

Business
Council of
Australia



Submission to the Reference Group on Welfare Reform's Interim Report of the McClure Review of Australia's Welfare System

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The Business Council of Australia is a forum for the chief executives of Australia's largest companies to promote economic and social progress in the national interest.

About this submission

This submission responds to the issues raised in the Interim Report of the Reference Group of Welfare Reform, *A New System for Better Employment and Social Outcomes*.

The BCA's key interests in the review of welfare are to ensure that the system is fiscally sustainable, that it promotes workforce participation for those who are able to work and for which there are jobs, and that it provides an adequate support to those who need it.

Key recommendations

Overarching principles for reform

- ▶ The review should adopt as its prime objectives:
 1. encouraging and enabling workforce participation
 2. creating a more fiscally sustainable system
 3. ensuring the adequacy of payment levels.
- ▶ To assist in achieving these aims, the review should assess the growth trajectory of expenditure on key income support payments and examine how reforms can be designed to slow the rate of growth in the largest of these expenditure lines while balancing adequacy of payments.
- ▶ The review should also systematically identify any barriers and disincentives faced by people within the system to participating in the workforce.
- ▶ The review should take a whole-of-system approach when identifying how workforce participation incentives and support could be improved. Individuals in similar circumstances should receive the same signals from government across all social support systems about working and participating, including income support, employment services, education, taxation and superannuation systems.
- ▶ The BCA is concerned that the proposed changes to Newstart Allowance eligibility will act as a barrier to workforce participation and are not consistent with the policy intent of the draft employment services contracts for 2015–20. The review's final recommendations should seek to align key aspects of the welfare system with the employment services system so that they work in concert with employment services to provide effective support for jobseekers.

Simpler and sustainable architecture

The interim report considers the simplicity and sustainability of the social support system:

- ▶ The Australian social support system is highly targeted by international standards. The review should seek to retain this feature and explore opportunities for further targeting of payments to those in most need.
- ▶ The review panel should only simplify the income support systems payment structure if it can be done in a way that does not reduce the highly targeted nature of the income support system.
- ▶ The BCA supports the government's aim to address indexation of the pension to ensure the long-term fiscal sustainability of the system. The review should identify the options for indexation, drawing on the Henry and Harmer reviews and the Commission of Audit's work in this area.
- ▶ To foster a fiscally sustainable system, the review panel should give extensive consideration to the use of technology and alternative payment delivery models to drive efficiencies in the system and improve customer experiences. This should include exploring:
 - costs and benefits of strengthening the requirements to establish user identities in order to use MyGov
 - opening its use up to service providers in other levels of government and the private and not-for-profit sectors
 - using suitable quality private sector credentials for government online service delivery.
- ▶ The review should explore the best ways to incorporate data and data analytics to help contain the costs of the system over time and improve outcomes for recipients. As part of this, the review should examine:
 - regulatory barriers (such as privacy) and infrastructure barriers (such as data standards and interoperability standards) to governments making better use of data and data analytics
 - examples where data has been used well to identify cohort behaviour, including from the private sector.

Strengthening individual and family capability

The interim report considers initiatives to strengthen individual and family capability:

- ▶ The review should identify the unnecessary barriers to individuals participating in the workforce or participating in training that improves their employment prospects. This should include identifying the specific ways that the income support system discourages people from upskilling and re-skilling and provide options to address these barriers.
- ▶ The BCA supports the recommendations of the Productivity Commission's draft report into Child Care and Early Childhood Learning. This review should endorse the Productivity Commission's recommendations to:
 - combine the Child Care Rebate, Child Care Benefit and the Jobs Education and Training Child Care Fee Assistance payment into a single child-based subsidy
 - fund the means-tested Early Care and Learning Subsidy, within the confines of the current budget envelope.
- ▶ The review should examine ways that the tax and transfer system can support the rebalancing of government subsidies in favour of child care that supports parents to work, study or train. In doing this, the review should draw on the final Productivity Commission report in Child Care and Early Childhood Learning.
- ▶ The BCA supports the government's proposal to raise the pension age to 70 years of age. The review should examine how other aspects of the tax and transfer system could make it more worthwhile for older Australians to remain in work longer.
- ▶ The BCA supports the review's efforts to examine how the VET system is a crucial element in enabling people to get the skills to work and contribute to the community. The review should consider the BCA's recent report on *Building Australia's Comparative Advantages* and the Swinburne University 2014 Chancellor's Lecture delivered by BCA Chief Executive Jennifer Westacott.

