

## A NEW SYSTEM FOR BETTER EMPLOYMENT AND SOCIAL OUTCOMES

### SOCIAL VENTURES AUSTRALIA'S RESPONSE TO THE INTERIM REPORT

#### Australia's welfare system and its role in our society

SVA welcomes the Government's review into social welfare payments as an opportunity to comment on more than just payments that financially support many Australians in need. SVA also welcomes the importance the review has placed on the broader network required to deliver meaningful change in the rate of workforce participation for those who may be marginalised through a disability or other issues. SVA has supported and developed organisations that provide services to assist these individuals over our twelve years in the sector.

The welfare system is a key part of enabling people facing significant barriers to employment to find a job, keep that job, and support them to make a meaningful contribution to Australian society. We believe that a system designed to encourage those who may have capacity to work rather than stay on support pensions is important, but also believe that consideration should be given to those who have real and persistent issues that affect their capacity to stay in the workforce.

It is important to acknowledge the role social welfare payments play in providing vital support to strengthen our social fabric. For example, Family Tax Benefits play a significant role in supporting families to have and raise healthy and happy children who will grow to become contributing and responsible adults. Other payments play a more significant role in direct income support such as the Disability Support Pension or the Aged Pension.

Despite nearly 23 years without a significant economic downturn<sup>1</sup> – which has led to Australia having the second highest average income growth between the mid 1990's and the late 2000s in OECD nations – Australia's overall income inequality has also been on the rise<sup>2</sup>. Whilst Australia is not the worst performing OECD country in terms of inequality, it is a long way from being the best. Given our strong economic growth, fuelled by the natural resources boom, we should be doing better.

SVA acknowledges the review's overarching goal of providing a pathway to employment for those people on benefits who are capable of working. However, the path to employment will not always be a simple process for some recipients of a working age payment (as has been proposed in the Interim Report). There are fewer jobs available than there are jobseekers. Government must focus on *job creation* to meet the aim of moving these jobseekers into employment.

Given the disconnect between the number of jobs available and the number of jobseekers looking for work, those people facing significant barriers to employment may face a far harder path to a job. Ensuring the right supports are in place to enable these people to find work is critical to ensure they are not left behind. It is vital that solutions with evidence of success are supported while also providing enough flexibility to allow for innovative solutions. Attention must be focused on where the jobs are and will be coming from so real opportunities are provided to move people into sustainable employment opportunities.

SVA's response will only address questions raised which have particular relevance to the work we have undertaken, which has a sound evidence base to support our advice to the review.

<sup>1</sup> [http://www.treasury.gov.au/PublicationsAndMedia/Speeches/2014/Fiscal\\_sustainability](http://www.treasury.gov.au/PublicationsAndMedia/Speeches/2014/Fiscal_sustainability)

<sup>2</sup> "Income Inequality In Australia", Fletcher M and Guttmann B, Economic Roundup Issue 2, 2013, [www.treasury.gov.au](http://www.treasury.gov.au)

## Response to DSS Report Specific Questions

### FIRST PILLAR – SIMPLER AND SUSTAINABLE INCOME SUPPORT SYSTEM

#### **Should people with a permanent impairment and no capacity to work receive a separate payment from other working age recipients?**

##### THE ISSUE

The current disability support pension is appropriately designed for those who are completely unable to work due to their disability. We support the review's analysis that there needs to be capacity to enable those people who are capable of some work and that want to work, to do just that.

It is important that those people who do have capacity to work have access to more intensive support for job search, training support and support for their medical costs and that the disincentives to return to work are removed; these include a reduction in support payments to lower levels of DSP rates following an unsuccessful employment situation.

##### Recommendation

- Those people who have a permanent disability retain all access to the DSP on the basis that the payment was created to meet their needs.
- People with any capacity to work should receive a working age payment as suggested, but that this is linked to rates of the DSP which tapers out with earnings from paid employment.
- People with high levels of disability have access to more intensive employment support services in order to reintegrate them into the workforce.

#### **How should means testing be designed to allow an appropriate reward for work?**

##### THE ISSUE

It is clear that the current system does not incentivise people to return to work. The evidence illustrates that proportionally few DSP recipients receive employment income. Only around 1% of DSP recipients leave the payment for the workforce each year, most leave the DSP when they move onto the Age Pension or die<sup>3</sup>.

Were this to be addressed and measured in purely economic terms, bringing 33% of disabled jobseekers into the workforce would result in a \$43 billion increase in GDP by 20214.

Given the economic benefits of employment, the Government must address the clear disincentives of leaving the DSP to return to work which include:

- A concern that the taking up of part time work might increase the likelihood of their DSP status being reviewed.
- The unequal structure of the social welfare system, with unemployment benefits being lower than the DSP (including less favourable indexing), coupled with more stringent income tests and more onerous participation requirements. People are therefore reluctant to leave the safety of the DSP payment for fear of being returned to unemployment benefits if their employment ceases (despite the current system which suspends payments for up to 24 months rather than cancel payments).

<sup>3</sup> Brown, J "Working Towards Self-Reliance: Three Lessons for Disability Pension Reform", Centre for Independent Studies 2011

<sup>4</sup> [www.and.org.au](http://www.and.org.au) Aug 2012

- The loss of the pensioner concession card (12 months after leaving the DSP). Although some research suggests that its loss is unlikely to act as disincentive to return to work<sup>5</sup>, it is likely to make an important contribution to the standard of living for those with a disability who are re-entering the workforce.

### **Recommendation**

- Clarify that the act of undertaking allowed work will not of itself trigger a review of the recipients' entitlement to receive the DSP or equivalent payment (such as the review's recommended working age payment).
- Align the welfare and tax systems to reduce the effective tax rate of a DSP recipient returning to work.
- Better align unemployment and disability benefits for those disabled people who have some capacity to work coupled with incentives attached to those who choose to return to work.
- Ensure that the system allows recipients to move easily between DSP receipt and temporary work and back again, over extended periods of time. A fluid "passport" system is required to ensure that recipients can access the labour market during periods of ability to work without losing the safety net of the DSP when they are not.
- Consider wage subsidies to employers for people who want to make the transition to employment but are facing barriers.
- Allowing a disabled person to return to work – and possibly even cease to receive the DSP if they are able to work fulltime – yet still retain access to the pensioner concession card for their medical costs. This would involve delinking the test of disability for work purposes from the test for disability for health purposes.
- That consideration is given to extending these changes to existing as well as prospective DSP recipients.

### **At what income should income support cease?**

This question needs to be considered in the broader context of living costs, standard of living and relativity of income support to the poverty line.

Research shows that recipients of welfare payments are at higher risk of poverty. This reflects the fact that many of these payments sit below the poverty line, meaning that households primarily reliant on social security income are likely to be living below the poverty line.

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<sup>5</sup> Ryan C "Do residual benefits induce Disability Support Pension leavers to return to income support?", Social Policy Research Paper No. 46, 2012.

The Melbourne Institute of Applied Economic and Social Research published its December 2013 comparison of the Henderson poverty lines with income support payments, examples of which are summarised as follows<sup>6</sup>:

Recipient category	Total income support	Poverty line
Single adult	\$312.50	\$503.71
Single adult with 1 child	\$559.74	\$551.30
Single adult with 2 children	\$645.84	\$687.44
Married couple	\$510.60	\$673.82
Married couple with 1 child	\$636.74	\$809.96
Married couple with 2 children	\$722.84	\$946.11
Married couple – pensioner	\$671.40	\$578.55
Single pensioner	\$312.50	\$503.71

### **Recommendation**

- Consideration should be given to the level of support provided to those on these payments, as compares to the poverty line as outlined above.

