



The Secretary  
Senate Employment, Workplace Relations and Education References Committee

By email: [eet.sen@aph.gov.au](mailto:eet.sen@aph.gov.au)

Dear Secretary

Please find attached a copy of the Jobs Australia submission to the Senate Employment, Workplace Relations and Education References Committee Inquiry into current and future skills needs.

If you require further information in relation to this submission please contact me or May Lam, Policy Manager, on (03) 9349 3699.

Yours sincerely

A handwritten signature in black ink, appearing to be "D. Thompson", with a small dot at the end.

David Thompson  
Chief Executive Officer  
Jobs Australia  
28 May 2003

## **Submission by: Jobs Australia Limited Senate Enquiry into Current and Future Skills Needs**

### **Jobs Australia**

Jobs Australia is the national peak industry association representing and providing services to approximately 260 not-for-profit organisations around Australia which assist unemployed people to get and keep jobs. Member organisations range in size from major charitable and welfare organisations to small agencies operating single sites in local communities.

Many member organisations provide services to job seekers under the Commonwealth Government's Job Network system or other Commonwealth and State employment services programs. Some deliver programs developed by themselves to serve their communities.

Jobs Australia will focus on two of the Inquiry's terms of reference:

- (b) the effectiveness of current Commonwealth, state and territory education, training and employment policies, and programs and mechanisms for meeting current and future skills needs, and any recommended improvements;*
- (c) the performance and capacity of Job Network to match skills availability with labour market needs on a regional basis and the need for improvement*

### **Background**

We are pleased to take this opportunity to reflect and to comment on how employment programs and policies are able to respond to skills needs.

Jobs Australia believes in the importance of government funded employment programs and services for their ability to address the poverty and disadvantage that arises from unemployment, to provide a means of engaging people that might otherwise become detached from the labour force or discouraged away from it, and to meet skill gaps in the workforce. Although we appreciate that employment programs and services do not by themselves lower the unemployment rate, we are committed to the value they have in distributing more equitably the available employment and in achieving increased labour market efficiency.

Jobs Australia has assisted and represented not for profit providers of employment assistance for unemployed people since 1989. In that time we have witnessed the introduction of a range of Commonwealth, State and other program initiatives. All of them share, to a greater or lesser extent, these common features:

- vacancy matching
- career counselling
- skills auditing
- reviewing labour market opportunities
- identifying skill gaps
- skills training assistance – employment presentability
- skills training assistance – vocational skills training
- placement
- post-placement support for employers
- post-placement support for the job seeker

Of all these common measures taken to assist unemployed people, the priority status of vocational skills training has varied the most noticeably over the past 10 years. The following

general summary of developments over the past two decades will provide background to the current situation in the Job Network, both to explain it and to highlight some of its weaknesses with respect to skill development for those with low or mismatched skills for their labour market.

The suite of Working Nation programs introduced by the Labor government in 1994 was intended to ensure that all people who had been unemployed for a period of more than a year would be guaranteed a job for six months and/or some form of vocational training. This guarantee was both ambitious and relatively costly for the Government, but its rationale was that unemployed people, particularly longer term unemployed people, could gain relevant workforce skills by participating in some form of training or subsidised employment.

Because the emphasis of this policy initiative was on a guarantee of assistance to the job seeker, it meant that program places tended not to be rationed according to identified skills shortages or unsubsidised employment opportunities. It also meant that in terms of performance measurement and continued funding of these programs there was less emphasis on unsubsidised employment outcomes and more on program places delivered and program participation.

The average per capita cost of unsubsidised employment outcomes achieved through these programs seemed particularly high for programs such as New Work Opportunities. Although there was some evidence that unemployed people coming off these programs had a slightly better chance of gaining employment because of their more recent work experience, the unemployment rate overall was not reduced.

In summary, this approach was seen to be funding 'process' rather than employment outcomes, and came to be characterised by the incoming Coalition government of 1996 as 'training for training's sake'. The new government undertook a reform of employment assistance that included reducing overall expenditure, cashing out the previous plethora of different employment programs to fund a single, more integrated case management approach, and greater opportunities for market competition in delivering services to unemployed people.