Engaging with employers

- ▶ The BCA recommends the government consider taking the following steps in implementing the new employment services model:
 - Establish brokers or case managers to liaise between service providers and employers on an industry basis to match jobseekers with specific training and labour market requirements.
 - Adapt compliance activities like Work for the Dole to the needs of jobseekers and industry to ensure the time is being spent upskilling or preparing jobseekers for real jobs and that vocational and non-vocational employment barriers are being addressed.
 - Adapt Work for the Dole in regional and remote areas to be a more flexible funding pool to support intermediate labour market activities where there are not immediate real labour market opportunities.

- Build capabilities in job service providers to understand and work to employer requirements, including the specific training required for roles. Industry could work with government to develop clear training and skills requirement criteria for jobs, particularly entry-level roles.
- ▶ To support employers with Indigenous employment strategies, resource the development of state employer forums and industry cluster models where employers can collaborate on workforce development strategies.
- ▶ The government should work with business to develop a national campaign promoting the benefits of employing people with disability, addressing major attitudinal barriers.
- ▶ The broker function of the National Disability Recruitment Coordinator should be reinstated to assist large employers to fill vacancies with people with disability.
- ▶ The government should report and make readily available performance data for Disability Employment Services so employers can make informed market choices about effective providers.

The purpose of the income support system

Objectives of the income support system

The prime objectives for the review should be to (1) encourage and enable workforce participation, (2) create a more fiscally sustainable system and (3) ensure the adequacy of payment levels.

Participation is critical for Australia's long-term fiscal sustainability and growth in living standards. Without policy action, the government will face significant budgetary challenges as the population ages. The combined annual fiscal deficit across all levels of government in Australia could reach 5 per cent of GDP by 2050, or around \$80 billion in today's terms.¹

At the same time there will be a relatively smaller share of workers to pay for it. The 2010 Intergenerational Report projected that there would be only 2.7 workers for every person aged over 65 by 2050, compared with 5 workers at the time of the report.² Budget stability is an important ingredient for business certainty and provides the necessary conditions for investment.

Giving individuals the opportunity and incentive to work if they are able to will be vital for addressing Australia's demographic challenges. There are also a number of individual benefits to participation, including income, opportunity for career progression and social engagement. Maximising the participation of those who have the potential to work more will help businesses to compete in a changing global environment.

Who does the income support system serve?

There are two main groups of people who receive income support.

- Some recipients need access to temporary support. This includes people who are searching for their next job, may be unable to work due to illness or other health reasons, or need to care for a young child. In this case, income support ensures basic day-to-day needs are met so that people can concentrate on looking for work, looking after their child or otherwise getting back on their feet.
- Others receive ongoing support recognising that they are unable to work over the longer term. This includes mature-aged Australians, people with a disability that prevents them from working, or people with caring responsibilities that are assumed to be long term. Income support allows people in these situations to maintain a minimum decent standard of living consistent with broader community standards.

Within these two groups there is a complex array of individual circumstances, which have been well served by the targeted support offered by the existing system.

1. Deloitte Access Economics, 'An Intergenerational Report for the States', incorporated within the BCA submission to the 2011 Tax Forum, October 2011.
2. Commonwealth Government, *Australia to 2050: Future Challenges*, January 2010.

There are always improvements that could be made to further promote the adequacy and sustainability of the system, as well as workforce participation. These competing objectives will need to be balanced.