<sup>6</sup> The reported payment levels are for 'standard' situations (excluding, for example, supplementary benefits for remote areas) and take no account of non-cash benefits. Further assumptions relating to the figures are set out in detail at <https://melbourneinstitute.com/downloads/publications/Poverty%20Lines/Poverty-lines-Australia-Dec-2013.pdf>.

## SECOND PILLAR – STRENGTHENING INDIVIDUAL AND FAMILY CAPACITY

### What can be done to improve access to literacy, numeracy and job relevant training for young people at risk of unemployment?

#### THE ISSUE

Children who struggle at school to develop key skills in literacy and numeracy will struggle to find employment later in life.

#### Our experience

High quality teaching is one the most influential levers to lift educational outcomes, and therefore reduce the risk of unemployment for young people. Ensuring that every student is taught by an effective teacher will improve the access and proficiency of literacy and numeracy of at-risk youth.

Based on research<sup>7</sup> and experience, SVA acknowledges that clinical practice teaching is an effective method of instruction. This was referenced in SVA's recent submission to the Teacher Education Ministerial Advisory Group, demonstrating that clinical practice teaching is an effective instruction method for at-risk young people. Teachers that are trained as clinical practitioners have the skills to diagnose, intervene, and analyse student learning, based on a broad repertoire of teaching methods. The complexity of issues facing at-risk young people requires interventions to be contextually targeted and adaptable. Clinical practice teaching equips educators with these skills, and as a result improves the access to literacy and numeracy training.

With regard to job-relevant training, it is essential to provide careers learning at the early stages of young people's development. Careers learning should occur throughout Years 7-12 of secondary education and should complement the Australian school education curriculum. This will enable young people to develop an understanding of future employment opportunities and to build the employability skills to assist with the transition to the labour market. Evidence suggests that around 80% of long-term job success depends on generic employability skills such as;

- self-confidence and communication;
- digital literacy;
- working with others;
- project management;
- critical assessment of information;
- understanding of self and others; and
- creativity and innovation.<sup>8</sup>

These are skills that are enhanced by job-relevant training for young people and particularly important for young people at risk of unemployment.

In addition, SVA believes that real reform is required in the area of careers education. SVA has a partnership with the Foundation for Young Australians and the Beacon Foundation. Together, the three partners are developing a new model of careers learning called 'Beyond the Classroom'.

<sup>7</sup> McLean Davies, L., et al. (2013). Masterly preparation: embedding clinical practice in a graduate pre-service teacher education programme. *Journal of Education for Teaching*, 39(1), 93-106.

<sup>8</sup> Casner-Lotto, J., & Barrington, L. (2006). Are they really ready to work? The Conference Board; et al (2012) 'Developing skills for life and work: Accelerating social and emotional learning across South Australia', Young Foundation report, with the Australian Centre for Social Innovation and the Foundation for Young Australians; ACARA (2013) Generic Capabilities, Australian Curriculum, <http://www.australiancurriculum.edu.au/GeneralCapabilities/Overview/general-capabilities-in-the-australian-curriculum>; Mourshed M, Farrell D, Barton D (2012) Education to Employment: Designing a System that Works, McKinsey Centre for Government; Leadbeater, Charles, CISCO 2010, "Learning from the extremes"; Furlong A, Woodman A, Wyn J (2011) 'Changing times, changing perspectives: Reconciling 'transition' and 'cultural' perspectives on youth and young adulthood' *Journal of Sociology*, 47, 355-370

The underlying logic of Beyond the Classroom is to design, test and scale a model of integrated careers learning and suitable workplace exposure to connect at-risk young people to avenues of employment. This process places a strong emphasis on parental/carer engagement and building the school-industry networks to sustain the work. Through Beyond the Classroom we will improve job-relevant training for young people at risk of unemployment.

### Recommendation

- That the review consider the Government's work on Teacher quality in the context of their work on barriers to employment faced by those who may have low literacy and numeracy rates
- That the review considers the need for reform in careers education to encourage young people to think more strategically about their employment aims while at school.

## **How can services be improved to achieve employment and social participation for people with complex needs?**

### THE ISSUE

People and communities with complex needs require more **intense and tailored approaches** in order to support them to overcome disadvantage. Some communities are trapped by locational disadvantage, leading to intergenerational disadvantage. Vulnerable families and people with complex needs often do not use the fragmented mainstream services available to them.

Properly designed "place-based approaches" should be developed to build integrated service delivery systems that are more flexible, approachable and easier to navigate for people with complex needs. These approaches can address complex problems of families and communities at a **local level** by providing better integrated, coordinated and more accessible service systems. We suggest a long-term commitment (10 to 20 years) for place-based initiatives in appropriately selected locations designed to address intergenerational disadvantage within the community. It is critical to build in a process of measurement and evaluation to assess program effectiveness. This will inform Government's ability to affect change through investment in intensive support services in a community as compares to simply delivering nation-wide services equally across all communities.

Ideally, any place based investment will see positive changes in educational outcomes or increases in the rates of employment on a systemic scale. This proposition needs to be tested and factored into Government's investment to ensure the long-term funding is delivering its intended aim. In addition, if a program is designed at the outset with a measurement and evaluation framework, it ensures data is collected as the program rolls out.

Key to any place-based strategy is flexibility in how the services are delivered. This will require a **shift away from delivering uniform services** through agencies across different levels of government, to being dictated to by community needs and responding through an integrated system.

### Recommendation

- Government must fund the core community infrastructure that is required. This is unlikely to be funded by any other source.
- Government should be prepared to fund pilot and demonstration projects, and work with philanthropic funders and other investors to deliver optimal outcomes and co-ordinate efforts.
- Government needs to put in place mechanisms to link local initiatives into broader policymaking and resource allocation at a local, state and Federal level.
- That the review recognise the need to build key data collection to measure the effects of policy into any place-based program.

## **How can government funding of programmes developing individual and family capabilities be more effectively evaluated to determine outcomes?**

### **THE ISSUE**

Accountability and transparency of government investments has become more of a focus across Australia. There is an increasing need to effectively measure, evaluate and report on investments in programmes that create social change, especially programmes that deliver changes for individuals and families.

### **Our experience**

Over eight years, SVA Consulting has delivered over 250 measurement and evaluation projects, supporting organisations to clarify what to measure, how to measure and, importantly, how to use the information to improve impact. Many of these projects have involved working with organisations focused on building individual and family capabilities. We have worked with the Department of Prime and Cabinet and the Partnership Brokers program funded by the former Department of Education, Employment and Workplace Relations. We also have worked with diverse non-profit organisations that work with vulnerable individuals and families including the Samaritan Foundation, Spinal Cord Injuries Australia, Lighthouse Foundation, Baptistcare WA, Ambulance Victoria, Teach for Australia and WISE Employment.

We know through this large body of work that organisations face a number of challenges linking effort to outcomes, and developing clear and consistent methods for reporting and communicating progress in a manner that allows them to make critical strategic and resource decisions. We have identified the following challenges in evaluating the outcomes of programmes developing individual and family capabilities:

- Understanding priority outcomes
- Understanding how their activities lead to specific outcomes
- Understanding what indicators to use to track progress against an outcome
- Finding practical tools to measure consistently
- Limited skills in data collection and benchmarking.

To address these challenges we have successfully used a combination of program logic (Finding the Golden Thread), Social Return on Investment (SROI) and shared measurement approaches.

### **Program Logic**

SVA Consulting have found that having a hypothesis driven approach to evaluation can support departments and organisations understand what outcomes to measure. In 2010 we worked with one of Australia's largest investment services group, Perpetual Trustees, to develop and roll out measurement and evaluation training workshops and resources to over 50 non-profits across Australia. Our approach is explained in the SVA Consulting Quarterly article: [Finding the Golden Thread](#). Over the past 5 years, this approach has become an integral part of how we support organisations to plan, measure and evaluate.

