

Next Generation of Employment Services in the aftermath of COVID-19

Background

On 31 July 2020 COSBOA provided a detailed response to the Next Generation of Employment Services discussion paper issued by the Department of Jobs and Small Business. This discussion paper contains a proposed design of public employment services that was developed before the COVID pandemic.

Small business carries a significant load in the Australian economy by providing employment and training opportunities to a significant proportion of the national workforce. Therefore, the approach to the provision of government-funded employment and training services in the context of the COVID recession is of vital importance to small business.

Concerns about the design of the employment services model

COSBOA has serious concerns about the design and development of the Next Generation of Employment Services.

We believe that the current outsourced employment services model is not fit for purpose in the context of the COVID-19 recession and the dramatically reshaped labour market.

Job services providers, jobseekers and small business employers now face fundamentally changed conditions. This disruption has been temporarily mitigated by the Australian Government's Jobkeeper program. However, the number of people in receipt of Jobseeker allowance had already spiked to 1.6 million in June. In coming weeks and months, COSBOA believes that a significant percentage of people in receipt of Jobkeeper will progressively move onto the Jobseeker allowance.

COSBOA is aware that a very large number of business owners are likely to decide to close their businesses. Job advertisements will remain at a very low level during these recessionary conditions.

In the post-COVID period it is likely that a significant further period of adjustment in the labour market will occur. As you mentioned in your briefing to the IR Reform Working Groups on 11 August, this is the biggest shock to the labour market in living memory.

The current *jobactive* system is not equipped to deal with the new labour market conditions, and it is unlikely that an employment service model designed prior to COVID-19 will be effective in the 'new normal' labour market.

People will continue to flood into the system who have never been unemployed before. Many of these people will be vulnerable for a range of reasons, especially once they lose

their attachment to the workforce. Intervention is needed to prevent these people from becoming long-term unemployed.

COSBOA believes that a fundamental re-design of the proposed Next Generation of Employment Services must be undertaken to address the needs of the huge number of workers displaced by the COVID recession.

This model “....was conceived in economic conditions that are vastly different from those that will follow the COVID-19 economic shock. There is a need to ensure that post-COVID employment services are fit for newly unemployed workers and that they can adapt to the long-term challenges of the economic recovery over the years ahead” Casey, S. and Lewis, A. April 2020, Discussion Paper: *Redesigning Employment Services after COVID-19*, Per Capita, Melbourne).

What focus is needed in the COVID recession?

A central feature of each iteration of the outsourced employment services (Job Network, Job Services Australia and *jobactive*) has been the focus on the provision of intensive services to long-term unemployed people. Since 1998, none of these systems has been able to significantly reduce Australia’s stubbornly high long-term unemployment.

In a strong, growing economy, the targeting of intensive employment services to the most disadvantaged and long-term unemployed jobseekers is arguably justified (despite the past failures of this approach).

COSBOA argues that, in a serious recession, this focus is misdirected. Past experience shows very clearly that those employers who are still recruiting in the recession environment will only look for the most recently skilled, work-ready candidates.

The job services system must use these comparatively rare and valuable employment opportunities to place unemployed people, regardless of how long they have been unemployed. This is a vital aspect of early intervention strategies.

The urgent need for early intervention

COSBOA is very concerned at the lack of face-to-face services that will be made available to short-term unemployed jobseekers. It is very important to observe that many jobseekers who are vulnerable to becoming long-term unemployed will not be identified by the system as ‘highly disadvantaged’.

The proposed ‘Next Generation’ employment services will rely almost totally on short-term unemployed people helping themselves through online services. COSBOA fears that large numbers of vulnerable short-term unemployed jobseekers will not engage effectively with digital employment services.

COSBOA proposes that the Next Generation Employment Services proposal needs to be fundamentally re-designed to enable rapid, early intervention in the labour market, to help large numbers of jobseekers avoid long-term unemployment.

The current Youth Employment Package is a confusing number of small programs that are difficult for young people to navigate. Transition to Work eligibility appears to exclude

unemployed young people who have completed Year 12 or Certificate III or above in post-secondary education.