Relationship to other reforms

The final report handed down by the reference group will be an opportunity for the government to take stock of the current system. Together with the Review of Indigenous Training and Employment (the Forrest review), this report will provide the government with options for improving employment outcomes for young people, the long-term unemployed and Indigenous Australians.

The government has recently announced changes to Newstart arrangements, including a six-month non-payment period in every 12 months for jobseekers under 30 years of age.

In addition, the government has also proposed changes to the 2015–20 Employment Services contracts, as well as a review of the VET system, which plays an important part in training many young people for work.

The BCA is concerned that the proposed changes to Newstart Allowance eligibility will act as a barrier to workforce participation and are not consistent with the policy intent of the draft Employment Services contracts for 2015–20.

It is critical that these vital elements of the employment system work as a whole to provide jobseekers with the right support structures and incentives in order to assist them to find a job in a softening labour market. The BCA will explore these issues in more detail in the upcoming submission to the draft Employment Services contracts for 2015–20.

Recommendations

- ▶ The review should take a whole-of-system approach when identifying how workforce participation incentives and support could be improved. Individuals in similar circumstances should receive the same signals from government across all social support systems about working and participating, including income support, employment services, education, taxation and superannuation systems.
- ▶ The BCA is concerned that the proposed changes to Newstart Allowance eligibility will act as a barrier to workforce participation and are not consistent with the policy intent of the draft Employment Services contracts for 2015–20. The review's final recommendations should seek to align key aspects of the welfare system with the employment services system so that they work in concert with employment services to provide effective support for jobseekers.

Pillars of reform

A simpler and sustainable income support system

Sustainability of the income support system means that it is affordable today and over the longer term. It provides certainty that an adequate level of support can continue to be provided to those who need it most. Sustainability will become more important as fiscal pressures caused by demographic change begin to weigh on government finances.

The 2014–15 Budget stated that expenditure on social security and welfare is expected to be \$145 billion in 2014–15, making up around 35 per cent of total government expenditure.³ The cost of the system is set to grow: the 2010 Intergenerational Report projected total spending on pensions and income support payments will increase from 6.5 per cent of GDP in 2014–15 to 6.9 per cent of GDP in 2049–50. This reflects the growing proportion of people of retirement age, as well as indexation arrangements.⁴

Retaining tight targeting

We can best ensure that the income support system remains sustainable through retaining the tight targeting of the system as its core strength and ensuring that people who are able to work do not face barriers or disincentives to workforce participation.

According to Professor Peter Whiteford, Australia has one of the most targeted systems of cash transfers in the OECD. Due to flat-rate entitlements and income and asset testing, Australia's expenditure on cash payments is the sixth lowest among wealthy OECD member countries at 8.6 per cent of GDP.⁵

The current system has achieved this through flat-rate income and asset testing tailored to the category of payments (that is, pensions, allowances or additional payments) that they apply to.

Recommendation

- The Australian social support system is highly targeted by international standards. The review should seek to retain this feature and explore opportunities for further targeting of payments to those who need it most.

The interim report proposes the simplification of the income support system so that it is less complex for recipients and administrators. This would involve streamlining combinations of payments and allowances that have been developed over time to target the specific circumstances of people who have the greatest need of support.

3. Commonwealth Government, 2014–15 Budget Overview, May 2014.

4. Commonwealth Government, *Australia to 2050: Future Challenges*, January 2010.

5. P. Whiteford, "Robin Hood" and 'Piggy Bank': What Welfare State Does for Us", 28 April 2014, viewed 7 August 2014, <www.theconversation.com/au>.

Reducing complexity, particularly when it improves the interface between the community and government, is a worthy objective. However, it should not be pursued at the expense of targeting, which is key to the sustainability and affordability of the system.

Recommendation

- The review panel should only simplify the income support systems payment structure if it can be done in a way that does not reduce the highly targeted nature of the income support system.

