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Reform of Employment Services in Australia

SPEECH

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Questioner
Speaker OÖÇÖConnor, Brendan, MP

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Mr BRENDAN O'CONNOR (Gorton—Minister for Employment Participation) (3.43 pm)—by leave—The Rudd government believes that the key to addressing the barriers to obtaining employment experienced by many Australian job seekers is to provide them with the vocational skills and other means necessary to find and keep a job. We recognise that this is crucial, not only to the wellbeing of those Australians who are looking for work but to improve the economic and social circumstances of their families and of their communities. It is also critical to our future productivity growth and the economic prosperity of the country. Given the ageing of our population we need to lift the total number of people participating in the workforce, and we need to invest in improving the skills of Australian workers. This is vital to employers and to the economy as a whole if we are to remain internationally competitive.

The Job Network established by the previous government a decade ago has not and cannot meet these objectives. Over the last 10 years, skill shortages have worsened, dramatically hampering productivity and growth. Projections by the Centre for the Economics of Education and Training at Monash University suggest that unless something is done, in the area of VET-qualified workers, we could be looking at a shortfall of up to 240,000 workers by 2016.

Over the last 10 years many thousands of job seekers have become increasingly detached from the labour force. The Job Network has failed disadvantaged job seekers who have needed assistance to overcome barriers to employment and to gain the skills that employers need. This is starkly illustrated by the proportion of people on unemployment benefits for more than five years, which has increased from one in 10 in 1999 to almost one in four today—an increase from 74,000 people in 1999 to more than 105,000 people now. It is unforgivable that these job seekers and their families have been denied economic and social opportunities and the dignity that comes with having a decent job. This adds up to a powerful case for change.

This month, the Department of Education, Employment and Workplace Relations will release a \$3.9 billion request for tender to deliver fundamentally reformed employment services from 1 July 2009. These new services are the result of extensive consultations with job seekers, employers, peak welfare and community organisations and employment service providers. Consultations that commenced in January this year have assisted us to understand why the existing system isn't delivering and what needs to be done to fix it. The current system was criticised during the consultations for being a one-size-fits-all, time based approach. Job seekers were described as part of a production line—each receiving the same assistance as everyone else, regardless of their individual needs.

Under the new employment services, each job seeker will be placed by Centrelink into one of four streams, where they will receive a level of assistance commensurate with their level of disadvantage, and tailored to their individual needs. Importantly they will be able to receive assistance at a time better suited to their needs, not after some pre-ordained fixed period. Job seekers presently have to negotiate a bureaucratic maze, 'bouncing around' between Centrelink and multiple providers of different programs. Many employers have also told us they find the maze of programs confusing and don't understand how the Job Network system works.

The new employment services system replaces seven separate programs with a more integrated service. Under the new arrangements employment services will be a one-stop shop for job seekers and employers. This will also have benefits for those who deliver employment services. Providers have complained about time-consuming processes and weighty administrative burdens. The new employment services will achieve significant efficiencies by having a single contract, a simplified fee and outcome structure, and a single performance management framework instead of the multitude of arrangements under the current system. Further benefits will be obtained from reduced manual processing, and simplified acquittal processes for service fees and most purchases from the Employment Pathway Fund. Cutting red tape and reducing unnecessary administration is not an abstract goal. It will free up providers to spend more time focusing on the help that job seekers need.

Job seekers with entrenched disadvantage fared worst under the current system. Take the case of a person suffering from depression and multiple health issues who is at risk of homelessness and has a history of unemployment. Under the current system, this person could be among the 27,000 disadvantaged job seekers waiting for up to two years to receive assistance through the Personal Support Program. When such a job seeker does get into the program, there is a real danger that they will be effectively 'parked'. In fact their provider is paid whether or not the job seeker is assisted to find employment. This is not so much a reflection upon the performance of the providers; it is a criticism of the contractual shackles imposed by the previous government.

Under the new employment services the same job seeker would begin to receive tailored assistance from the day they walk through their provider's door. Employment service providers will now be able to work with job seekers to develop an individually tailored employment pathway plan, supported by a flexible pool of funds. Compared to the underutilised job seeker account, providers will be able to use the Employment Pathway Fund to address barriers to employment for more job seekers with a wider range of training and other services able to be purchased. For example, in addition to training, a provider will be able to purchase non-vocational services, such as mental health support services, counselling and rehabilitation services. The employment pathway plan and the fund will enable providers to work creatively to identify the best combination of skills development, work experience, personal support and other assistance a particular job seeker needs to find sustainable employment.

Sustainable employment is crucial. Many job seekers have been churning in and out of employment services and are not receiving the assistance necessary to leave unemployment behind for good. This is reflected in departmental research which shows that almost half the people on benefits in 2001 were still unemployed in 2007. For young women with little education the situation was even worse—three in four were on benefits in 2001 and still on benefits in 2007. This is a consequence of the previous government's narrow approach, an approach not supported by international evidence. The OECD, in its *Employment Outlook 2007*, suggested that an approach like this 'involves risk that job seekers may have to accept jobs too quickly, resulting in lower wages or more rapid return to unemployment'. Earlier, in its 2005 *Employment Outlook* the OECD endorses intensive employment services, individual case management and mixed strategies.

