

# NSW Business Chamber submission

## Changes to Indigenous Employment Program (IEP) Assessment and Funding Processes

April 2013



## NSW Business Chamber

NSW Business Chamber is one of Australia's largest business support groups, with a direct membership of more than 12,000 businesses, providing services to over 30,000 businesses each year. Tracing its heritage back to the Sydney Chamber of Commerce established in 1825, the Chamber works with thousands of businesses ranging in size from owner operators to large corporations, and spanning all industry sectors from product-based manufacturers to service provider enterprises. The Chamber is a leading business solutions provider and advocacy group with strengths in workplace management, occupational health and safety, industrial relations, human resources, international trade and business performance consulting.

Operating throughout a network of offices in metropolitan and regional NSW, the Chamber represents the needs of business at a local, regional, State and Federal level, advocating on behalf of its members to create a better environment for industry.

The Chamber is consistently engaged in policy interaction with government regarding employment, education and training issues, providing high level input and recommendations to support employers' engagement in a range of workforce development programs.

The Chamber's views in relation to employment, education and training reflect both our commitment to represent members' concerns and develop policy positions to promote positive and pragmatic change across these policy areas.

The Chamber's employment, education and training policy development is supported by our Workforce Skills Policy Committee, which includes employer representatives from regional and metropolitan areas. This submission has been approved by the Chamber's Workforce Skills Committee.

## Introduction

In recent years, NSW Business Chamber (the Chamber) has driven significant public policy debates in NSW. Our goal in doing so is to help create an economic environment that is supportive of productivity, growth, investment and jobs.

Australian industry needs a skilled, flexible and motivated workforce that contributes to productivity gains and drives economic development. Ensuring that the available workforce has the skills and knowledge required to meet the needs of industry and employers is a significant issue for NSW and Australia.

The Chamber believes that addressing high levels of youth unemployment through more effective school to work transitional arrangements, increasing employment participation and driving productivity growth need to be a central focus of the NSW and Australian Governments and the broader community, including business.

Employers expect better outcomes and continually look for products tailored to their needs. Knowledge-based industries continue to grow which is placing greater emphasis on the importance of higher education and the acquisition of higher level skills.<sup>1</sup>

The Chamber recognises that improving employment outcomes for Indigenous job seekers is critical for creating economic independence, which can help to address the long-term disadvantage experienced by Indigenous Australians. Employers have an important role to play in supporting this process, for example, by employing local people in local jobs and providing training and development opportunities.

Employers can also support better education and training outcomes for Indigenous Australians by making links with local communities and involving these communities in accredited employment-based training such as traineeships and apprenticeships.

The Chamber recognises that Indigenous Australians are one of the most disadvantaged groups within the Australian labour market. It is well documented that, when compared with non-Indigenous Australians, Indigenous Australians continue to have:

- lower labour force participation rates;
- higher incidences of unemployment and longer durations of unemployment when they do participate in the labour market; and
- lower average incomes when in employment.<sup>2</sup>

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<sup>1</sup> Australian Workforce and Productivity Agency (2013). *Future focus: 2013 National Workforce Development Strategy*.

<sup>2</sup> House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs. (2007). *Indigenous Australians at work: successful initiatives in Indigenous employment*. The Parliament of the Commonwealth of Australia, Canberra, June 2007.

The Chamber supports the need for specific policy responses to address Indigenous disadvantage and increase Indigenous employment rates. The Chamber supports employment policies which:

- assist Indigenous Australians to have access to private sector employment as distinct from community and public sector options;
- recognise Australian Apprenticeships as one of the most important options for employers to open up opportunities for Indigenous job seekers in entering private sector employment;
- include the promotion of private sector employment opportunities to Indigenous communities and individuals;
- continuously develop the labour force skills and knowledge of Indigenous job seekers and the Indigenous community in general;
- link available labour, particularly in remote areas, with available employment opportunities;
- ensure the design of labour market programs meet individual and business needs;
- implement adequate pre-employment assistance to meet the needs of job seekers and employers;
- establish appropriate support mechanisms for Indigenous people employed in the private sector, particularly in small businesses;
- encourage and facilitate cross-cultural awareness training for non-Indigenous businesses and their employees to develop an awareness of Aboriginal and Torres Strait Islander cultural issues within the workplace;
- establish targeted employer incentives which relate to ongoing placement with the employer;
- maintain publically funded employment services that better serve the needs of job seekers and employers.