Appropriate indexation and disincentives to work

Sustainability of the income support system can also be promoted through the appropriate indexation of payments. Both the Harmer Pension Review Report and the review of Australia's Future Tax System (the Henry review) explore indexation issues in depth.

The Commission of Audit proposed changes to pension indexation arrangements, recognising that these changes would support the robustness of the income support system over the longer term, particularly in light of the ageing of the population.⁶

Differing indexation arrangements have also contributed to a growing gap between allowances (e.g. Newstart) and pensions (e.g. the Disability Support Pension). In the 2014–15 Budget, the government announced that pension and pension equivalent payments will be indexed to the Consumer Price Index from 2017, saving close to \$450 million over five years.⁷

While this will help to prevent the gap from getting larger, the gap is wide and will remain open. There are good reasons why pensions and allowance rates are different. However, a gap of this size creates a strong incentive for disadvantaged unemployed people to test their eligibility for pension payments – that is, to move from Newstart to the Disability Support Pension and out of the labour market. The review should explore ways to reduce this incentive within the bounds of the government's fiscal strategy.

Recommendation

- The BCA supports the government's aim to address indexation of the pension to ensure long-term fiscal sustainability of the system. The review should identify the options for indexation, drawing on the Henry and Harmer reviews and the Commission of Audit's work in this area.

6. National Commission of Audit, *Towards Responsible Government*, February 2014.

7. Commonwealth Government, Budget Paper 2, May 2014, p. 203.

Improving online service delivery

Recent advancements in technology offer additional opportunities to drive efficiencies and user convenience. Automating transactions and freeing up staffing resources will contribute to the sustainability of the system over the longer term.

MyGov allows people to link their government services to a centralised online portal and now has around 4.3 million active accounts.⁸ The Department of Human Services has recently released mobile phone applications for some streams of income support so that recipients can manage payments and reporting from their smartphones. New claims for Newstart have now moved from the traditional paper-based process to an online process. Already over 1 million people have lodged tax returns through MyGov.

The BCA supports these moves, and recommends further developing online service delivery. The review could explore the costs and benefits of strengthening the requirements to establish user identities in order to use MyGov by adding another factor of authentication for those transactions that are of higher value or higher risk. An example could be to incorporate a biometric as a second factor of authentication.

A useful direction for further development would be to open up use of the government's online credential for use by non-government service providers such as banks and other levels of government for services such as vehicle registration. At the same time, suitable quality private sector credentials could be considered for use by government within a trust framework. Opening up the market for online credentials is likely to promote innovation and responsiveness to emerging threats to identity management.

Technological innovation is also opening up the possibility of new services. The kinds of transactions proposed by the Forrest review, for instance, where income support recipients are subject to income management, could more feasibly be implemented, should the government wish to, through a digital channel.

The review should also assess the extent to which regulatory arrangements (for example, privacy) or other barriers slow developments in service delivery innovation.

Recommendation

- To foster a fiscally sustainable system, the review panel should give extensive consideration to the use of technology and alternative payment delivery models to drive efficiencies in the system and improve customer experience. This should include exploring:
 - costs and benefits of strengthening the MyGov credential
 - opening its use up to service providers in other levels of government, the private and not-for-profit sectors
 - using suitable quality private sector credentials for government online service delivery.

8. Department of Human Services figures.

Better use of data and data analytics

Developments in data collection and storage and new tools to analyse and present information offer further opportunities for analysis that will better inform future adjustments to the income support system and improve outcomes for recipients.

The interim report identifies a good example of how this can be done.

New Zealand uses actuarial assessment to predict which groups would most benefit from early intervention. This longer-view analysis and subsequent targeted assistance could reduce costs to government and greatly improve outcomes for some recipients.

An investment model that uses targeted early intervention could benefit Australia. The review should examine whether an investment model would work in the Australian context and identify examples from the private sector where analysis of large datasets has been used well to identify patterns of behaviour by cohorts.