This package will fail to meet the needs of the very large numbers of young people flooding into the system as a result of the COVID recession. COSBOA believes, in the post-COVID economy, that intensive early intervention services for young people are vitally important to help them avoid becoming long-term unemployed.

Digital / Online Employment Services

COSBOA understands that the Next Generation Employment online services are planned to be more sophisticated than the current Jobsearch App. Improvements in the current system are highly desirable and welcomed by COSBOA.

However, there is now a rapidly growing disparity in the number of unemployed people and the number of genuine job vacancies. No online system regardless of how sophisticated it is, will help enough people find work in this environment. It is not at all clear how the system will generate the volume of jobs needed to be matched to jobseekers' skills needed in the current economic situation.

There is a real risk that recently unemployed jobseekers – those who need more personalised interventions - will 'fall through the digital cracks'.

Importantly, many small businesses who do the heavy lifting in the labour market by employing and training workers, will not use a digital only service. For these employers, no digital system will address their recruitment needs.

Licencing model

COSBOA suggests that the licencing model needs to provide scope to Government to quickly change direction to address a crisis in the labour market.

Some of the problems identified with current and previous iterations of the outsourced job services system relate to the inbuilt limitations of the contracts with providers. In times of economic crisis this style of contracting has the effect of hindering Government from rapidly adapting and changing the nature of services provided.

Our direct experience has been that the outsourced job services providers will not collaborate adequately at a local level to enable place-based employment strategies to be effectively implemented.

While the proposed licencing approach may solve some of the problems relating to the management of contracts the Commonwealth holds with job service providers, it will not materially change the nature of the problems of entrenched long-term unemployment.

At this stage COSBOA can see no evidence that the proposed licencing model will be able to cope with the drastically disrupted labour market any better than jobactive.

Employer services

It is a matter of public record that the relationship between employers and the outsourced job services system has steadily declined since the inception of the Job Network in 1998. In the 2018 report entitled I Want to Work it was noted that:

- **18%** of employers using the system in *2007*
- **4%** of employers using the system in *2018*

An effective job services system must build relationships with the small and medium sized businesses that will provide the majority of new jobs. This cannot be done as an add-on to the new online services. The employer services function is a specialised role requiring skilled staff and equally skilled management.

Many small business employers will expect a personalised vacancy service, not an automated system that replaces working relationships with algorithms.

A balanced, multi-dimensional approach

‘Now, more than ever, stronger employment services play an increasingly important role in job matching, enhancing employability, addressing skill mismatches and linking support directly to employers and workers through operating various active labour market programmes.’ (Employment Services, 2018, International Labour Organisation <https://www.ilo.org/skills/areas/employment-services/lang--en/index.htm>).

COSBOA proposes a much more comprehensive model of job services that would include:

1. Planned, ongoing upskilling of employment consultants and case managers.
2. Provision of early intervention (face-to-face) services to all unemployed people identified as needing job search support, regardless of duration of unemployment.
3. Intensive case management support for long-term unemployed and highly disadvantaged jobseekers - alternated with work creation/training placements (below).
4. Work creation / Training placements for long-term unemployed and highly disadvantaged jobseekers, alternated with case management.
5. Online services for highly job-ready jobseekers.
6. Jobsearch training and accredited vocational training opportunities for long-term unemployed and highly disadvantaged jobseekers.
7. A labour market training program that provides wage subsidies for employers offering real jobs (see COSBOA Skills Builder* program proposal).

There is need and opportunity for the Commonwealth Government to build a network of community employment services that articulate closely with local economic development activities.

Past experience demonstrates that the high unemployment levels generated by a serious recession will be very difficult to shift. The “scarring effect’ is very real.

Those of us who have delivered employment services during a recession know only too well how corrosive this effect is in our society and economy.