It should be noted that in regional and remote communities there is often insufficient private sector employment demand. Public sector employment opportunities are particularly important in these areas and the Chamber recognises the benefit of public sector opportunities for these communities.

More should also be done to explore market opportunities, industry development and broader economic development opportunities in regional and remote areas. For example, Indigenous involvement in mining increased substantially as a percentage of all Indigenous employment and is now closer to the percentage of mining employment for overall Australian employment. The percentage of Indigenous males and females employed in mining more than doubled in remote areas between 2006 and 2011.<sup>3</sup>

The Chamber also supports education and training policies which:

- strengthen the focus on sound basics such as English language, literacy and numeracy at primary and secondary school level;
- improve, and regularly test, on a nationally agreed and consistent basis, literacy and numeracy standards and develop appropriate intervention strategies;
- focus on nationally consistent outcomes for Indigenous students and achieve standards which are comparable to international standards of best practice;
- maximise education and training pathways from school to the workplace, particularly to assist in increasing retention rates for Indigenous school students;
- respond to the growing need for students to undertake workplace learning programs which develop links with industry and create pathways to further training and employment in the private sector;
- improve and integrate careers education, employability skills and enterprise education principles into the education and training system to provide Indigenous students with an understanding and potential of the range of pathways available;
- develop more flexible delivery mechanisms including online delivery to enable nationally recognised training to be offered to regional and remote communities;
- provide financial incentives for employers to encourage engagement with the Australian Apprenticeships system, with additional resources for arrangements involving disadvantaged groups, such as Indigenous Australians; and
- continue to encourage further education and training, including university and vocational education and training.

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<sup>3</sup> Gray, M., Hunter, B. & Howlett, M. (2013). *Indigenous employment: a story of continuing growth*. Centre for Aboriginal Economic Policy Research. CAEPR Topical Issue No. 2/2013. Australian National University College of Arts & Social Sciences.

With regard to the provision of more flexible training delivery options, it is important that online training resources and materials are culturally appropriate for learners and provide some broader context. The content needs to be relevant and accessible for remote learners and should reflect the different experiences and contexts of people living in remote areas. Within specific course content, examples used to emphasise a concept for mainstream metropolitan learners may lack relevance to those living in remote areas.

The rollout of the National Broadband Network (NBN) provides exciting opportunities for more advanced online education and training services to be delivered to regional and remote communities. Future Indigenous Employment Program (IEP) applicants should explore opportunities to maximise the benefits created by the NBN rollout.

With many industries experiencing significant skills shortages, it is crucial that the education and training system responds to the development needs of Indigenous jobseekers with provision of specific skills that create pathways to employment. Lifting Indigenous workforce participation levels will generate substantial benefits for Aboriginal and Torres Strait Island communities.

The Chamber agrees that the long-term welfare of Indigenous people partially depends on the extent of economic engagement with the mainstream economy and the independence that such engagement engenders.

The Chamber notes that there has been a significant increase in Indigenous employment over the period 1994 to 2011, especially in the private sector. Recent figures show that for Indigenous men, non-Community Development Employment Project employment increased from 38 per cent to 45 per cent, between 2006 and 2011, and for women it increased from 34 per cent to 39 per cent.<sup>4</sup>

The Chamber welcomes the opportunity to comment on the *Changes to Indigenous Employment Program (IEP) Assessment and Funding Processes* Discussion Paper and supports the Department's intention to implement measures that better prioritise projects for funding under the IEP, ensure IEP investment is targeted to areas of greatest need and/or opportunity, and maximise the program's contribution to the Closing the Gap employment target.

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<sup>4</sup> Gray, M., Hunter, B. & Howlett, M. (2013). *Indigenous employment: a story of continuing growth*. Centre for Aboriginal Economic Policy Research. CAEPR Topical Issue No. 2/2013. Australian National University College of Arts & Social Sciences.