The "Golden Thread" approach allows organisations to prioritise the most important consequences of their work. We have used this approach with large and small non-profit organisations, and government departments. For example, for a large Victorian non-profit organisation that runs more than 50 programs for individuals and families across the state, a golden thread was identified for the whole organisation. This provided a focus for what to measure and evaluate, and a simple message to communicate to stakeholders. This has allowed the organisation to focus scarce resources on delivering the most valuable outcomes for disadvantaged people to develop their capabilities and resilience.

## Social Return on Investment (SROI)

Another approach to evaluating change and determining outcomes is Social Return on Investment (SROI). SROI is a stakeholder informed approach that accounts for value. What is central to SROI is asking the following questions: who changes; how do they change; how do we prove it has changed; how important are the changes; and is it all down to us. This needs to happen from the perspective of each stakeholder, including government, community organisations, families and individuals.

SVA Consulting is Australia's largest practitioner of SROI. We have completed over 100 SROI-related projects and analyses in the last five years. Further detail about SVA Consulting's approach to SROI is available in the SVA Consulting Quarterly articles: [\*SROI: Accounting for Value\*](#) and [\*Getting the most out of SROI\*](#).

When working across large programs such as those Government invests in, the principles that underpin the SROI framework are critical in guiding and measuring a program's effectiveness. The SROI framework can support a much deeper understanding of what makes a program work and what needs to change in an organisation. For a hospitality social enterprise working with homeless youth, it led to a redesign of their program to focus more on experiential learning instead of learning geared towards gaining a qualification, such as a Certificate II in hospitality. While this may seem counter-productive, it enabled the enterprise to prepare participants for life in a workplace; the step before gaining a qualification. This information was gathered through interviews with participants and provided a snapshot of how to get the best results.

What is required for each program can vary: some organisations collect the right data to evaluate the program effectively, others less so. Therefore, the type of engagement will vary but the framework of asking the right set of questions, measuring the benefits of the program on the participants remains the same.

Another example of the benefits of SROI lies in our evaluation of a large cleaning social enterprise with employees with mental illness. The SROI analysis triggered a cultural change so that all employees felt like they had ownership of the business. This resulted in better business outcomes and better outcomes for employees. The analysis of those engaged in the program delivered real and tangible changes to programs that in turn deliver better results for the company.

### Shared measurement

Shared measurement should be used when there are groups of organisations focused on achieving the same outcomes. Shared measurement should adapt and borrow from the Golden Thread and SROI approaches. An example of where the shared measurement approach was applied was with the South Australian Homelessness Sector Strategy Group (SAHSSG), where we developed a common outcomes framework for all service providers to implement. This example is detailed in the SVA Consulting Quarterly article: [\*Shared measurement: easier than you think\*](#). A result of this work is that members of SAHSSG are building their own capabilities and supporting each other, while all working towards a common goal.

### Recommendation

- That Government invest in proven formulas such as Social Return on Investment, Program Logic and Shared measurement to better analyse and support program design and improvement and supporting capacity building for the sector to do so also.



## THIRD PILLAR – ENGAGING WITH EMPLOYERS

Employment is a core focus of SVA. We have extensive experience in social enterprise development and developing employer engagement approaches, hence we have focused more on the Pillar 3 responses where we have been able to directly draw from our own experience of what works or what we have observed as working.

### How can business-led covenants be developed to generate employment for people with disability and mental health conditions?

#### THE ISSUE

The Australian Bureau of Statistics states that there are 146,000 job vacancies for 756,700 people unemployed and 922,100 under-employed, totalling over 1.5 million people<sup>9</sup>. And this is not including an additional 821,738 who are on the disability support pension<sup>10</sup>. If the government wants to move significant numbers of people from welfare to work there needs to be a robust plan to create jobs as a key priority without a robust plan to create new jobs.

SVA agrees that **business-led covenants** have the potential to create direct pathways to employment for disadvantaged job seekers with complex needs, as well as addressing potential skills gaps that a business may be experiencing. However these will only be successful if a more heavily engaged approach is taken where there is direct line of sight to a job and a tailored employment pathway - to ensure the job is aligned to the interests of the job seeker and supports the business needs of the employer.

Employment covenants, such as the Australian Employment Covenant, show a willingness amongst employers to engage. However, without support and adaptations, it is very hard to turn aspirations into reality. Recognising this, SVA worked with Generation One and Reconciliation Australia to document existing examples of employers who were supporting the transition of Indigenous Australians from long-term unemployment into sustainable and meaningful employment. Through this research it was identified that employers also need internal champions to push the new agenda, alongside leadership from CEOs and senior management. Direction from government was an important element in terms of funding and education, yet ultimately companies need to buy into the program and embed it in their culture for it to be successful.

Two of the main documents created were, 'Working it out: Case studies of success in transitioning long-term unemployed Indigenous Australians into sustainable employment', which provides an unprecedented insight into ways employers can break the cycle of Indigenous unemployment, and at a granular level, how this is working. 'Everybody's Business: A Handbook for Indigenous Employment' was developed in close consultation with Aboriginal and Torres Strait Islander individuals and organisations, reflecting the shared knowledge and experiences on helping people break the cycle of disadvantage through sustainable employment. It builds on distilling the methodology and sharing it in a practical way with line managers and supervisors.

#### Our experience and observation of effective practice

SVA's believes that to significantly increase successful job placements for disadvantaged job seekers – including those with a disability or mental health issues and young people who have been unemployed long-term - there needs to be greater collaboration between business, employment services, training providers and the job seeker, and greater engagement with national employers through demand-led employment programs.

<sup>9</sup> Australian Bureau of Statistics: Job Vacancies, Australian May 2014; Labour Force Australia, July 2014; Underemployed Workers, Australia, September 2013

<sup>10</sup> Department of Social Services, 'Characteristics of Disability Support Pension Recipients', June 2013

A 'demand-led' approach starts with the jobs that an employer has on offer, engages the employer in co-designing the employment pathway based upon their requirements and then matches jobseekers to the jobs based on their skills and aspirations, with a range of on-going support services available. The aim of demand-led employment is to create more sustainable careers for the long-term unemployed, whilst developing a new talent pool for employers.

Some of the common success factors in the programs include:

- Co-design of an employment pathway: the employer works with service providers to create a tailored recruitment process and job-specific training program for potential employees
- Work placements: employers provide structured on-the-job training and skills development via structured work experience or work placements
- Additional support services: a suite of additional types of support (above and beyond training) are also available for the job seeker, including mentoring, financial counselling and access to social services.

Most notably, **demand-led programs from the United States, United Kingdom and Australia have shown or are showing between 60%-80% retention rates (for longer than 6 months) for disadvantaged job seekers.** Comparatively, the Australian retention rates for disadvantaged job seekers has risen to between 30%- 40%<sup>11</sup>, this is still well below the levels demonstrated in the demand-led programs.

The right partnerships established through business-led covenants or through a brokerage model, can create sustainable employment opportunities for people experiencing challenges in securing employment. Trust, deep engagement, flexibility and values alignment are critical to this success. Some examples of successful partnerships that have created real and sustainable job opportunities for job seekers with complex needs include:

#### **Beacon Foundation's Real Futures Generation program – employer-community partnership**

Establishing strong partnerships with community and industry stakeholders sits at the centre of Beacon's strategy to open up the doors to meaningful work opportunities for disadvantaged Australians. Real Futures Generation (RFG) is a place-based, employer-community partnership initiative that brings employers to the classroom to motivate and inspire young people to take measures to prepare for their careers.