It is essential to equip job services providers with a well-funded, comprehensive labour market program that encourages small business employers to hire and re-skill unemployed people. COSBOA has proposed such a program titled Skills Builder (Attachment 2)

COSBOA would strongly prefer the re-institution of a universal public employment service along the lines of a modernised, corporatised CES. Such a system could be much more effectively used by Government to assist jobseekers and small business employers in a period of recession (and beyond). However, while COSBOA believes this is entirely feasible, we acknowledge it is unlikely.

Australian Employment Services Agency

COSBOA proposes the creation of the *Australian Employment Services Agency* - a Government-owned Business Enterprise which would directly manage contracted Community Employment Service providers.

Community Employment Services network

COSBOA recommends the development of an entirely new network of Community Employment Services contracted by the Commonwealth Government through the Australian Employment Services Agency.

COSBOA argues that employment services contracts should only be made available to not-for-profit organisations.

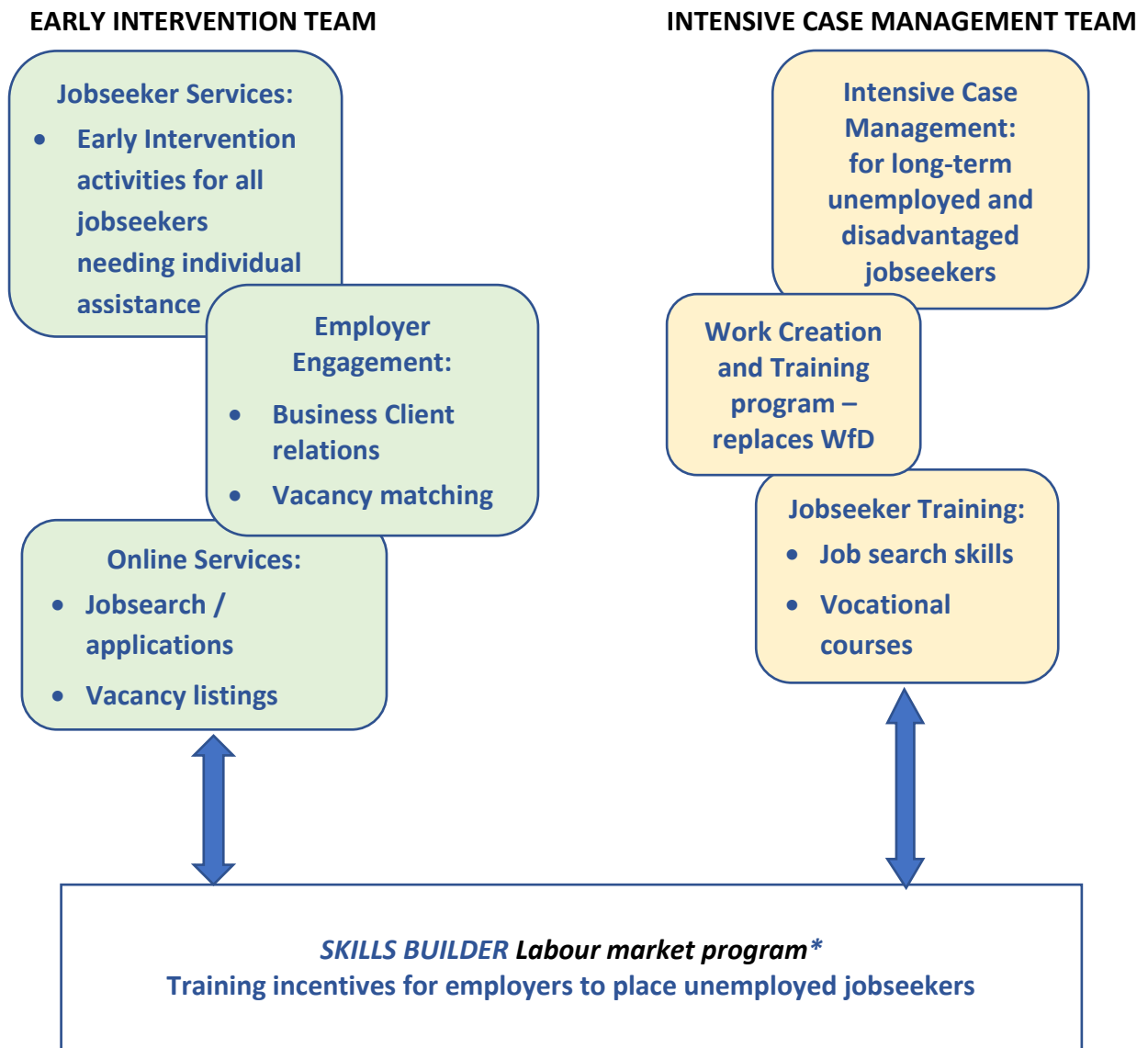
The conflicted competition that currently exists between Jobactive providers in communities around Australia should cease in the next iteration of employment services contracts. In practice, this competition does not deliver improved choice for jobseekers, but rather results in confusion, and a lack of cooperation and collaboration between providers at a time when it is most needed.