## Prioritising IEP projects

### 1. Are there any other principles that the Department should consider when prioritising IEP proposals for funding?

In the process of determining how projects will be assessed and prioritised for funding, the Chamber believes that there should be sufficient recognition of what has been successful in the past. Project proposals that demonstrate an understanding of best practice and previous success should be prioritised. In addition to replicating and building on best practice approaches, there should also be scope for innovation.

Recently published research identifies a number of key program characteristics that lead to successful employment outcomes for Indigenous Australians. A report produced for the *Closing the Gaps Clearinghouse* in 2012<sup>5</sup> summarises some of the central characteristics of programs that have successfully increased Indigenous employment rates. These characteristics include:

- Increasing the skill levels of Indigenous Australians via formal education and training.
- Pre-employment assessment and customised training for individuals in order to get Indigenous job seekers employment-ready.
- Non-standard recruitment strategies that give Indigenous people who would be screened out from conventional selection processes the opportunity to win jobs.
- The provision of cross-cultural training by employers to other employees.
- Multiple and complementary support mechanisms to improve the retention of Indigenous employees is crucial. These may include:
  - ongoing mentoring and support
  - flexible work arrangements to allow Indigenous employees to meet their work, family and/or community obligations
  - provision of family support
  - dealing with racism in the workplace via initiatives such as the provision of cross-cultural training.
- The utilisation of appropriate labour market programs such as wage subsidies.

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<sup>5</sup> Gray, M., Hunter, B. & Lohoar, S. (2012). *Increasing Indigenous employment rates*. Issues paper no. 3 produced for the Closing the Gap Clearinghouse, March 2012.

- Having explicit Indigenous employment goals for government programs that deliver goods or environmental or personal services.

In 2009, the National Centre for Vocational Education Research (NCVER) examined the characteristics of employment service organisations that lead to sustainable employment for Indigenous Australians. Based on a selection of good-practice examples, this research identified seven essential factors required for employment service organisations to achieve the best outcomes for their clients:

- having strong vision and understanding the importance of monitoring targets
- responding to the employment market
- maintaining strong relationships with community and business
- offering 'job related' and culturally appropriate training
- collaborating with Indigenous leaders and the community
- providing holistic support
- ensuring strong staff commitment

A further four factors are identified as desirable:

- tailoring available funding to suit individual needs
- providing employment opportunities through internal enterprise
- learning from other organisations
- having alternative sources of funding

This research demonstrates the importance of focusing on the client relationship and supporting the recruitment effort for prospective employers. The research points to the need for employment service organisations to continually adapt their activities to take advantage of labour needs and skills shortages in order to meet the needs of business. The research also shows that effective organisations focused on helping their clients understand the employers' requirements.



2. How can employment outcomes be maximised through IEP projects?
3. How can a direct line of sight to employment outcomes be demonstrated through the application process?

In principle, the Chamber supports moves to prioritise projects that have a direct line of sight to immediate employment outcomes, however, programs that provide quality pre-employment services that significantly increase the likelihood of future employment should not be underestimated. A direct employment outcome is desirable but not always a necessary element of effective pre-employment programs. A focus on quality preparation for the workforce more broadly will invariably result in sustainable long term employment outcomes and career opportunities for Indigenous Australians.

The lack of relevant employability skills is recognised as a significant barrier to sustainable employment across the labour market. And the lack of these skills is even more prevalent in Indigenous communities where educational attainment and outcomes are poorer compared to non-Indigenous Australians. An important consideration when linking all projects to direct employment outcomes is that even if an Indigenous person secures employment but is not work-ready and without basic skills, it will statistically result in an over-representation in low skilled jobs and an under-representation in higher level or skilled jobs.<sup>6</sup> The focus should be on holistic and sustainable outcomes that lead to genuine opportunities for career progression.

There also needs to be broader recognition of youth attainment and transitions from early childhood, through secondary school and on to tertiary education and employment. Programs that can demonstrate linkages to initiatives to broader transition programs and activities are desirable.