RFG builds student pre-employment capacity and work readiness skills to help them make a smooth transition from school to work by securing industry partners to introduce different career options to students in Years 10-12. All young people who engage in this one year program have the opportunity to participate in a diverse range of business-led curriculum focused classroom lessons (known as Business Blackboards) linking literacy and numeracy skills to local and regional career and employment pathways. The students also have the opportunity to visit industry workplaces or shadow an employee, as well as complete an employability skills development program acquiring transferrable skills which will be of benefit in their future studies or career progression.

Industry partners, including **Leighton Contractors** and **Toll Holdings** have pledged a number of jobs in communities where Beacon operates, committing to a supportive pathway into the workplace for students. By creating a link between students and the workplace, this collaborative effort has improved employment outcomes for young people.

<sup>11</sup> The employment rate for Stream 3 job seekers was 38.3% and for Stream 4 job seekers is 29.7% three months following participation in JSA for the year ending September 2012

### **Toll Group and Whitelion – providing flexible workplaces**

Toll's Second Step program is linked with Whitelion, a not-for-profit organisation that broadens opportunities for at risk youth. The collaboration between Toll Group and Whitelion has resulted in a specialist employment service, targeted towards improving outcomes for people with histories of criminal offences or addiction by providing a flexible work environment to support their transition to mainstream employment. By partnering with Whitelion, the Second Step program can provide a coordinated combination of services spanning medical assessments and interventions, mental health nursing, treatment programs, psychological and legal services.

Each year, 40 people are enabled to re-establish the routines of work. The program's success is an example of how to align business and social needs through partnership.

### **ANZ's partnership with Willing and Able mentoring program**

Through the Willing and Able mentoring program ANZ connects industry experts to people with disability. The program gives participants an insight into the work environment, including practical advice on when and how to disclose their disability to open discussions on workplace modifications and support. Mentoring opportunities are an important source of job contacts that young people, especially young people with disability, need to pursue meaningful careers.

### **Leighton Contractors and CareerTrackers**

CareerTrackers is a national non-profit organisation that creates private sector internship opportunities for talented Indigenous university students. Successful collaboration has contributed to both Leighton Contractors and CareerTrackers strategies, increasing their impact supporting Indigenous graduates into the workplace. Both parties are clear on the 'why' behind their work together. The partnership forms part of Leighton Contractors' Indigenous Participation and Engagement Strategy.

*We are relying on trust between us and the organisation because we trust them to give us good people and they trust us to look after our people. CareerTrackers is a sensational example of supporting Indigenous grads into the workplace. We have just signed a 10 year commitment that will take 25 interns every year.*

Craig Laslett, CEO Leighton Contractors

### **Recommendation**

Employer covenants can be successful in facilitating sustainable employment for disadvantaged job seekers, especially those with a disability or experiencing mental illness.

To be effective they should:

- Develop strong relationships with employers so they are fully engaged
- Champion within the employer setting
- Flexible and able to make changes to work practices that better support employees with complex needs.

National brokers can play a crucial role in helping to convert business covenants from aspirational targets into sustainable employment positions. The employment system should support the role of a national broker who can play that role.

## **How can successful demand-led employment initiatives be replicated, such as those of social enterprises?**

Both demand-led employment initiatives and social enterprises can provide meaningful employment opportunities, but they are two distinct approaches. We have separated the two below to talk about how they can be replicated.

### **Demand-led**

#### **THE ISSUE**

It is clear that the current system does not help the long-term unemployed to meaningfully re-enter the labour market. Although Australia's unemployment rate is low by international standards, the share of unemployed that have been out of the workforce for more than a year reached its greatest level since 2004 in March 2014<sup>12</sup>, with the average rate of long-term unemployment doubling since 2008 from an average of 0.6% to 1.2%<sup>13</sup>.

Those being helped back into work through the mainstream employment system are not necessarily remaining attached to the labour market. Australia has one of the highest rates of casual employment and one of the highest rates of involuntary part time employment in the OECD<sup>14</sup>.

This suggests that substantial reductions in long-term unemployment will only be achieved if policy measures are targeted to this group specifically.

National employers have the jobs and are eager to provide meaningful and sustainable employment opportunities for people who are long term unemployed. However employers often have difficulty navigating a very localised employment system. This means that large numbers of entry-level jobs and career paths are inaccessible for disadvantaged jobseekers. This is particularly the case for national and large employers, with recruitment needs around the country.

Further, too many job-seekers undertake generic training programs that do not equip them with the skills or training needed for a specific job and as a result, end up back in the system.

The system needs to be able to more effectively understand industry needs and broker relationships for national employers. This will be a co-ordinated approach that connects local communities with national employers, creating access to a new talent pool that have the relevant skills employers demand.

### **Our experience**

#### **The Industry Employment Initiative**

The Industry Employment Initiative (IEI) is a demand-led approach that actively works with employers to identify appropriate employment positions for disadvantaged job seekers. While this demand-led approach is a more time intensive and expensive model than business covenants, we believe it can deliver more sustainable and impactful employment outcomes in the longer term. It is designed to bridge the gap between national employers who have vacancies and the many people who are disadvantaged in the labour market and who are willing and able to work. The IEI is a collaborative approach between the Brotherhood of St Laurence, Mission Australia, Jesuit Social Services and SVA (supported by the Business Council of Australia), which seeks to improve employment outcomes for disadvantaged job seekers.

<sup>12</sup> "Our long term unemployment headache", The Drum, 26 March 2014, Greg Jericho

<sup>13</sup> "Long term unemployment damages Australia's wellbeing", 7 June 2014, quoting the Lateral Economics "Fairfax Lateral Economics Wellbeing Index 2014"

<sup>14</sup> Submission in response to "Employment Services – building on success. Discussion Paper", Lisa Fowkes, 22 March 2013

We know that demand-led programs can have a significant impact on the placement of disadvantaged job seekers into sustainable employment. The IEI draws upon learnings from already existing models and scales them, with the aim of influencing how the employment system is designed. Cross sector, demand-led initiatives such as ANZ and Brotherhood of St Laurence's Given the Chance program have seen 78% of their participants gaining further employment. Another example of a demand-led model that works is the Ambition Programme in the UK, aimed at disadvantaged job seekers. The program works with employers to identify employment opportunities as well as co-designing training and supports needed. The IEI is piloting its model focusing on young people aged 18-24 due to the existing deep issue in youth unemployment. The approach can be adapted to support other groups experiencing disadvantage.

### **The National Disability Recruitment Coordinator**

The National Disability Recruitment Coordinator (NDRC) service is another example of a successful demand-led approach and aims to increase the number of job vacancies available to people with disability. The service is funded by the Australian Government and is delivered by WorkFocus Australia.

The NDRC supports businesses with up to date information and best practice on workplace policies and practices that are inclusive and supportive of people with disability. This can include providing training for staff, suggesting reasonable work space adjustments, or establishing disability champions and mentoring opportunities.

### **Recommendation**

In order for a demand-led approach to be successful we would strongly encourage a national broker to be built into the employment system. The national broker would:

- Start with the job first by deeply engaging national employers and working with them and service providers to tailor the support, training and work placements for disadvantaged job seekers
- Provide holistic support services pre- and post-placement, to participating job seekers who may need them, so they can remain a long-term employee for any company
- Provide a 'one stop shop' for national and large scale employers, alleviating the issues they face navigating multiple service providers across geographies, reducing overall red-tape and ensuring consistent service quality
- Use an evidence-based approach, this model will provide new opportunities for long-term unemployed youth to become successful participants in mainstream economic and social life
- Share lessons and develop a solid evidence base to enable replication and growth of demand-led approaches across the country.