An additional approach is to take advantage of the ability to better link and sort large datasets to identify broader patterns in behaviour of various cohorts in the system. Analysis of long-run trends is already fundamental to policy and program design of the existing income support system. However, the ability to more easily process this information could help to more accurately locate areas of the system that could be improved.

The BCA supports a strong analytic capability within government to do this work and potentially to extend it to take in data from other levels of government and non-government sources (subject to privacy protections).

- The review should explore the best ways to incorporate data and data analytics to help contain the costs of the system over time and improve outcomes for recipients. As part of this, the review should examine:
 - regulatory barriers (such as privacy) and infrastructure barriers (such as data standards and interoperability standards) to governments making better use of data and data analytics
 - examples where data has been used well to identify cohort behaviour, including from the private sector.

Strengthening individual and family capability

Participation

The BCA agrees that participation should remain a priority across the whole social support system.

Participation in the workforce brings many individual benefits, including an income from work, opportunities for career progression and increased social interaction.

In addition, improving workforce participation is one way of offsetting the costs of the ageing population. The proportion of Australians of traditional retirement age will increase over the coming decades, and there will be fewer people of working age to support them. Engaging those who are able to work will be critical to growth in Australia's living standards.

The BCA identifies three key areas where financial disincentives in the transfer system may lead people to not participate to their full capacity.

1. *The income support system should support those seeking to upskill or re-skill during their working life.*

For instance, the rate of Austudy payment may discourage someone who is employed but wants or needs to retrain to change jobs or careers. On the tax side, education expenses are tax deductible only if they relate to existing employment, rather than future employment, which may be in a different industry or role.

Jobs types in Australia's economy are changing. Over the past decade, jobs characterised by higher levels of reasoning, judgement and the ability to manage non-routine tasks accounted for all of the jobs created. In contrast, more traditional production-based jobs, such as labourers and machinery operators, are declining in relative terms.⁹

However, the need to retrain will not just apply to workers in industries that are undergoing structural transition. Future workplaces in all industries will require flexible and skilled employees in order to innovate and compete. It is predicted that 70 per cent of the new jobs created by 2017 will require at least a Certificate III qualification.¹⁰

Recommendation

- The review should identify the unnecessary barriers to individuals participating in the workforce or participating in training that improves their employment prospects. This should include identifying the specific ways that the income support system discourages people from upskilling and re-skilling and provide options to address these barriers.

9. McKinsey & Company, *Compete to Prosper: Improving Australia's Global Competitiveness*, commissioned by the Business Council of Australia, 2014, p. 24.

10. Commonwealth Government, *Skills for all Australians*, Commonwealth of Australia, Canberra, 2012.

2. *The income support system should better support participation for parents with young children who have to pay for child care to work, study or train.*

The Productivity Commission draft report into Childcare and Early Childhood Learning finds that around 165,000 parents (on a full-time equivalent basis) with children aged under 13 years would like to work or work more, but do not because of access to and the cost of childcare.¹¹

The cost of child care, combined with income support, family tax benefits and personal income tax, can impact on decisions to re-enter the workforce or increase hours of work, particularly over certain income ranges.

The review should examine ways that the tax and transfer system can support the rebalancing of government subsidies in favour of child care that supports parents to work, study or train. In doing this the review should draw on the final Productivity Commission report on Childcare and Early Childhood Learning.

More broadly, the government should consider the findings of the Productivity Commission's final report into Childcare and Early Childhood as part of their response to this report and other reviews underway.

Recommendation

- The BCA supports the recommendations of the Productivity Commission draft report in Child Care and Early Childhood Learning. This review should endorse the Productivity Commission's recommendations to:
 - combine the Child Care Rebate, Child Care Benefit and the Jobs Education and Training Child Care Fee Assistance payment into a single child-based subsidy
 - fund the means-tested Early Care and Learning Subsidy, within the confines of the current budget envelope.
- The review should examine ways that the tax and transfer system can support the rebalancing of government subsidies in favour of child care that supports parents to work, study or train. In doing this the review should draw on the final Productivity Commission report in Child Care and Early Childhood Learning.

