges or housing issues). Taken together, these factors **erode job seekers' trust in the system**, which is fundamental to the system's efficacy.
- Completing compulsory activities and navigating the fragmented employment system and compliance requirements is often confusing and time-consuming for job seekers, **using up precious 'mental bandwidth.'** Combined with managing the financial stressors and trade-offs that NEET individuals and jobless families often manage on a daily basis, this complexity accentuates what behavioural scientists have identified as ***'scarcity'*** effects. Studies have shown this can lead to a vicious cycle of reduced self-control and efficacy, further inhibiting their ability to find work.

Through our partnership with **Global Sisters**, we want to test how outcomes for women escaping domestic and family violence (DFV) improve as a result of a relaxation of mutual obligations. With Global Sisters, our hypothesis is that women exiting DFV can more readily achieve economic security

[30] Behavioural Insights Team / System 2 Limited, to be published later in 2023.

for themselves and their children when the considerable mental and emotional burden of MORs imposed by employment service systems is removed. We intuit that if this is true of women exiting DFV circumstances, then it is likely to hold for broader cohorts of people experiencing disadvantage.

Recommendations:

- **Recommendation 8: Reform and decouple mutual obligations from the employment system**. In their current form they risk doing more harm than good, leading to unnecessary burdens and loss of agency and self-confidence. Mutual obligations should be adaptive and linked to an individual's circumstances and evolve accordingly. For instance individuals experiencing homelessness or escaping DFV should not be have mutual obligations during the period of significant stress.

Section 11: Research, evaluation & adaptation

There is a severe lack of understanding about what works - and why - hindering effective feedback loops within the system

Initial insights from our partnership with the Behavioural Insight Team[31] include:

- Given the significant spend on employment services, there is **little robust evidence of what works to help people secure meaningful employment**, at what cost, and the commensurate benefits (broadly defined). The system displays the characteristics of a ***'shrouded market'***, as finding critical pieces of information is difficult for all actors. This means that the government does not have adequate information to commission employment services effectively; service providers have limited intelligence on what really works to support job seekers; and job seekers have limited information to shape their choices about programs or service providers to engage with.
- **System actors need mechanisms to test, measure, share learnings and scale-up effective policies and programs.** Critically, **we need to enable a 'learning system'** which is based on continuous improvement and ensures that employment services actually support people to find meaningful and sustained work. To do so, we need to redefine measures of success to include wider **measures of human capability** and more routinely collect **job seeker feedback**. These data points should be dynamic and personalised inputs into **feedback loops** that create positive change.
- **Policies, programs and services have been developed predominantly top-down, with little meaningful co-design with people with lived expertise.** People with lived expertise should not only provide feedback on employment policies, programs and providers, but they should play much more prominent roles in co-designing and managing them, ensuring that services are built around the needs of the people they are ultimately designed to support.
- There is an absence of nuanced, personalised data to inform targeted approaches to support job seekers – this is also an opportunity in the redesign of Workforce Australia.

Transparency of funding flows across the system and outcomes delivered

Improved transparency of Workforce Australia (and associated systems) funding flows as well as outcomes delivered is needed to support continuous learning and system improvement.

[31] Behavioural Insights Team / System 2 Limited, to be published later in 2023.

Anecdotally, we know that organisations are not being fairly rewarded for their contributions to employment outcomes and social impact, e.g. social enterprises who take referrals from Workforce Australia service providers, support individuals getting "job-ready" and into employment but receive minimal associated funding.

The short term and long-term outcomes being delivered from the significant public expenditure in Workforce Australia and related employment programs should be published in a timely manner.

Innovation zones to support system learning and evolution

PRF welcomes and supports the Economic Inclusion Advisory Committee's recommendation for introducing "Innovation Zones" or "Sandboxes" to support innovation and piloting of system reforms to enable continuous learning and continuous improvement of the system.

Innovation zones (also known as Sandboxes) enable the testing of innovative technologies, products, services or approaches in a real-life environment, which may note be fully compliant with the existing legal and regulatory framework. They are operated for a limited time and in a limited part of a sector or area (e.g. for a for a certain cohort or geography). The purpose of regulatory sandboxes is to learn about the opportunities and risks that a particular innovation carries and to develop the right regulatory environment to accommodate it.[32] It involves identifying constraints from current laws and regulations and providing flexibility to test a new approach – and ultimately transform and improve a system.