### **Social Enterprise Development**

#### **THE ISSUE**

Social Enterprises in the form of intermediate labour markets (ILM's) are an example of one type of program that has been developed specifically to address long-term unemployment.

Although evidence-based research is still in its infancy in the intermediate labour market space, there is some evidence that ILMs are successful at achieving at least their short-term goals.

A 2011 study which looked at only the social enterprises providing employment to vulnerable groups showed that social enterprises generated an increase in employment of almost 10%, with those social

enterprises aiming to place vulnerable clients into mainstream labour markets finding employment for almost one-third of their clients<sup>15</sup>.

However ILMs require additional Government support in order to be sustained and meaningfully replicated. ILMs have become widespread in the UK due to a higher level of funding support from the Government.

Investment in social enterprise development has proven to be a successful, replicable model through which employment opportunities are created for those who would otherwise experience multiple barriers to gaining and maintaining employment. Social enterprises can provide a stepping stone into mainstream employment and provide the **work readiness and transferable skills** that many people who are experiencing entrenched, long-term unemployment need to access the open labour market.

There are several policy issues that need to be addressed if the social enterprise model is to be successfully replicated:

- Funding
  - Given the nature of the ILM model, it is highly unlikely that an ILM program will be financially self-sustaining without government funding.
- Governments need to be prepared to:
  - Fund ILM social enterprises as alternative employment assistance pathways for disadvantaged jobseekers, with entitlements consistent with intensive support needs. Consideration should be given to how to divert existing funding, rather than creating new pools of funding, such as the possibility of reallocating all or part of the funding for Streams 3 and 4 to support ILMs; and
  - Invest in ILM projects through contracts which are medium to long term, not short term, in order to provide the required level of financial robustness to allow them to continue to operate.
  - Government funding is crucial for providing the capacity and flexibility to pilot new ways of establishing effective ILMs. With appropriately structured funding, the likelihood of long-term viability and success of ILMs increases, enabling the number of enterprises and people assisted back into the workforce to increase. The cost of such support needs to be considered in light of the ongoing cost to the welfare system of the long-term unemployed who would otherwise remain on welfare.
- Coordination
  - Although funding may come from the Federal Government, State and local governments need to work together to pro-actively adopt the ILM model. Methods to encourage this could include incorporation of ILMs in neighbourhood regeneration strategies and the mandating of social procurement clauses and/or mandatory public tenant employment clauses in contracts.

The social enterprise model is a proven, effective vehicle in supporting those experiencing long term unemployment back into employment. The supported, flexible approach that is used during the training process, coupled with a tailored pathway to supported employment, whilst being more expensive, has seen great results. It needs to be acknowledged though that due to the extra levels of support needed for such job seekers, extra pressure is often placed on the enterprises financially as it can take many years to become financially self-sustainable, which is why government support is an important element of ILM success.

<sup>15</sup> Buckingham H and Teasdale S (2012) "Job Creation Through The Social Economy and Social Entrepreneurship", OECD LEED Working Paper

## Our experience

SVA has over eight years of experience in building the capacity of social enterprises initially through SVA's Social Enterprise Hubs in Queensland (Brisbane, Ipswich and Logan), New South Wales (Parramatta) and the Australian Capital Territory. The Hubs' success is attributed to the unique cross sector partnership model and governance structure that draws in corporate, public, community and philanthropic organisations to provide investment and in-kind support, crafting out mutually beneficial relationships that result in effective and sustainable enterprises to meet social and community needs.

Furthermore, SVA has managed over eight funds which have provided a mixture of investment and business support to social enterprises across the country. The investments have ranged from pure grants right through to equity investments. Managing these funds has provided SVA with a unique insight into the success social enterprises experience in providing employment pathways for those experiencing long-term unemployment, as well as the common challenges faced by employment focused social enterprises. Some of these challenges include requiring support for at least 3-5 years before an enterprise is firmly on the road to financial sustainability, replication and growth.

## STREAT

One very successful social enterprise is STREAT, which has been operating for four years and has just reached 70% self-funding. Since they started operations STREAT has benefited from substantial philanthropic funding, business support and equity finance, yet still have a way to go in becoming financially independent. STREAT chooses to work with homeless and disadvantaged young people with the most complex needs. They provide their trainees with employability skills, as well as Certificates I, II and III in hospitality training. They work with local hospitality, corporate and retail partners to provide tailored employment pathways for all participants to ensure they are 'work ready' and able to transition effectively into sustainable employment.

## Recommendation

In order to provide the right environment to encourage the growth of employment focused social enterprises the following steps are critical:

- **Markets:** as a route to market is essential, social procurement, where an organisation chooses to purchase a social outcome when they buy a good or service, can play a key role in enabling enterprises' sustainability efforts. Government should actively look to support and encourage social procurement opportunities
- **Funding:** given the different life stages of social enterprises, there is need for a diverse range of start-up/growth funds including grants, loans and equity. Government should prioritise funding social enterprise development directly
- **Intermediary support:** the role of intermediaries is critical to identifying quality social enterprises and providing them with ongoing tailored business support over a number of years
- That Government consider building social enterprises into employment contracts recognising the results they have in creating employment pathways for young people who would otherwise not find work and are at high risk of homelessness.

At SVA we believe there should be an actuarial approach taken when assessing social enterprises, recognising that investment in these hybrid businesses can lead to long term savings in the form of a reduction of income support. The actuarial approach taken in New Zealand has applicability for Australia in terms of recognising that this type of intervention often costs more than current JSA intervention. We would recommend work on cost-benefit analysis of getting people who are very long-term unemployed with multiple barriers back into employment. This would allow for an **'invest to save' approach** to be basis for future social enterprise development across government.

## How can transition pathways for disadvantaged job seekers, including young people, be enhanced?

Transition pathways are critical to recognising and supporting job seekers who have a complex needs. It is imperative that a customised approach be designed for each cohort of job seekers that address their particular needs and support them in gaining and maintaining employment. In addressing the above we will be focusing on three cohorts – young people, workers impacted by industries in transition and people who are long-term unemployed.

### Young people

#### THE ISSUE

It is well documented that there is a growing disconnect between what young people are learning in school, and the actual work readiness skills that are required in the workplace. A recent report by McKinsey showed that even though 72% of education providers believed young people were graduating well-equipped for the workforce, only 44% of employers felt the same way.<sup>16</sup> Furthermore, less than half of young people themselves believe that they are ready for the workforce upon graduating.

#### Our experience

SVA's 'cradle to career' approach aims stop young people falling into employment exclusion through effective school to work transitions. Supporting children in educationally disadvantaged areas to access effective pathways from school to further learning or work will help create a high-performing and high-equity system.

For many young people, targeted careers guidance that is linked to local industry is critical to increasing their understanding of the breadth of career options available, and enabling them to transition effectively into work, further education or training. Through building 'on the ground' relationships between the education, training and business sectors, workplace learning can be developed that provides attractive and sustainable pathways to work for young people.

Participating in the workforce provides one of the easiest ways to develop transferable skills, which is why education and training providers need to place workforce exposure or placement at the core of their courses.<sup>17</sup> Around 85% of long-term job success depends on generic employability skills such as self-confidence, communication, digital literacy, working with others, project management, critical assessment of information, understanding of self and others and creativity and innovation.<sup>18</sup>

#### Goodstart Early Learning and Beacon Foundation

In Tasmania, the Beacon Foundation and Goodstart Early Learning partnered with the Department of Education to develop a school-based pathways program for students aspiring to begin a career in early childhood education and care (ECEC).

<sup>16</sup> Mourshed, M, Farrell, D and Barton, D 2012, *Education to Employment: Designing a System that Works*, McKinsey Center for Government, Washington DC.