3. *The third area that should be looked at is welfare for senior Australians*

Welfare for seniors is the largest component of welfare spending, growing faster than GDP over the past 11 years.¹²

This has come about from deliberate policy changes over the past decade to widen the eligibility and rate of the age pension.¹³ This sits within a system of superannuation arrangements that offers favourable tax concessions to older Australians. The ability to access the pension from 65 years of age, together with

11. Productivity Commission, *Draft Report into Childcare and Early Childhood Learning*, Commonwealth of Australia, 2014, p. 207.

12. J. Daley & C. McGannon, *Budget Pressures on Australian Governments 2014*, Grattan Institute, May 2014, p. 23.

13. *ibid.*

these superannuation arrangements, may encourage people to retire when they still have the health to work and a valuable contribution to make.

In the 2014–15 Budget the government announced its intention to raise the qualifying age for the pension to 70 years from 2025. This recognises that people are healthier and are living longer than in the past and can therefore work for longer.

Together with other measures in the budget, such as the new Restart program, this proposal may go towards encouraging people to work longer.

It is important that incentives and support for workforce participation are coherent across all social support systems for individuals in similar circumstances. For example, the pension eligibility age should be consistent with the age at which people can access their superannuation. The review should examine how other aspects of the tax and transfer system could make it more worthwhile for older Australians to remain in work longer.

Recommendation

- The BCA supports the government's proposal to raise the pension age to 70 years of age. The review should examine how other aspects of the tax and transfer system could make it more worthwhile for older Australians to remain in work longer.

Adequacy of payments

Ensuring the income system supports participation and is sustainable is a priority. A discussion of these key objectives is incomplete without considering payment adequacy. Adequacy means that people have a minimum level of support to meet their basic needs and engage with society. Ensuring adequacy, long-term affordability and incentives that encourage work is a balancing act.¹⁴ Improving one of these objectives can come at the cost of reducing another.

It has been a decade since allowances were last adjusted. This, together with indexation arrangements, has eroded the value of unemployment benefits over time relative to pensions. It has also created a disincentive for people to withdraw from the labour market. In principle, this can be justified to the extent that it encourages people to seek work more quickly than they would if the payment was more generous, and it has assisted with containing the cost of the system.

However, there are costs associated with being work-ready, and income support needs to be sufficient to allow active job search. The ability to find work becomes more difficult in a softening labour market: there are currently around 700,000 people receiving Newstart Allowance and around 145,000 job vacancies in Australia, representing almost five Newstart recipients for each available job.¹⁵ The BCA has said before that Newstart Allowance is now so low as to be a barrier

14. Commonwealth of Australia, *Australia's Future Tax System: Report to the Treasurer*, 2010, Part 2, Volume 2, p. 498.

15. Australian Bureau of Statistics, *Job Vacancies Australia*, cat. no. 6354.0, May 2014 and Department of Social Services, *Labour Market and Related Payments*, May 2014.

to employment.¹⁶ Increasing Newstart, when fiscal circumstances permit, will encourage participation through ensuring recipients have enough support to be job-ready and reducing the disincentive to move to a more generous pension and withdraw from the labour market.

Recommendation

- The BCA supports increasing Newstart when fiscal circumstances permit to assist job-readiness and reduce the disincentive for recipients to move to the Disability Support Pension and withdraw from the labour market.

VET

The vocational education and training (VET) system has the potential to help young people at risk of unemployment or people who have spent time out of the workforce to find meaningful employment. The VET system is particularly important for people who have come out of school without sufficient foundational skills or people who want or need to change directions in their career.