These are widely used in the regulatory and financial domains (e.g the Australian Government's enhanced regulatory sandbox (ERS), which aims to facilitate financial innovation in Australia[33]), science, technology and R&D space (e.g. the Australian Maritime Regulatory Sandbox approved by the Australian Maritime Safety Authority, for Australian Institute of Marine Science's (AIMS), providing a permit-free testing zone off the coast of Queensland and evaluation for the next five years, greatly diminishing barriers to research and development and supporting commercialisation[34]) –. Such approaches are less prevelent in the human service domain where we think it can add value to support system improvement through innovation and building the evidence base of what works. Such a mechanism would help respond to the needs of the changing environment and keep human services adapting and evolving to the latest evidence. Importantly, a relaxation or exemption from rules is an ethical requirement, to protect trial participant from unintended consequences or ramifications such as loss of income support or other entitlements as a result of participation in the trial.

In the US, innovation zones have been created around school districts, providing flexibility from state education policy to support practitioners in developing and implementing new learning models[35].

In the human services domain, this may look like innovative testing to help evolve business as usual. We are keen to explore: hubs ("no wrong door"); income top-ups; mutual obligations that are linked to an individual's circumstances and evolves accordingly; place based approaches linking wrap-around supports, skills, local employers and industry needs; efficacy of direct giving etc. Innovation zones /sand boxes may be specific to a cohort (e.g. all women experiencing DFV or jobless families) or geographic (e.g. covering a specific community) and time bound.

To support these efforts, system actors need access to data to understand impact from these investments and contribute further to understanding what works and continuous system

[32] https://www.bmwk.de/Redaktion/EN/Dossier/regulatory-sandboxes.html
[33] https://asic.gov.au/for-business/innovation-hub/enhanced-regulatory-sandbox/
[34] https://www.innovationaus.com/subsea-autonomous-vehicle-makers-get-an-underwater-sandbox/
[35] See for example, https://aurora-institute.org/wp-content/uploads/innovation-zones-policy-flexibility-to-reimagine-and-modernize-k12-education-post-covid-19.pdf

improvement for system users. Access to government held data would help system actors including funders to understand the impact of investment and efficacy of different interventions, and ensure these learnings which constitute a 'public good' are shared with the sector, to promote learning, bets practice and ensure scarce resources are maximised. Examples of what government data can help us understand as social impact funders are the long term outcomes for cohorts, drivers of disadvantage, base case for an intervention, service interactions, efficacy of new models versus business as usual. The Economic Inclusion Committee also made recommendations regarding the provision of government administrative data to support system learning.

PRF investments are helping contribute to a rich evidence base

We have funded original research and evidence, for example PRF has funded:

- The Effect of the COVID-19 Recession on the Youth Labour Market in Australia[36], providing our partners with key evidence on the emerging impact of covid on youth employment
- The use of linked Government data sets
- Taylor Fry business case of the DSS Disability PBO
- The partnership with Melbourne Institute – Breaking down barriers[37] - using better data to better understand the extent, nature, and causes of socio-economic disadvantage
- The data visualisation tool for community level planning – e.g. e61's Vulnerable Youth tracker[38]
- Support and evaluation of numerous place based initiatives
- Impact measurement and evaluation of our grants, building up a rich evidence base of what works and how models compare, development of progressive and final outcome and impact measures for systems change and place base initiatives (such as BSL's NYEB)

However, there remains a critical role for government in this data space, as government hold rich administrative data, which is essential if we are to have a robust counterfactual or synthetic control with which to compare the outcomes from these grants and program evaluations; government admin data is also needed for outcome verification.

Recommendations:

- **Recommendation 9:** Implement e Economic Inclusion Advisory Committee's recommendation for the introduction of **"Innovation Zones"** or **"Sandboxes" to support innovation and piloting of system reforms** to enable continuous learning and improvement of the system. We are exploring a number of funding opportunities where this is a requirement.
- **Recommendation 10:** There should be **greater transparency and timely provision of outcomes data** linked to sustained employment outcomes, quality of jobs, the contribution of the wider ecosystem, meeting both the needs of employers and the needs and aspirations of jobseekers; transparency will enable both providers and service users to understand what is working well and what needs improvement.
- **Recommendation 11:** There should be **greater transparency of funding flows** to improve public accountability and ensure resources are targeted to where they are most needed and