The principle of this approach, which continues into the current Job Network arrangements, is to give providers flexibility to determine the most appropriate form of assistance. This might include vocational training, wage subsidies, counseling and support, transport assistance, or any other form of assistance that might achieve an employment outcome.

### **The Job Network**

With funding for the Job Network estimated at approximately \$2.7 billion over the next three years, this program is the most comprehensively delivered and most resource-intensive form of employment assistance available to unemployed people. From the first Job Network contract round 1, commencing in 1997, to contract round 2 commencing in 2000 (termed ESC2), to the recently tendered round 3 (ESC3), the common elements of the program have remained largely the same in terms of their broad purpose and place in the sequence of assistance provided to job seekers. However there have been some significant changes from Intensive Assistance (ESC2) to Intensive Support customised assistance (ESC3) with implications for skills training opportunities. These will be explained further below.

The broad sequence of assistance available to unemployed people is:

1. Job matching/ vacancy matching – available to all eligible job seekers
2. Job search training – available at 3 months
3. Work for the Dole – required at 7 months if no other mutual obligation option selected.

4. Intensive assistance/ intensive support – available at 12 months or earlier if the job seeker is identified as disadvantaged.

The following section of this submission is organised in terms of the sequence of assistance typically available to unemployed people (under both past and future Job Network contracts) and the implications of each service for skills matching or identifying and responding to skill needs. This means we will include some remarks about Work for the Dole.

### **The Job Network: Job matching/vacancy matching**

Job seekers working less than 15 hours a week are eligible for job matching. Under ESC 1 and 2, Job Matching fees were competitively tendered, which meant that they were set quite low. For Job Network providers, this has meant:

- Job Matching fees do not cover the costs of undertaking liaison and long range planning with employers to identify current and future skill needs for prospective vacancies. Where this or other value has been added to Job Network members' vacancy matching service, it has tended to be resourced through other income streams.
- There is no resource capacity to provide feedback to job seekers about how their current skills relate to their chances of winning a particular vacancy.

Job Network members primarily seek and fill vacancies for their unemployed clients who generally have lower skill levels and less participation in formal education. Correspondingly, employers of Job Network-registered people are more likely to be seeking people to fill casual, lower-paid jobs and do not expect to pay for vacancy matching. In the smaller numbers of cases where professional and highly skilled people become unemployed, or where employers might seek assistance from a Job Network member to recruit such a person, both parties are likely to be referred to another service.

In summary, Job Network vacancy matching services are paid at a level that necessarily focuses the service on efficient skills matching from among those registered, rather than working with employers to identify and or respond to skill needs. Where that more proactive employer service might occur is where it can be resourced through other fee incentives, such as might exist from Intensive Assistance services (see below).

### **ESC3: Job matching/vacancy matching**

Under the new ESC3 arrangements to be phased in from April this year, unemployed people will be vocationally profiled on DEWR's information system so that their skills, work experience and areas of employment interest can be automatched to vacancies listed on Australian Job Search (AJS). Further, DEWR is issuing licences to all interested and eligible organisations, enabling fee claims to be made to them when they fill an eligible vacancy they have listed on the AJS with an eligible unemployed candidate. One of the conditions of having such a licence is that the Job Placement Organisation (as they will be called) must list all its non-executive vacancies on the system.<sup>1</sup> DEWR expects this to significantly increase its market share of advertised vacancies. If this does achieve a larger volume and a more comprehensive range of listed vacancies, it should result in more efficient skill matching with available labour supply.

### **The Job Network: job search training**

None of the three Job Network contracts let to date have provided resources for vocational training before a person is unemployed for 12 months, unless the person has been identified as

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<sup>1</sup> Non-executive vacancies are described somewhat obscurely as: 'positions that play a key role in determining the strategic direction and policies of an organisation... Most executives have a level of skill commensurate with a bachelor degree or higher qualification or at least five years relevant experience...' Job Placement Services Licensing Arrangements 2003-2006, DEWR, p3.

highly disadvantaged. Until that point, any training delivered is related to job search skills. A person who has been unemployed for three months will be referred to a three week Job Search Training course which includes elements such as resume preparation, interviewing skills, and identifying local labour market opportunities<sup>2</sup>. Such a course also typically includes a skills audit for the job seeker. However, if training needs are identified other than the three weeks of job search skills training provided, there are no funds available to pay for the costs of training at that point.