4. How can Government work better with employers, industries, Indigenous businesses and panel members to ensure IEP funding is targeted to the areas of greatest need and opportunity?
5. How should the Government's priorities be communicated particularly to employers?

The Chamber supports more targeting of IEP investment with funds being directed to locations, industries and cohorts with the greatest need and/or opportunity, and that will have the greatest impact on improving outcomes for Aboriginal and Torres Strait Islander communities.

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<sup>6</sup> Abdullah-Wendt, R. (2008). *Indigenous Governance: Does it improve Indigenous employment outcomes? And if so, How?* In Brown, Kerry A., Mandell, Myrna, Furneaux, Craig W., & Beach, Sandra (Eds.) *Contemporary Issues in Public Management : The 12th Annual Conference of the International Research Society for Public Management*, 26 – 28 March 2008, Brisbane, Australia.

The unique skills and knowledge of Indigenous Australians can add significant value in the marketplace and can play a major role in helping enterprises take advantage of local opportunities and broaden the pool of skilled labour. Government has a role in facilitating and encouraging business engagement to meet workforce participation objectives. The Government can work better with employers and industry to ensure IEP funding is targeted to the areas of greatest need and opportunity by partnering with chambers of commerce and industry associations. These organisations can effectively communicate key messages to employers via their membership.

While this consultation is not specifically calling for feedback on existing Job Services provision, the Chamber feels that some broader comments in the context of Indigenous employment may be useful.

Employment services need to be flexible in responding to economic conditions. In times of high unemployment, programs will be different from those services that are required in times of skill pressure. A major driver of employment programs should be responsiveness to the needs of employers. Job Services Australia (JSA) providers need to work collaboratively and systematically with business and industry groups to promote target groups to employers such as Indigenous people.

While the current model provides a competitive market base for the provision of employment services, the lack of a national network has resulted in fragmented services and variable servicing of employers. There is also a need for direct contact points for employers who can then be referred to specialist providers.

Industry feedback suggests that some JSA providers do not have sufficient specialist industry knowledge to make a satisfactory placement so opportunities for real employment outcomes in industry are lost.

In addition to workforce development assistance for employers, case management for job seekers is required before and after the person is employed so that longer term outcomes can be achieved.

JSA needs not just to be making client referrals but supporting those clients through pastoral care approaches that are holistic in nature and not separated through random categorisation according to the duration of unemployment.

JAs tend to be compliance focused and there is a lack of commitment to supporting the recruitment effort for employers.

6. What does sustainability look like for employers (Small to Medium Enterprises to large employers), Indigenous businesses or panel members?
7. How could sustainability of outcomes be demonstrated through the application process?

Businesses, whether they are small, medium, or large, require employees who possess skills relevant to their employment and the ability to develop new skills to increase their value to the business. Employability skills are additional to technical/academic skills and are required by all employers and across all industries. These skills include a range of personal attributes, communication, teamwork, problem-solving, self-management etc.

Employment programs that instil the development of employability skills through effective pre-employment preparation are likely to produce more enduring outcomes. Wrap-around support services, ongoing workplace mentoring and support for employers will contribute to more sustainable outcomes.

The Chamber believes that Commonwealth Government funds currently allocated for wage subsidies, as a means of incentivising employers, would be better allocated to improved education and training provision for Indigenous Australians, and workplace support for employers. Subsidies create an artificial market and are not a sustainable solution to persistent levels of Indigenous unemployment. In addition, subsidies work to devalue the contribution of Indigenous workers. Rather than subsidising employment, there needs to be a more concerted effort to ensure that Indigenous people are being provided with the skills that employers require and the necessary wrap-around support services required to transition successfully into the workforce. Linking training to employment outcomes is critically important. A more market driven model would help to shift funds towards robust and outcome focused pre-employment programs.

The Centre for Aboriginal Economic Policy Research suggests that one of the reasons for the substantial increase in the employment rate of the Indigenous population over the period 1994 to 2008 was that Indigenous labour market policies increased the emphasis on unsubsidised paid employment.<sup>7</sup>

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<sup>7</sup> Gray, M. & Hunter, B. (2011) *Changes in Indigenous labour force status: establishing employment as a social norm?* CAEPR Topical Issue No. 7/2011. Centre for Aboriginal Economic Policy Research. ANU College of Arts & Social Sciences.