The BCA has recommended improvements that need to be made to the VET system so that it can offer the best quality and choice of programs to equip its graduates for the jobs of today and tomorrow.¹⁷ These are:

- reinstating the VET system as a national priority
- strengthening cooperation between federal and state levels of government on the VET system, emphasising that the federal government has a role in national coordination
- better integrating the VET system with the rest of the education system and industry. This will ensure there are clear pathways to and from education to work, and that the workforce has practical and relevant skills needed in a changing labour market
- ensuring that VET providers, both public and private, have the scope to innovate, specialise and manage their finances so that they can provide the best training possible
- determining funding arrangements, ensuring that incentives are appropriate.

Recommendation

- The BCA supports the review's efforts to examine how the VET system is a crucial element in enabling people to get the skills to work and contribute to the community. The review should consider the BCA's recent report on *Building Australia's Comparative Advantages* and the Swinburne University 2014 Chancellor's Lecture delivered by BCA Chief Executive Jennifer Westacott.

16. Business Council of Australia, *Submission to the Senate Education, Employment and Workplace Relations References Committee Inquiry into Adequacy of the Allowance Payment System for Jobseekers and Others*, August 2012.

17. J. Westacott, Swinburne University 2014 Chancellor's Lecture, 19 June 2014.

Engaging with employers

While many companies have clear commitments to provide opportunities for disadvantaged jobseekers, it is vital that they have an enabling policy and employment services environment. Employer or demand-led approaches will not succeed without the right infrastructure to connect jobseekers with training and jobs.

Employer engagement and the Employment Services 2015–20 contract

Recent moves to orient employment service providers more towards employers, evidenced in the recent draft Employment Services 2015–20 contract, are welcome.

The BCA has long advocated a more demand-led focus for employment services, to ensure that jobseekers are being skilled and supported into existing jobs. A strong criticism of the current Job Services Australia (JSA) system is the lack of employer engagement.

The poor utilisation rate of JSA providers by employers reinforces the impression that there has been a disconnect between jobseeker supply and employer demand in the employment services system. This disconnect is particularly harmful for highly disadvantaged jobseekers, who often require intensive support to train for and retain a job.

However, in encouraging employment services to better understand employer needs, it is important that there is an organised approach to employer engagement. There is a very real possibility that under the proposed arrangements for employment services, employers will be inundated with approaches from job service providers both nationally and locally.

Mechanisms to broker engagement between providers and large national employers will be necessary. A broker can streamline the process for both providers and employers and allow the employer to articulate training and employment requirements to one body rather than multiple competing bodies.

Employers have expressed concern that many providers lack the capabilities to successfully equip jobseekers for employment. Poor understanding of the labour market and employer requirements means provider staff are often unaware of the training and qualification requirements of the jobs they are setting applicants up for. With the increased focus on employer engagement, there will need to be an investment in building the capabilities of employment service provider staff to understand industry requirements.

It is also important that compliance activities like Work for the Dole do not supplant or undermine the skill development and training that many jobseekers require to overcome vocational and non-vocational barriers to employment. Flexibility may be required when organising these activities in some regional and remote areas to design programs that act as intermediate labour market activities where there is no immediate labour market or the jobseekers face significant barriers to available jobs.

Recommendation

- The BCA recommends the government consider taking the following steps in implementing the new employment services model:
 - Establish brokers or case managers to liaise between service providers and employers on an industry basis to match jobseekers with specific training and labour market requirements.
 - Adapt compliance activities like Work for the Dole to the needs of jobseekers and industry to ensure the time is being spent upskilling or preparing jobseekers for real jobs, and that vocational and non-vocational employment barriers are being addressed.
 - Adapt Work for the Dole in regional and remote areas to be a more flexible funding pool to support intermediate labour market activities where there are not immediate real labour market opportunities.
 - Build capabilities in job service providers to understand and work to employer requirements, including the specific training required for roles. Industry could work with government to develop clear training and skills requirement criteria for roles, particularly entry-level roles.

Indigenous employment

The annual BCA Indigenous Engagement Survey shows that since companies began to adopt clear Indigenous engagement strategies, there has been employment growth. In 2013 BCA member companies grew their collective Indigenous workforce by 3,500 people to a total of around 20,000.