<sup>17</sup> OECD reviews of vocational education and training – Learning for Jobs, Pointers for Policy Development (2011)

<sup>18</sup> Watts & Watts 2008 and Klaus 2010 in IYF 2013; Casner-Lotto, J., & Barrington, L. (2006). Are they really ready to work? The Conference Board; Loader 2011; Kahn et al (2012) 'Developing skills for life and work: Accelerating social and emotional learning across South Australia', Young Foundation report, with the Australian Centre for Social Innovation and the Foundation for Young Australians; ACARA (2013) Generic Capabilities, Australian Curriculum, <http://www.australiancurriculum.edu.au/GeneralCapabilities/Overview/general-capabilities-in-the-australian-curriculum>; Mourshed M, Farrell D, Barton D (2012) *Education to Employment: Designing a System that Works*, McKinsey Centre for Government; Leadbeater, Charles, CISCO 2010, "Learning from the extremes"; Furlong A, Woodman A, Wyn J (2011) 'Changing times, changing perspectives: Reconciling 'transition' and 'cultural' perspectives on youth and young adulthood' *Journal of Sociology*, 47, 355-370



The program comprised of careers awareness programs, work experience opportunities, student and parent support, career readiness and school-based apprenticeships. It was co-designed by industry, government and the community sector to meet the sector's workforce needs.

The partnership was led by industry to meet their workforce retention and recruitment challenges. Goodstart Early Learning partnered with the Beacon Foundation based on Beacon's best practice in utilising business partnerships to deliver better employment outcomes for industry and young people.

### **Recommendation**

Creating pathways across the full spectrum of education and employment requires a range of organisations and networks to work in partnership, ensuring individuals are effectively connected to and transitioned from one part of the system to another. Highly successful programs have a model of early intervention, engaging with young people, their families and communities at an early stage, to avoid disengagement at key points such as the transition from primary to secondary schooling.

Successful School to Work transition programs tend to have three complementary aims:

- To encourage and motivate young people to think about their futures in a positive way from a young age
- To reduce the persistently high rate of unemployment amongst young people by helping to prepare them for the workforce and to access employment opportunities
- To address skills gaps and the reported difficulties of employers in finding young people sufficiently prepared to enter the workplace

We encourage the government to support the development and growth of such programs.

### **Long-term unemployed**

#### **THE ISSUE**

Despite a sustained economic boom, long-term unemployment is a stubborn, persistent and growing problem in Australia.

While Australia's unemployment rate has remained relatively stable in comparison to other countries following a global economic downturn, long-term unemployment is a growing problem. In 2014, the number of people unemployed for more than a year reached its highest level in a decade. At present there are more than 1.6 million Australians either without work, or without sufficient hours of work.

According to the RBA's definition, structural unemployment occurs when unemployed people lack the skills or experience to obtain secure employment. Many people currently experiencing long-term unemployment are consistently being overlooked for employment positions due to a lack of skills, education and work experience.

#### **Our experience**

National employers have the job vacancies to make an impact across the country, and are eager to provide meaningful and sustainable employment opportunities for people who are long term unemployed. However, these employers often have difficulty navigating a very localised employment system. This means that large numbers of entry-level jobs and career paths are inaccessible for disadvantaged jobseekers. This is particularly the case for national and large employers, with large recruitment needs around the country.

Furthermore too many job-seekers undertake generic training programs that do not equip them with the skills or training needed for a specific job and as a result, end up back in the government system.

The system needs to be able to more effectively understand industry needs and broker relationships for national employers. This will be a co-ordinated approach that connects local communities with national employers, creating access to a new talent pool that has the relevant skills.

## Fair Business

Fair Business addresses long-term unemployment with a unique business model that provides jobs and training in a supportive environment for those coming from backgrounds of entrenched disadvantage. Fair Business is a non-profit organisation that acquires businesses and converts them into social enterprises. Fair Repairs, their flagship social enterprise, is a cleaning and maintenance company currently operating in Campbelltown, Nowra, Redfern and Wollongong. It secures 30 employment opportunities annually and recruits and trains disadvantaged individuals in their local area.

## STREAT

STREAT recognises that creating job opportunities is only part of the solution to youth homelessness and disadvantage. It has designed a tailored program with a unique fusion of business disciplines, work experience and complex social support to provide a pathway for young people aged 16-25 years into the hospitality industry.

“I feel like I belong and I am welcome every time” - STREAT trainee

Since its establishment in 2010, STREAT has grown rapidly now operating four cafes, a coffee roasting business, a production and catering kitchen and training rooms. These sites play host to over 350 hours of job experience for each participant. They provide a staggered approach to employment, increasing working hours as their participant's confidence and skills grow and maintaining a wrap-around of support services.

STREAT's young people are equipped with resources and life skills to better manage their emotional and physical wellbeing whilst ensuring they have the transferable skills required to gaining sustainable employment.

## Recommendation

A more flexible approach is required to create sustainable employment opportunities for those experiencing long-term unemployment. Tailored transition pathways need to be flexible, have deep employer engagement, a clear line of sight to a job and relevant training.

Two tailored approaches are detailed below.

- ‘Stepping up’ – one of the biggest challenges faced by someone experiencing entrenched long-term unemployment is transitioning back into full-time employment. After a sustained period of unemployment, the transition to full-time working hours can be difficult. In order to increase the chances of a successful transition, a more flexible, staggered re-entry into the workforce is required. A gradual “stepping up” in working hours whilst lessening the use of welfare benefits would mean frequent re-assessment of the job seeker by an employment service provider, as well as greater flexibility in their benefit arrangements.
- ‘Passport’ – It is important that the option of putting the disability pension on hold for an agreed amount of time (1-2 years) be included in any redesign. This would provide the security that if an employment position was not successful, their previous entitlements could be re-instated swiftly. This ‘passport’ approach will encourage more people with a disability to explore employment opportunities.

## **How can an employment focus be embedded across all employment and support services?**

### THE ISSUE

The current employment system doesn't create optimum conditions for effective cross sector collaboration. Employers have a significant opportunity to create jobs for people who are long-term unemployed. However, most currently operate outside of the system, with only 7% of employers using the Job Services Australia system as a means of recruiting staff. Similarly, support services often offer

valuable support and training to job seekers pre-employment but struggle to access funding to cover their work. Overcoming these challenges is key to ensuring that highly disadvantaged jobseekers can successfully enter and remain in the workforce.

### **Our experience**

SVA believes that government, business, philanthropy and the community need to build on strengths in the existing employment and training system and also find new ways to enable greater levels of participation for disadvantaged job seekers across Australia.

### **The Brotherhood of St Laurence and AMES**

An example of a success employment and support service is a partnership between the Brotherhood of St Laurence and Adult Multicultural Education Service (AMES). The partnership offers an extensive range of adult education, training and employment programs and operates a specialist Job Network contract for people from culturally and linguistically diverse backgrounds.