Community Employment Services agencies would deliver labour market programs including the *Skills Builder* program proposed by COSBOA and a re-named work creation program to replace Work for the Dole. These programs would be delivered in collaboration with local Business and Employment Development Committees.

In the approach proposed by COSBOA from 2022, contracted employment providers' services would be delivered by **two distinct job services teams**: one specialising in Early Intervention and one specialising in Intensive Case Management (see Attachment 1).

These proposed changes would enable the Commonwealth Government to much more directly and effectively address the high level of unemployment that has resulted from the COVID-19 pandemic.

A balanced approach to Job Services



*COSBOA proposed labour market adjustment program



SKILLS BUILDER

Post COVID-19 small business workforce strategy

Introduction

This paper proposes a role for small business in partnership with the Australian Government to:

- Address rising levels of unemployment by providing local jobs for unemployed people.
- Help mitigate against a collapse in workforce skills development in the small business sector.

The Australian economy has suffered a major shock from the COVID-19 pandemic. The resulting steep rise in unemployment has not only caused hardship for many individuals and families, but it will have significant negative impacts in industry. Workforce skills development will be set back by the disruption to employment and training.

Critical role of small businesses in workforce skills development and productivity

Australia's small business sector is a vital contributor to workforce skills and productivity. While 93 percent of Australian businesses have an annual turnover of less than \$2 million (2018-19), small businesses account for 33 per cent of Australia's GDP. 62 percent of small businesses are sole traders with no employees, yet small businesses employ over 40 per cent of Australia's workforce.

As just one example, they employ more apprentices than any other sector.

1. IMPACT OF COVID-19 ON WORKFORCE SKILLS DEVELOPMENT

Using the employment and training of apprentices as an example, the Sydney Morning Herald reported on 1 June 2020 that *"National apprenticeship vacancies plunged from 1731 in January to 468 in April after social distancing measures were introduced."*

The Herald article reported that *"the Mitchell Institute at Victoria University estimates that without intervention there will be 130,000 fewer apprenticeships and traineeships from the start of the coronavirus pandemic to June 2023. This represents a 30 per cent drop in new apprenticeships over the next three years which the research predicted could potentially lead to skills shortages lasting up to eight years, hampering the COVID-19 economic recovery."*

Of course, small businesses provide training to people in many forms, not just through apprenticeships; thus contributing to workforce skills and productivity. Small businesses also:

- Provide a vast range of informal skills development opportunities (about 85 percent of worker's non-formal learning is paid for by employers).

- Offer formal Traineeships.
- Offer cadetships to Year 12 graduates.
- Employ university graduates who continue to study at a post-graduate level while they work.
- Provide practical opportunities for workers to develop their skills while they undertake technology training programs (e.g. industry-based ICT training).

Small business provides training opportunities for people in a wide range of age-groups and skill levels.

It is reasonable to assume that the severity of the disruption caused by the pandemic will not just reduce apprenticeship numbers but will collapse skills development across many occupational classifications.