[36] https://e61.in/the-effect-of-the-covid-19-recession-on-the-youth-labour-market-in-australia/
[37] https://melbourneinstitute.unimelb.edu.au/research/reports/breaking-down-barriers
[38] https://e61.in/vulnerable-youth/

successful providers are rewarded. Anecdotally, we know that organisations are not being fairly rewarded for their contributions to employment outcomes and social impact, e.g. social enterprises who take referrals from Workforce Australia service providers, support individuals getting "job-ready" and into employment but receive minimal associated funding

- **Recommendation 12**: **Outcomes payments to ecosystem participants** reward successful providers and are linked to sustained quality jobs; meeting jobseeker aspirations; meeting the needs of employers.
- **Recommendation 13**: People with lived expertise - users of the system - should play a much more prominent roles in **co-designing and managing them, ensuring that services are built around the needs of the people they are ultimately designed to support**.

PRF welcomes the opportunity to engage with the Inquiry Chair and Committee in future consultations to further elaborate on the points above.

Appendix 1: PRF's role in the landscape and are investing in employment to support the economic dignity and social mobility

We think of the employment landscape in terms of:

- **Supply** – investing in people to give them the best chance to thrive and make transitions to employment. Examples include skills, education and training, job readiness and employability skills, work experience, wrap around support, mentoring and networks, support for underlying drivers like stable housing.
- **Demand –** creating and unlocking jobs for those furthest from the labour market – this includes levers job creation through like social enterprise (businesses that exist to deliver social outcomes including employment) and social procurement (leveraging public and private expenditure to deliver triple bottom line); as well as disrupting mainstream employment practices that exclude people and unlocking opportunities in open employment for cohorts facing disadvantage (e.g., inclusive hiring practices, changing employer attitudes and practices, employment targets/quotas).
- **Linking supply and demand –** linking people to job opportunities; bridging services and investment and aligning objectives such as employer needs and workforce aspirations. Examples include: better information, pathways or supports: e.g., place-based initiatives that connect people and work; linking opportunities in growing industries to those seeking employment; integrated training and work pathways.
- **Systems and policy setting** – includes the employment services system, skills, tax and transfer, social security system, future industries, vocational education and training, school education, job security and conditions, minimum wages, welfare traps, fees structures and incentives for VET and higher education, skills recognition frameworks, inequity in school education, and funding flows.

Within this landscape, **PRF has chosen five areas of focus, where we consider can play a distinctive role relative to government and other actors** – as set out in the diagram below.

1. Cluster investments across the supply, demand and linking levers, using various sourcing mechanisms including peer funding, open grant round and peer funders early-stage WISE fund, including funding to support collaboration, peer learning and collective evaluation within these cohorts:
    a. Self-employment and entrepreneurship – self-employment and micro enterprise to support economic dignity and self-agency
    b. Jobs and Justice – reducing recidivism through employment
    c. People with a Disability – closing the employment gap, supporting in open employment.
2. Innovation in Employment Support Systems – The Government funded employment support system is not delivering for many cohorts and can be improved significantly. We are working with partners to reimagine these systems (e.g. Workforce Australia, CDP) and pilot ways to improve the current system and reimagine alternatives.
3. Outcome Fund – we want to design and implement a philanthropic outcome fund to: fund 'positive externalities' (outcomes such as employment, improving people's wellbeing and self-confidence, preventing and/or mitigating the impact of adverse life events like contact with the justice system, promoting community cohesion, etc); and demonstrate outcomes funds as a better way of "granting", to drive innovation and test different models.

4. Place -linking / pathways – There are different approaches for different places, sectors and cohorts, and local communities know what solutions are needed for their unique contexts - we aim to determine common success elements and amplify successful mechanisms. Often multiple supports and opportunities need to align to create a pathway – deliberate consideration and design of what's needed can have outsized impact. Examples include: supporting communities facing climate transitions to ensure local communities take up the high value jobs created from the transition to net zero.
5. Mainstream employment – Many people will thrive in mainstream employment with some support, but understanding what works across different cohorts needs to be demonstrated and facilitated; and working with employers so they understand 'how', so this becomes business as usual.

Our investments are predominantly grants, but include a continuum of capital – grants, blended finance, impact investment.Across these investments, our target cohorts are: young people, aged 15-24, at risk, or not engaged in education, employment or training; and Households with children with no one employed ('jobless families').

PRF Employment Strategy