### **Work for the Dole**

People still unemployed at 7 months will be referred automatically to Work for the Dole if they have not undertaken an acceptable Mutual Obligation activity (which might include part-time work, or study, language and literacy training, volunteer work, or other program activities).

The policy rationale for Work for the Dole has always been that it is a mutual obligation, not an employment program. For that reason, its emphasis has been on generating projects that will benefit local communities and maintaining participant attendance rather than on the skill development needs of participants.

Currently the amount of \$1650 is available per Work for the Dole place to meet participant and project costs (\$1850 in rural and remote areas). Of this, up to 12% can be expended on training for participants. Work for the Dole providers have reported a large number of instances of including with their project proposals put to DEWR more substantial and sometimes accredited Work for the Dole training, to improve WfD participants' job prospects, but these proposals have been turned down on the basis that Work for the Dole is not a training or employment program.

Jobs Australia believes that in view of the new Active Participation Model, which is intended to provide an integrated sequence of assistance leading to employment, this arbitrary limitation on training should be removed where it can be demonstrated that there are good local employment prospects in the areas of the skills training sought, and where this does not substantially diminish the community benefit of the project.

### **Work for the Dole: Training Credits**

Again illustrating the emphasis on mutual obligation for this program, the government introduced in 2002 a Training Credit of up to \$800, to be awarded to participants who have successfully completed the required number of WfD hours. These Training Credits have been administered by WfD providers, who on behalf of participants pay for accredited training (or as otherwise approved by DEWR) for vocationally relevant training.

Experience to date shows that the take-up of Training Credits has been very low. This can partly be attributed to the difficulty of re-engaging Work for the Dole graduates, who are currently not notified of their WfD entitlement until 28 days after they have exited the program. It can also be attributed to the limited resources that WfD providers have to provide career counseling for participants on one hand, and on the other to identify and maintain good information about training institutions, their courses, training packages, and the modules that are available within the constraints of the Training Credit amount. On our estimates, the proportion of the administration fees paid to WfD providers to administer the Training Credit would not see this activity funded above \$40.

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<sup>2</sup> Under ESC3 this can be reduced to one week if the person has done job search training in the previous 12 months.

### **Work for the Dole: future directions**

DEWR has introduced some measures to encourage greater take-up of Training Credits, including allowing WfD providers to approve all training (which may now include non-accredited training) and allowing WfD participants to exit a WfD placement to take up training funded by the Training Credit.

The Employment Services Minister and DEWR have recently established a Working Party to explore with WfD providers how Work for the Dole and Job Network services can better complement each other. This includes offering some opportunities for job seeker choice of placements consistent with their vocational interests and aspirations. This may lead to further recognition of the opportunities that WfD represents to provide vocationally relevant on-the-job training. We note in this context, however, that the program will always be limited to providing work experience opportunities in not for profit organisations, and must ensure that it is not contributing to the displacement of paid jobs.

### **Job Network: Intensive Assistance 1997 – 2002 Intensive Support customised assistance 2002 - 2006**

At 12 months of unemployment (or earlier if the person has been assessed as disadvantaged) a person becomes eligible for Intensive Assistance. Under ESC3, to operate from July 1 this year, this will be called Intensive Support customised assistance.

This is the form of assistance undergoing the most change between the ESC2 and ESC3 contracts, so in the following discussion we will identify the changes to occur.

#### ***ESC2: Current fee incentives and skills training.***

Intensive Assistance is the best-resourced form of employment assistance an unemployed person can access, with the ESC2 floor price for fees set at a minimum of \$4,628 for most clients and a minimum of \$9,150 for more disadvantaged clients. Of these fees, 30% is paid upon commencement in Intensive Assistance, 70% after a person has achieved a 13 week employment outcome sufficient to take them off benefits, and the final 10% after a 26 week outcome. These fees paid may be higher depending on the price bid by providers.