The Rudd government recognises the importance of both training and work experience in helping job seekers achieve sustainable employment. Job seekers accessing the new employment services will be able to participate in training when it is judged to be most helpful to them, and will have access to an extra 238,000 opportunities to receive training as part of the Productivity Places Program, with the government investing \$880 million over five years. Training will also support self-employment opportunities, with the Productivity Places Program providing up to 18,900 business training places over three years to support small-business start-ups in areas of skills shortage, and by disadvantaged and Indigenous job seekers. And, unlike the previous system, where there was little incentive to place job seekers in training, providers will be rewarded for placing job seekers in employment after they have completed accredited training. They will also be rewarded for placing job seekers into apprenticeships in areas of skill shortages. Training through the Productivity Places Program will be driven by employer demand, with Skills Australia analysing emerging skills needs and demands across industry sectors, and identifying the training gaps required to be filled.

The government is also addressing the issue raised by ACCI in its submission to the review of employment services that:

Better linkages with employers and the needs of business and industry will assist employment service providers and job seekers to better tailor training.

This new focus on what employers need will be a hallmark of the reformed employment services. To encourage employment service providers to better understand the needs of employers and to genuinely help them find the workers they need, providers will receive increased fees when they work with an employer and place a job seeker in a job with that employer. Further, as ACCI reflected in consultations:

... some Job Network providers do not have sufficient specialised industry knowledge to make a satisfactory placement so opportunities for real employment outcomes in industry are lost.

In response, the government has committed \$6 million over three years to fund employer brokers. These brokers will work across employment services and training providers to meet the needs of individual employers, or groups of employers within specific industries. Employer brokers will need to demonstrate an ability to provide real assistance to employers facing skill or labour shortages.

Importantly, for employers, the new system is focused on developing a work culture. Work experience will support the greater acquisition of work readiness skills that employers need, but do not get from the present system. Training and work experience will be able to occur at the same time, and will be an integral part of the overall plan for a job seeker's future. Consistent with the greater flexibility in the new employment services, providers and job seekers will have a much wider range of work experience options to choose from, although it is expected that the largest number of job seekers will continue to undertake their work experience through Work for the Dole activities that are combined with skills acquisition and focused on the job seeker ultimately getting work beyond the dole.

We are also creating a more work-like 'No Show No Pay' compliance model to replace the ineffective regime designed and implemented by our predecessors. The current compliance regime is an unproductive failure. Since the current rules were introduced in July 2006, more than 350,000 people have failed to meet their requirements and more than 50,000 job seekers have had an eight-week non-payment penalty imposed. Rather than encouraging job seekers to find and maintain employment, the compliance system has resulted in many of the most vulnerable job seekers disengaging completely. This is counterproductive and results in enormous costs to the individuals concerned, their communities and the nation.

The new employment services will be supported by a fairer and more effective compliance system designed to secure participation and engagement. Job seekers will lose a day's income support for every day they fail to attend a required activity without a reasonable excuse, just as they would in the workforce. The government recognises that while most job seekers do the right thing, those who do not must face consequences. This is why we are retaining the eight-week non-payment penalty for persistently and wilfully non-compliant job seekers. However, job seekers will be encouraged to take responsibility for their actions and, if they participate in an intensive activity, can have their income support reinstated.

The previous government may have been content to sit back with a counterproductive compliance system, but this government will keep working in partnership with stakeholders to improve employment services and to help the most disadvantaged job seekers obtain and retain employment. To support this goal, providers will be encouraged to develop new and better practices through a \$41 million Innovation Fund. This will allow the development of place based solutions to address barriers to employment for groups of highly disadvantaged job seekers.

One of the particular objectives of the innovation projects will be to assist highly disadvantaged Indigenous job seekers as part of the government's commitment to halving the gap between Indigenous and non-Indigenous employment outcomes by 2020. Employment services will also improve access to the small business program, NEIS, for Indigenous job seekers and provide increased funding for those Indigenous job seekers living in remote areas. Equally importantly, the government is considering how to reform the CDEP and Indigenous Employment Program as part of a broader Indigenous economic development strategy. These reforms will complement the bold commitment to the Australian Employment Covenant that will ask corporate Australia to guarantee 50,000 jobs for training-ready Indigenous Australians.

I am also reforming Disability Employment Services with a review of the Disability Employment Network and Vocational Rehabilitation Services. This will be informed in part by the National Mental Health and Disability Employment Strategy which I am presently working on with Parliamentary Secretary Shorten. This strategy will ensure a coordinated, national approach to deal with the barriers that people with disability and/or mental illness face in finding and keeping work. The new employment service will provide a tailored, individualised response to each job seeker. It will focus on the most disadvantaged job seekers neglected by the previous government. It will emphasise training and work experience. It will deliver the work-ready job seekers employers need.

For too long job seekers, employers and providers have had to endure a complex and rigid employment service structure. The Rudd government is determined that this will not continue. The government recognises that work, along with family and community, gives meaning to life. It creates opportunities for financial independence and personal fulfilment and benefits for local communities, regions and the broader economy. Families and communities are more prosperous and cohesive when those who can work are working.

I look forward to working with employers, job seekers and employment providers in the lead-up to the implementation of the new employment services, employment services that will support job seekers to gain and sustain employment and employers to fill vacancies with the skilled workers they need.

I ask leave of the House to move a motion to enable the member for Boothby to speak.

Leave granted.

Mr BRENDAN O'CONNOR—I move:

That so much of the standing and sessional orders be suspended as would prevent Dr Southcott speaking for a period not exceeding sixteen minutes.

Question agreed to.