The financial position of most small businesses has deteriorated significantly due to the COVID-19 pandemic. A large proportion of small businesses that previously offered training opportunities to workers – especially new workforce entrants – will not be in a financial position to do so for a considerable period.

Clearly, this will have a highly negative impact on the small business role in skilling a highly productive workforce.

2. LABOUR MARKET ADJUSTMENT

The Australian labour market more broadly has been disrupted and re-shaped by the COVID pandemic. This disruption has been somewhat mitigated by the Australian Government's *Jobkeeper* program, which has now been re-configured and extended until March 2021. In the post-COVID period it is likely that a significant further period of adjustment in the labour market will occur.

Many Australian businesses are likely to adapt to the post-COVID economy by operating with reduced staffing levels. This will, in turn, reduce training opportunities. In the medium term, reduced training opportunities in small business will result in a further reduction in the number of skilled workers available to industry.

Prior to COVID-19 the National Agreement for Skills and Workforce Development had already failed to meet its targets relating to halving the number of adults without post-secondary qualifications and doubling the number of diploma and advanced diploma qualifications.

Important long-term goals relating to up-skilling Australia's workforce will be further hindered if there is a withdrawal of large numbers of training places in small business. This situation will be worse in rural and regional areas. It is anticipated that the existing disparity between urban and regional VET outcomes identified in the *National Regional, Rural and Remote Tertiary Education Strategy* Final Report (2019) will be exacerbated by the COVID recession.

Government policy and programs, both Commonwealth and State, must play a major role in guiding the process of labour adjustment onto a course that supports improved workforce skills and productivity.

In the current economic context it is difficult to see how the small business sector can be fully engaged in this effort without assistance from government.

Small business as a key partner in labour adjustment strategy

Small business has always played a vital role in labour adjustment training. During past economic shocks to major industries (e.g. traditional large-scale manufacturing) small business has helped to re-employ and re-train workers displaced by industry restructuring. Because of the fragile state of the small business sector following the COVID-19 shutdown most businesses will not be in a financial position to contribute to this effort.

3. RECOMMENDATION

COSBOA is keen to play a role in the development of a new *small business training partnership program* which we have called ***Skills Builder***. The Program would:

- Reduce unemployment,
- Help to rapidly re-build capacity in small businesses,
- Rapidly boost the numbers of people undertaking vocational training in industry,
- Provide revitalised vocational career pathways,
- Help to increase workforce productivity.

Skills Builder would involve the provision of carefully targeted training incentive payments to small businesses. The incentives would be paid over a **26 week period** at the start of a person's employment.

As an emergency intervention the Program should be as simple as possible to deploy and administer. For this reason COSBOA recommends avoiding complexities relating to jobseeker eligibility.

4. OBJECTIVES and PRINCIPLES

Rejuvenating VET pathways in business in the aftermath of economic shock

The proposed program should be an intervention specific to economic recovery following the COVID-19 crisis. It is much more than just a wage subsidy. The delivery objectives of the *Skills Builder* would be to:

- Place people in employment in small businesses.
- Undertake structured on-the-job training that directly assists the employer's business and supports the skill development of the employee.
- Assist people to start their careers in skilled occupations.

The Program would support the rapid development of an increased number of clear and logical VET pathways, with small businesses providing learning opportunities in alignment with post-secondary education.

As a dedicated economic recovery initiative, the *Skills Builder* Program would:

- Be a 'flat rate' subsidy for workers in all training categories employed under the Program,
or
- A percentage of the employee's award wage.

In the case of Apprentices and Trainees, the Program could:

- Replace the current 50 percent wage subsidy for Apprentices and Trainees which has now been extended beyond 30 September 2020.
- Be paid in addition to standard incentive payments for Apprenticeships and Traineeships.

Early intervention

Much of the focus on job placement activity in recent years has been on reducing long-term unemployment (largely without success).

The COVID-19 pandemic has reminded Australians of the need to intervene as soon as possible after a person loses their job. There is a pressing need to avoid lost generation of people who lose their attachment to the workforce (including young workers and mature age people).