The fees payable in cases where a client achieves an education outcome are much lower than for employment outcomes. Regardless of the fee level achieved through competitive tender, a provider can only claim the DEWR-fixed price of \$532 for an education or training outcome, defined as completion of one semester at the equivalent of a full-time study load. This amount is less than 25% of the fee payable for an employment outcome.

One of the implications of this incentive structure that favours employment over education or training outcomes is that Job Network providers are better off if they invest the anticipated outcome fee payment of \$2495<sup>3</sup> in a 13 week wage subsidy than looking to an outcome payment amount of \$532 for any investment they may make in education or training for the client.

This combination of fee payments and other performance measurement incentives has resulted in an overall reduction in the extent of vocational training available to long term unemployed people through the Job Network. A DEWR evaluation study of just over 2000 Intensive Assistance participants in early 2001 found that less than 10% of job seekers had been assisted with training. Types of training reported in this 'training' category of assistance were: information technology, personal presentation, language/literacy/numeracy, and training linked to a specific job. The most commonly reported category of training among

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<sup>3</sup> At the DEWR floor price for a Level A client.

providers was job search skills (19% of job seekers in the sample reported receiving this service), followed by computing skills (10.6%), and training for a specific job (6.7%). It is interesting that the higher performing Job Network providers put greater emphasis on training for a specific job, with 9% of IA participants receiving this service, compared with 4.4% in the case of lower performing providers.<sup>4</sup>

In general, providers have tended to prefer wage subsidies as an approach that will connect a job seeker to an employee, with a chance that the employer will retain the employee once the wage subsidy ends. The extent to which wage subsidies are linked with training offered by the provider or the employer varies between providers and between employers. The argument in favour of this approach has also been that the wage subsidy period has at least given the job seeker some current work experience.

### ***ESC3: Fee incentives and skills training.***

Under the ESC3 contract a 13 week education or training outcome for someone unemployed for 13 – 24 months will attract a \$550 fee. This is 30% of the fee payable for an employment outcome for people of the same unemployment duration. But the same \$550 fee is only 16% of the fee payable for an employment outcome for people unemployed for 25-36 months unemployed or otherwise identified as highly disadvantaged. This would be a disincentive to education and training for people who, being longer term unemployed, are likely to be in greater need of skills updating or training. Only the most well-resourced and committed Job Network provider would be able to offer a job seeker both vocational training and a wage subsidised placement with an employer.

### ***Education and training outcomes and performance measurement***

A further disincentive to training for Job Network clients has been that during ESC2 DEWR has downgraded the value of secondary education and training outcomes in its performance measurement system. Current Job Network providers looking to secure business under the ESC3 contract due to start in July this year were made aware that the assessment of their performance would take into account the numbers of secondary education and training outcomes relative to employment outcomes, with employment outcomes earning providers a higher performance score.

A number of providers have sought to persuade DEWR that education and training outcomes deliver longer term employment benefits for job seekers not able to be measured at the 13 week and 26 week post-exit points. DEWR does not intend to measure education and training outcomes outside this time frame, arguing that too many other factors confuse the benefit claim the further out in time the effects of program participation are measured.

### ***ESC3: The Job Seeker Account***

The Job Seeker Account is a feature of ESC3 that will see funds allocated for identified expenditures against job seekers. Providers of Intensive Support customised assistance will have \$900 credited to a Job Seeker Account when a person enters ISca (\$1450 if the person is identified as disadvantaged). Job Seeker Account funds cannot revert to the JNM if they are not fully spent.

The Job Seeker account can be used for a range of types of assistance, including fares and petrol assistance, interpreter services, work clothes or equipment, transport assistance, training, work related licensing fees, employer incentives such as wage subsidies, and so on. It should be noted that the Job Seeker Account might also be needed to assist Job Network members to meet the costs of their obligation to 'engage job seekers in work preparation activity for around three days a week for the at least the first three weeks of customised

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<sup>4</sup> *Job Network Evaluation Stage Three: Effectiveness report*, DEWR, p87, pp167-172.

assistance', though the ESC3 RFT adds that this activity does not need to be directly supervised by the Job Network member<sup>5</sup>.

DEWR will monitor providers' use of Job Seeker Accounts and over time should be able to identify the extent to which various kinds of expenditures are being made and can impact on employment outcomes. We look forward to better information about JNMs' investment in vocational skills training and its impact on employment prospects.