Participants are given a 12-month employment trainee contract working up to 15 hours per week. A conscious decision was made to provide part-time work only, based partly on the understanding that many people would only be able to cope with reduced hours initially, and also to provide an incentive for participants to look for other positions if they wanted more hours of work once they had become more confident and capable in the job. They are provided with on-the job training and complete the Certificate III in Asset Maintenance (Cleaning and Operations).<sup>19</sup>

### **BladeRunner**

In Canada the BladeRunner program, which began in Vancouver in 1994 and has since expanded to 20 communities in British Columbia, has proven that access to 24/7 hour support for young people can result in an 88% job placement success rate as well as a reduction in the homelessness and income assistance rate. The employment program works with young people 15-30 with multiple barriers to employment to build careers in construction and other industries. Program participants are paired with a BladeRunner co-ordinator who provides direct support and guidance through a network of community organisations to gain support through housing, transport, social support or career planning. Originally support was only offered up to 18 months post placement however has since been extended to no time limits.<sup>20</sup>

### **Recommendation**

In order to embed an employment focus across employment and support services, which in turn supports sustainable employment opportunities for disadvantaged job seekers there needs to be:

- Greater employer engagement from the start with real line of sight to a job
- Funded pre-employment training that is directly related to a job opportunity that the job seeker is both interested in and eligible for
- On-going support and regular re-assessment of the candidate
- KPIs of contracts between JSA and DES for providers to collaborate with each other and to work more with employers to support them taking on people who are long-term unemployed
- A significant reduction in the compliance barrier within current contracts as this currently acts as a major impediment to collaboration and employer engagement. This would require a thorough review of the necessity of any and every piece of required compliance.

<sup>19</sup> The Brotherhood of St Laurence, *Innovative community responses in overcoming barriers to employment*, 2005

<sup>20</sup> Barr, J, et al. (2012) "Local Job Creation: How Employment and Training Agencies Can Help - The Labour Agency of the Autonomous Province of Trento, Italy" *OECD Local Economic and Employment Development (LEED) Working Papers 2012/17*, OECD Publishing

## How can the job services system be improved to enhance job matching and effective assessment of income support recipients?

### THE ISSUE

The “high volume, low margin”<sup>21</sup> nature of the Job Services Australia system presents a barrier to tailoring the services to suit the individual needs of job seekers who are particularly disadvantaged in the labour market. The impact of standardised approaches to finding unemployed people work is limited.

Less than a third of all disadvantaged job seekers find employment, and nearly a third of these end up back in the employment services system within six months<sup>22</sup>. If we are to lift people out of experiencing long-term unemployment, a more tailored approach is needed.

### Our experience

Unemployment for the majority of people reliant on income support is not driven from a lack of desire or aspiration, it is linked to the fact that they have very specific and complex needs and there is a distinct lack of support for this. Training needs to be linked to a person’s ability and models such as social enterprise or social firms should be better leveraged and developed, as they provide a supported training and employment environment for job seekers with complex needs. Also, working with individuals to understand specific barriers to the job market will develop a targeted approach to gaining the skills and confidence needed to find and keep a job.

*“It’s important to recognise that what’s needed to boost participation in the workforce will be unique to different communities and individuals, and that the system needs to be responsive to this. This might involve utilising a broker-style arrangement within local communities, or having staff that specialise in working with different candidate groups, like young people, migrants, or people with disabilities.”*

Kevin Robbie, Executive Director, Social Ventures Australia

### Recommendation

The first step in increasing the effective assessment of income support recipients and to enhance successful job matching would be to look at expanding the Individual Placement and Support (IPS) approach to become the core way that DES providers work with people with mental health problems, given that there is strong local and international evidence that it works.

The IPS which addresses personal barriers in tandem with vocational needs could also be adapted for other groups experiencing disadvantage, for example those within the disability sector, young people or indigenous people. Alongside this expansion would run a large-scale, independent, academic evaluation of the applicability of IPS in other settings. If effectiveness is verified the approach should become a core component of all approaches going forward.

Another recommendation is the development of a ‘Welfare to Work Zone’ that acts as a place-based approach focused on providing sustainable employment for those experiencing entrenched unemployment. The model would include:

- Long-term approach – an at least ten year delivery phase within the area where a range of initiatives would be run and tested to identify the most effective approaches to welfare to work for each community
- Opt-in model - signing up would be voluntary and have some form of ‘passport’ protection to their current welfare support so they would not be penalised should they be unable to maintain employment

<sup>21</sup> Fowkes, Lisa (2011) Rethinking Australia’s Employment Services, Whitlam Institute

<sup>22</sup> Brotherhood of St Laurence, Investing in our Future, 2014

- Local buy-in - involvement of the federal, state and local government plus local business, local JSA providers, schools, the training/employment sector and local NGOs as equal partners in delivery of the approach. The initial development phase would need to include strong facilitation to bring this commitment about.
- Pooling of resources - a commitment to pool resources into new fund that delivers the range of initiatives targeted on welfare to work
- Broker role - a non-government organisation tasked with overall delivery of the 'Welfare to Work Zone'

The 'Welfare to Work Zone' is underpinned by an 'invest to save' approach that would include a range of initiatives developed to tackle entrenched long-term unemployment. Initiatives such as the 'passport' model for people on a disability support pension, the establishment of intermediate labour market pathways for young people, a new approach to careers education and enterprise development funding could each be incorporated. At end of the initiative the lessons learnt would be used to shape future policy.

## FOURTH PILLAR – BUILDING COMMUNITY CAPACITY

### **How can the expertise and resources of corporates and philanthropic investors drive innovative solutions for disadvantaged communities?**

Corporates and philanthropic investors play a critical role in delivering innovative solutions for disadvantaged communities, contributing not only funding but also experience, networks and a framework for success.

With a strong focus on making evidence-based decisions and achieving clear outcomes and results, philanthropists and corporates bring expertise and rigor to the table, creating an environment of accountability, and providing a strong base for achieving results.

Corporates and philanthropists have strong cross-sector networks and partnerships, providing access to a wide range of supports and contributions, both financial and non-financial. They have an ability to leverage other key industry players and funding sources which lend credibility and a platform to leverage further funding.

A good example is in the place-based space, where projects in the USA demonstrate that corporates and philanthropic investors can play an “enabling” role in setting up place-based approaches. Initially this is often in a funding role – funding the work of the initial stakeholders, the required (non-core) infrastructure and importantly the data collection and evaluation phase. In implementation, they have provided expertise to assist in convening, project management and facilitation as well as setting up evaluation systems to focus on creating an evidence base and using it in decision making.

Given Government is the largest investor in social services in Australia, Government and philanthropists can better engage. Government provides a great deal of funding to the non-profit sector, but are often risk averse in their funding allocations. Philanthropists can play a critical role in “catalytic philanthropy” to fund riskier proposals that Government may not want to invest taxpayer funds in. Philanthropists can and should invest in initiatives with a higher risk profile which can then provide a “catalyst” for change, with the learnings from the investment being provided to Government to inform broader policy development.

One example of philanthropic investment is in the Industry Employment Initiative which is outlined earlier in the submission. This pilot was developed with a view to informing how best to improve the current employment system. The pilot is funded solely through philanthropic funding to date including from the Ian Potter Foundation, William Buckland Foundation, The Jack Brockhoff Foundation, NAB and The R E Ross Trust. These organisations are best practice examples of how philanthropy can act as the engine of innovation and social change. This example is an exemplar in effective philanthropic funding working to improve Government policy through piloting an approach with potential to influence system wide change.

In addition to the IEI, another example of Government leveraging philanthropic funding to invest in schools is Schools Plus. Prior to the creation of Schools Plus, philanthropic funding to Government schools was limited to capital investment, with no funding going to educational programs. This is because the Deductible Gift Recipient tax status did not apply on a donation to a school. Schools Plus is a vehicle which enables these funds to finance innovative approaches to schooling that would be outside the remit of the traditional curriculum. Schools Plus can test innovative educational programs with a view to informing broader Government policy.

Business can also work in tandem with Government policy through their Corporate Social Responsibility strategies to ensure funding and investment isn’t duplicating Government policy.

The Government has announced the reintroduction of the Prime Minister’s Business and Community Partnership Roundtable, which can play an effective strategic role in providing guidance and capacity for investment in areas of riskier policy. It is important that business and philanthropists better

co-ordinate efforts on where new approaches are required. Investment holds the most potential in areas like employment and education, which are key drivers of long-term economic growth.