In this instance, early intervention would involve reinvigorating Vocational Education and Training (VET) pathways of all types, in partnership with small businesses.

Industry agnostic

Government should avoid picking winners in relation to the targeting of industry sectors for training incentives. If a business in any sector has an identified a need to develop workforce skills, then that opportunity to skill up workers is as good as any other.

Unbureaucratic job placement process

An employer should be free to recruit a person that best suits their business needs, if that person meets the eligibility criteria (see item 6, below). In the immediate post-COVID period, the length of a person's unemployment should *not* be a determinant of eligibility. An employer could convert an existing part-time worker to an Apprentice, Trainee or full-time employee under the Program, as long as the worker is registered with a Jobactive provider or Disability Employment Service.

5. MATCHING FORMAL TRAINING AND ON-THE-JOB TRAINING FOR UNEMPLOYED PEOPLE

The greatest value for both employer and employee is achieved when the skills required for a particular role match the formal training undertaken by the employee. Examples of how this might occur include:

- An employer provides an employment opportunity for an unemployed person to undertake an industry-recognised qualification program while working in a directly related occupation.
- An employer offers a cadetship to an unemployed Year 12 graduate.
- An employer provides an employment opportunity for an unemployed graduate (from university or formal VET program) offering on-the-job learning opportunities that correlate closely with the graduate's course.
- An employer provides an Apprenticeship opportunity for an unemployed person.
- An employer provides a Traineeship opportunity for an unemployed person.

6. ELIGIBILITY

Employer

An Australian-owned business with turnover of less than \$10 million.

Jobseeker

An Australian resident who is registered as unemployed with a Jobactive provider or Disability Employment Services, whether in receipt of an allowance or not. The period of time the person has been unemployed is not a consideration.

Vacancy

A job opportunity providing a minimum of 25 hours work per week unless hours for Apprentices or Trainees are otherwise specified. The job must provide on-the-job training which corresponds to the employee's formal training program.

There will always be a *Training Plan* in place. This may be a standard Apprenticeship or Traineeship Training Plan, or in the case of other employees, it will be a straightforward template detailing on-the-job training competencies to be undertaken in the workplace.

7. PROGRAM MANAGER

Which organisation could manage the Program?

Arguably, no single existing organisation has the full range of capabilities needed to deliver a broad-based labour market adjustment program. For this reason, any organisation chosen to manage the *Skills Builder* Program would need to gear up for the range of tasks involved.

The managing organisation should have:

1. A close working relationship with small businesses.

2. A sound understanding of Vocational Education and Training and a working knowledge of the Higher Education sector.
3. The ability to assess and monitor Training Plans.
4. The ability to assess payment eligibility (to employers).
5. An awareness of the needs of jobseekers and employees undertaking training.

A close day-to-day relationship with jobseekers is *not* critical, because the Program will be driven by small business training opportunities.

Existing organisations which could be considered for the Program management role include:

- State Training Authorities (STAs)
- Industry Training Advisory Boards (ITABs)
- Australian Apprenticeship Support Network (AASN)
- Jobactive providers
- Services Australia - *Business Hub* team
- Group Training Organisations.

FINAL OBSERVATIONS

COSBOA believes it is vital to more fully engage Australian small businesses in a broad-based effort to:

- Rapidly address rising unemployment
- Prevent a major reduction in practical vocational training, and
- Reverse the depletion of workforce skills.

The comprehensive implementation of a labour market adjustment program such as *Skills Builder* will:

1. Reduce unemployment,
2. Help to rapidly re-build capacity in small businesses,
3. Rapidly boost the numbers of people undertaking vocational training in industry,
4. Provide revitalised vocational career pathways,
5. Help to increase workforce productivity.

Skills Builder would augment (and become an integral part of) the *JobTrainer* package announced by the Morrison Government on 16 July 2020. *Skills Builder* will strongly complement the vocational training element of *JobTrainer*.

8. SKILLS BUILDER PROGRAM PROCESS