### ***ESC3: Consolidating available training funds***

The DEWR information system in ESC3 will enable the easy identification of all funds that might be available to a job seeker to assist them into employment. The Job Seeker Account can be supplemented by a Training Account of up to \$800 (but on average \$200) for mature age and indigenous job seekers commencing Job Search Training or Intensive Support customised assistance. Also, people who have earned a Training Credit through Work for the Dole will have this amount shown on the job seeker record to be accessed by Job Network members at regular review interviews.

Because these amounts are quarantined for spending on job seekers, and because the information about expenditure to date against entitlements will be readily accessible to JNMs on the new DEWR IT system, we can anticipate a more efficient communication of job seekers' entitlements and much better potential for these entitlements to be aggregated to purchase skills training where this might contribute to an employment outcome.

### ***ESC3: Integration of programs***

One of the weaknesses of previous employment assistance arrangements was the limitation of a job seeker to one form of assistance at a time. This was intended to avoid 'double dipping' – that is, a situation where a job seeker might be assisted through two or more programs at the same point in time. For example, a person needing to return to work after a long period of caring for children but who had language and literacy training needs might have been eligible for a program to address each of these issues, but only one at a time.

We particularly welcome the opportunity for people to be in the Job Network at the same time that they may be able to participate in language, literacy and numeracy training, or the JPET program or State government programs. For similar reasons, we welcome the opportunity that now exists for people to not have to exit Work for the Dole if they wish to take up training paid for with a training credit they have earned while on the program.

### ***Impact of wage subsidies***

We are aware that Job Network providers commonly use wage subsidies as a means of achieving employment outcomes for their clients, but the extent to which wage subsidies are used is not known at this stage. Neither do we know the extent, nature and quality of training that is provided in subsidised employment placements, and whether people placed in this kind of employment have continuing opportunities to develop skills and reduce their labour market vulnerability in the long term.

This trend towards the use of wage subsidies by Job Network providers seems to be consistent with a trend towards high take-up of new apprenticeships due to significant financial incentives for employers and flexible forms of training delivery that is likely to see a large proportion of the training being delivered on the job.

Given the slim evidence that Job Network members are offering vocational training to their clients, we can conclude that unemployed people are most likely to receive the vocational

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<sup>5</sup> Request for Tender Employment Services Contract 2003-2006, DEWR, p49.



skills training they will need in a subsidised employment or new apprenticeship placement. However Job Network employment subsidies are most commonly offered for only 13 weeks, and there are high attrition rates in new apprenticeships. Questions arise about the quality and sustainability of the training afforded to people in these kinds of placements, as well as its value to them in terms of transferability to other labour market openings.

A number of submissions to the Committee have pointed out that the main occupations for growth in new apprenticeships are in clerical, sales and service workers, with smaller growth in the more traditional trades where skilled workers are in demand.<sup>6</sup> This implies that employers in the higher volume, higher turnover industries are using the apprenticeship system as a means to subsidise their wage bill while other areas of skill shortage in the more traditional trades are not being remedied through the apprenticeship incentives. Yet these traditional trade areas are more likely to offer secure and sustained employment.

### **Training provider capacity**

From our experience of supporting our community based not for profit member organisations to deliver services to unemployed people, we make here some observations about the nature of our clients and the kinds of training environments that best meet their needs.

Jobs Australia members deliver a range of programs and services besides Job Network and Work for the Dole to unemployed, often for long periods, and disadvantaged people. In many cases these people have marginal or no labour force attachment because of negative experiences in the formal education system. Previous incarnations of employment assistance for unemployed people (among them notably SkillShare 1989-1996), established a community-based infrastructure and capacity to deliver vocational training appropriate to the needs of its clients through a less institutional, less formal setting for learning, an opportunity to learn with peers and the application of adult learning principles.

The end of SkillShare and the Working Nation programs that supplemented this community-based training infrastructure resulted in the loss of some excellent facilities, equipment, premises, and trainers that had previously been applied with growing success to vocational skills development resulting in jobs for some of the most disadvantaged people in the labour market.