Employers identify four success factors when employing and retaining Indigenous jobseekers:

- pre-employment training/preparation matched to real roles
- matching jobseekers with a job they actually want and giving them a ‘line of sight’ to that job
- long-term mentoring when in the job
- building culturally safe workplaces.

Reconciliation Action Plans (RAPs), of which there are now over 500 in the private, public and community sectors, provide an effective template for organisations to develop a strategy for how they plan to increase opportunities for Indigenous employment.

Setting targets or, as the report suggests, having ‘employer-led covenants’ like the Australian Employment Covenant, will not be effective unless there are the right programs in place both inside and outside the company deliver job-ready candidates to sustainable jobs.

Sustainable employment outcomes depend on pathways from entry-level roles to careers. BCA members want to employ more Indigenous staff in professional roles, but access to talent can be difficult through mainstream recruitment processes.

Employer forums, like Yokai in Western Australia run by Reconciliation WA, help employers share talent, access development opportunities for staff and collaborate on training and employment initiatives. Importantly, they allow for employers of all sizes to come together – Yokai meets six times a year in Perth, bringing together over 140 organisations from across all sectors.

The forums would be a good opportunity for Vocational Training and Employment Centre (VTEC) providers to build relationships with employers and identify training and employment opportunities. BCA member companies with Indigenous employment strategies and Reconciliation Australia RAP organisations would provide a strong foundation of participants for these forums.

The BCA suggests the government provide resources to establish employer forums in each state capital to strengthen the development of employment pathways, foster collaborations and standardise good practice.

In South Australia, the development of an industry cluster approach to Indigenous employment provides a sound model for replication.

Industry Indigenous workforce development collaborations to build a supply of qualified Indigenous candidates gives a scale to demand for Indigenous employees and boosts overall employment outcomes while also being relatively efficient for employers.

The South Australian Industry Cluster approach is an example of large and small businesses coming together to develop industry-specific workforce development strategies. The industry clusters work with schools, universities, job service providers, industry associations and employment providers to build Indigenous participation.

This demand-led approach means that training is geared towards real opportunities. Since it began in mid-2011, the South Australian approach has led to almost 400 new Indigenous jobs. Notably, a share of these jobs has been in industries that had few or no Indigenous employees prior to involvement in their cluster.

The industry cluster requires a resourced third-party facilitator/secretariat to bring employers together, monitor progress, advise and maintain connection with other stakeholders.

Recommendation

- To support employers with Indigenous employment strategies, resource the development of state employer forums and industry cluster models where employers can collaborate on workforce development strategies.

People with disability

The percentage of employers using Disability Employment Services (DES) is estimated at 3 per cent. There is clearly an opportunity for a national campaign promoting the benefits of employing people with disability to address some of the attitudinal barriers to businesses adopting a more proactive approach to the employment of people with disability and raise the profile of the issue.

BCA member companies that are directly engaged with providers for recruitment of people with disability have raised concerns about the lack of national providers and the lack of a national coordinating body. Companies described an employment landscape that they found difficult to navigate. They found they were approached from all directions from providers, and that brokerage or coordinating organisations with a national focus were preferred/required.

Reinstating the National Disability Recruitment Coordinator's role as a broker, a function that was removed recently, would be a positive step towards creating a connection between employers and Disability Employment Services.

Employers want to work with providers that have a strong track record, not take a punt on a local service that may be a poor performer. Providing clear and accessible information on provider performance to employers would also stimulate greater employer engagement with providers and empower them to make informed market choices.

Recommendations

- ▶ The broker function of the National Disability Recruitment Coordinator should be reinstated to assist large employers to fill vacancies with people with disability.
- ▶ The government should work with business to develop a national campaign promoting the benefits of employing people with disability, addressing major attitudinal barriers.
- ▶ The government should report and make readily available performance data for Disability Employment Services so employers can make informed market choices about effective providers.

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