### **How can disadvantaged jobseekers be encouraged to participate in their community to improve their employment outcomes?**

The most highly disadvantaged jobseekers in Australia have employment outcomes of only 22.8% compared to the average for all jobseekers of 49.7%<sup>23</sup>.

Both the ILM and place-based models are examples of encouraging disadvantaged jobseekers to participate in their communities. Please refer to contributions on these issues above.

### **What strategies help build community resilience, particularly in disadvantaged communities?**

As Government, the not-for-profit sector and the wider community consider how to address some of the intractable social challenges that are faced today, there is a growing consensus that responsibility rests at every level of the community – from corporate Australia to grassroots community organisations. SVA is uniquely placed to be a catalyst in bringing a wide array of stakeholders together and sharpening their focus to achieve sustainable outcomes that help the most disadvantaged people within our community. SVA's skills and expertise can bring together:

- **Social impact investors** including institutional investors, trusts and foundations to invest private capital into programs and organisations with the capacity to deliver financial and social returns
- **Philanthropists** to engage with high impact, evidence based programs
- **Corporate Australia** to provide pro bono support, skilled volunteering and mentoring
- **Educational institutions** including TAFEs, Universities and Schools to provide educational opportunities for those facing disadvantage
- **Not-for-profit sector** to deliver innovative and evidence based services to support the vulnerable
- **Community organisations** to ensure community development, support and integration for those on the fringes of the community
- **Government** seeking to deliver value for taxpayer money

The Review specifically references the Foyer model of support for homeless Australians as an example of a successful approach to the difficult issue of youth homelessness. The Foyer has quite staggering success rates arising from a study in New York which saw 84% of young people still being in work or training one year out of the program and 91% of young people still being in stable accommodation on year on.

SVA believes that this model is one that can and should be replicated across Australia, based on the evidence of success for this model.

#### *The case for an innovative approach to tackling youth homelessness*

SVA has mobilised the above stakeholders in seeking to address the issue of youth homelessness within Australia. On any given night in Australia, over 28,000 young people aged 12 to 24 years old are homeless. For many of these young people, the statistics point to a lifetime of disadvantage and

<sup>23</sup> DEEWR 2010a, p3 as quoted in "Exploring Success for intermediate labour market social enterprises: A literature review", Nockolds D, for Brotherhood of St Laurence, 2012

heavy reliance on homelessness support services, welfare, healthcare, and in some cases the criminal justice system.

- One in two young people who experience homelessness are not participating in education or employment<sup>24</sup>
- Between 50% and 80% of young people who are homeless have experienced mental illness<sup>25</sup>
- Over 50% of young people aged 16 to 18 exiting out of home care each year experience homeless over the course of their life<sup>26</sup>
- Experiencing homelessness during childhood is suggested to be a key determinant of medium to long-term homelessness, according to a recent study by Orima Research<sup>27</sup>

A recent study on the fiscal impact of homelessness to the state estimated the cost at \$29,450 per homeless person per year<sup>28</sup>.

#### *Addressing youth homelessness through Foyer - an innovative model with a clear evidence base*

The Foyer model is designed to move young people from dependence and isolation to independence and connection with the community. Central to the Foyer model is a social contract between the individual and Foyer which identifies a young person's strengths, sets goals and creates a pathway to achieve them through education and employment, and stable housing. Success is measured by a young person's permanent transition to independent living based on education and employment opportunities. Foyer is based on a community capacity building approach recognising that all sectors of society have a role to play in the development of young people.

The Review cites Oxford Foyer in Perth as an example of a successful approach to the difficult issue of youth homelessness.

#### *Foyer development in Australia*

The Foyer model has started to gain some traction in Australia over the past few years. The current Victorian Government at the previous election made a commitment to allocate \$30m for the development of three Youth Foyers on TAFE land across the State. Similarly, the Western Australian Government, with Federal Government funding assistance, has developed a new purpose-built 98-bed Youth Foyer in Leederville.

These developments are good examples of the Youth Foyer model, however to date all Foyers within Australia have been solely dependent on Government funding for both the capital and operating costs associated with the model. This factor is a key barrier for Youth Foyers to grow and scale across the country.

#### *Innovative funding model to scale Youth Foyers*

SVA has been working closely with UnitingCare Burnside (UCB) to develop a sustainable and innovative funding model to scale Youth Foyers across the country. There are a number of characteristics required to ensure that private capital can be deployed to such a project:

<sup>24</sup> MacKenzie, D and Chamberlain, C. 'Youth homelessness in Australia', 2006

<sup>25</sup> Kamieniecki, G. (2001). Prevalence of psychological distress and psychiatric disorders among homeless youth in Australia: a comparative review. *Australian and New Zealand Journal of Psychiatry*, 33, pp. 352-358

<sup>26</sup> McDowall JJ (2011) *Transitioning from care in Australia: An evaluation of CREATE's what's the plan? Campaign* (CREATE Report Card 2011), CREATE Foundation, Sydney

<sup>27</sup> Orima Research, *A report on research to support the development of the Homelessness White Paper*, commissioned by FAHCSIA, 2008

<sup>28</sup> Zaretsky, K, et. al. (2013) *The cost of homelessness and the net benefit of homelessness programs: a national study*, AHURI Final Report No.205. Melbourne: Australian Housing and Urban Research Institute



- **Mixed tenancy approach** – a combination of young people at risk of homelessness with mainstream students. This approach assists with building community amongst all tenants, removes the stigma associated with a group of young people at risk congregated at a single site, and improves the economics of the project
- **Hybrid capital structure** – given the below market rents charged for the young people within Foyer, there is a ceiling to how much private capital can be invested into such a project. On initial modelling, such a project could sustain up to 70% of impact investing finance (for the build costs), with the remainder sourced through philanthropy, corporate support or Government contribution
- **Outcomes based operating funding** – private capital would be raised on the assumption that certain social outcome metrics are achieved. This could be tied to the recurrence of operating funding.
- **Long term funding commitment** – a certainty of operating program funding would be required over at least a 3 year period
- **Land to be contributed by service provider** (or Government) – in order to contain capital costs associated with a Foyer, land would need to be sourced through one of the following avenues:
  - Service provider has under-utilised land available for use or;
  - Government land (or old stock) is provided and / or;
  - Rent is either at peppercorn rates or covered by the operating funding

SVA believes there is capacity to develop and deliver capital investment through an Impact Investing model when a foyer is co-located with other student accommodation. This approach is innovative in Australia, as there is currently only standalone Foyers in operation. It does require Government to recognise the costs of delivering the services to support the young people and these funds are critical for the ongoing operation of any centre. Based on the evidence collected and highlighted above, Governments are likely to spend funding on other services which relate more to emergency care rather than the opportunity and access to training, stable accommodation and the possibility of ongoing employment and forging a career.

### Recommendation

- That Government provide support for mixed dwelling Impact Investing funding allocated to housing for youth at risk of homelessness
- That Government allocate funding to the services required to run supported places within a Foyer to assist homeless Australians into an employment pathway

In addition to the Foyer model outlined, SVA has also outlined the benefits of adopting a place-based approach in the above section, this can also be critical to helping to build community resilience through building community capacity. Through targeting an entire community and its neighbourhood issues and designing a response to those specific issues, there is evidence that highlights the benefits for the community that arise from that investment. Please refer to sections contributions on these issues above.

## **CONCLUDING COMMENTS**

SVA has welcomed the opportunity to comment on the possible implementation options the review is considering in light of the questions the Review has raised. In particular we see the Review as an opportunity to consider the role that social enterprise, intermediate labour markets and demand-led employment initiatives can play in improving the employment focus of Australia's income support system. We look forward to the Review's final report.