We also observe a loss of training capacity overall. Working National funded programs like Jobskills and earlier programs like JobTrain had substantial process-dictated training components which were delivered by a broad range of providers in the VET sector including community providers. These providers, which tended to be small to medium in size, were able to balance 'soft' skills with particular vocational skills in demand. These were delivered in the main in styles and settings which were conducive to the differing learning needs of the people concerned.

The infrastructure and capacity which training-oriented programs enabled was substantially if not completely diminished in the cashing out and fiscal consolidation accompanying the introduction of the Job Network. DEWR is now seeking ways to aggregate and integrate training provider capacity with employment assistance so that training can be provided more effectively, and more cost-effectively, to Job Network clients.

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<sup>6</sup> *Australian apprentice and training statistics December quarter*, National Centre for Vocational Education Research, released 10 March, 2003.

## Enterprise learning

To this point in our submission we have focused on skill needs in terms of vocationally specific skills. We wish to also acknowledge the critical importance of a generic body of skills that have variously been identified as ‘employability skills’, ‘soft skills’ or ‘enterprise skills’. These involve such competencies as communication, planning, being able to gather relevant information, work as part of a team, show initiative, anticipate and address problems, and deal flexibly with challenges and change.

While we agree with the 2001 Australian Council for Educational Research report on the importance of employability skills, we believe that the challenge is now not so much how to conceptualise or define those skills<sup>7</sup>, to report that employers find them important, or to persuade them that they are. It is to generate, report and share ways that these skills can be developed (or recognised where they already exist) among marginalised and disadvantaged people and successfully communicated to prospective employers. To this end Jobs Australia has commissioned some examples of resumes which emphasise and provide evidence of employability skills for people with little employment experience or formal education or training.

An excellent practical example of how to develop enterprise skills is described in a recent publication by Paul Kearney. His three volume *Enterprising students in a networked society*, published in 2003, articulates the principles of enterprising approaches to learning and provides a series of increasingly complex project briefs for young people to develop their skills in the areas of commerce, civics, and community participation. For more information go to: <http://www.enterprisingeducation.com/>

## Youth transitions

More than a quarter of all Australian school leavers are in situations of labour market risk five months after leaving school. That is, they are unemployed, in part time work without being also in study, or not in the labour force<sup>8</sup>.

Current employment services programs do not offer sufficient support to young people making a transition from school to work or further study. In most cases this is because a young person needs to have left school and, in effect, made a commitment to unemployment, before they become eligible for Job Network services: Job Matching, Job Search Training (ESC2) or Intensive Assistance. People aged 15-20 cannot access these services, or DEST-funded Career Counselling assistance, if they are in full time education or training. We have had anecdotal reports of young people regularly being turned away from Job Network offices because they do not meet the eligibility criteria.

This effectively means that full-time students cannot access the considerable range of information and advice from Job Network organisations that are likely to have the most comprehensive and current information about local labour market opportunities, and who could realistically explore options with them. The DEST-funded Jobs Pathway Program can go some way to providing support for school-aged young people planning to leave school or at risk, but at an average unit cost of \$300 and without comprehensive student population coverage, its ability to respond to all needs is limited.

Secondary students could benefit greatly from Job Network or other employment services providers’ advice and support. However the limitations on this are not confined to the issue of their eligibility. Job Network and some Jobs Pathway providers attempting to work with

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<sup>7</sup> This was the broad purpose of the report *Employability Skills for Australian Industry: Literature Review and Framework Development*, ACER, 2001.

<sup>8</sup> Dusseldorp Skills Forum, *How Young People are Faring 2002*.

young people through schools have reported their reluctance to be involved on the basis that it may encourage their students to leave school early. This school position is reinforced by education department performance measures based on student retention rates.

It is evident that if young people are to avoid the greater risk they face of becoming and staying unemployed, they will need more and better career counselling and advice than is currently available to them, and not only in the school context. They will also need services provided on a 'joined-up' basis: that is, in a way which avoids acronyms, duplication of effort, and the requirement for people to tell their story again and again. Young people's needs and issues in terms of income support, health, and housing are often part of the picture of their education and employment needs. They will be assisted more effectively where this is recognised by providers who work with them.