8. How can capacity building be demonstrated through the application process?
9. At what stage in an organisation's development is it reasonable to expect that they should be able to support their own Indigenous Employment Strategy?
10. How can the Government ensure equity of access to the IEP, so that businesses/employers that are new to Indigenous employment have an opportunity to access support?

The Chamber recognises that the stage at which an organisation can independently establish its own Indigenous Employment Strategy will depend on the size of the organisation, the capacity and resources available within operating budgets, and the dedication and ownership of individuals driving the Strategy. As a general rule, however, it could reasonably be expected that an organisation could achieve this transition in a period of no longer than two years. At that time achievements could be audited/evaluated and those organisations that have received long-term funding through IEP would need to establish a strong case for continued funding. The Chamber notes that employers who have used IEP funding for developing their capacity to manage their own Indigenous Employment Strategies have received funding over the longer term.

The Chamber agrees that priority should be given to proposals that can demonstrate how the capacity building support requested will assist the organisation to embed good practice into business-as-usual practices and reduce the reliance on IEP funding in the longer term. The IEP program can effectively facilitate capacity building for a fixed period of time. Ensuring that the program is designed with this in mind will allow other businesses to benefit during each successive funding phase.

The Chamber believes that the following should be clearly demonstrated in the application process to ensure long term sustainability of outcomes:

- Robust business planning processes, business planning models and assessment of the financial viability of applicants. For adequate evaluation of applications, individuals with sound commercial and financial experience should be involved in the evaluation of applications. There is potentially a role for chambers of commerce to assist with the evaluation process to ensure robust business planning.
- Inclusion of a plan to transition to a sustainable self-funded stand-alone initiative after IEP funding expires.
- A proven track record of sustainable employment outcomes for individuals traditionally disadvantaged in the labour market – not just limited to Indigenous employment.
- Inclusion of a requirement for regular evaluation of outcomes and milestones.

- Involvement of strong partnerships and the use of specialist intermediary service providers.

#### 11. How could the IEP be better targeted to ensure that it complements the support available through other mainstream and Indigenous programs?

The Chamber recognises that reasons for lower Indigenous employment rates include lower levels of education, training and skill levels (human capital), poorer health, living in areas with fewer labour market opportunities, higher levels of arrest and interactions with the criminal justice system, discrimination, and lower levels of job retention.<sup>8</sup>

Where possible, applicants should be required to demonstrate an understanding of existing barriers and services available, how they can complement existing services and avoid unnecessary duplication of services.

The Chamber agrees that, in the longer term, increasing educational attainment is likely to be one of the most important ways in which the difference in employment rates of Indigenous and non-Indigenous Australians can be narrowed.

#### 12. What kinds of partnerships should be encouraged to support sustainable Indigenous employment or economic development initiatives?

The high levels of unemployment experienced by Indigenous Australians need to be addressed through better partnerships with industry and intervention programs that support Indigenous jobseekers to develop the skills required by industry.

Often, specialist intermediary organisations can play an important role in facilitating industry engagement. For example, in July 2011, a joint venture was established between One People HR and NSW Business Chamber. One People HR was a Start-Up initiative, with its sole focus on tackling the employment challenges faced by Indigenous Australians. The business model is based on close collaboration between Indigenous Communities, JSAs and organisations that have committed to “Closing the Gap”

One People HR services include:

- Contract and Temporary Recruitment - Aboriginal and Torres Strait Islanders
- Permanent Recruitment
- Group Training - Trainees & Apprentices
- Cultural Awareness - Advice & Training

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<sup>8</sup> Gray, M., Hunter, B. & Lohar, S. (2012). *Increasing Indigenous employment rates*. Issues paper no. 3 produced for the Closing the Gap Clearinghouse, March 2012.

- Employee Mentoring - pre & post employment
- Specialised Employee Assistance Program
- HR Consulting
- Psychology Services - competency frameworks; assessment and profiling
- Research & Surveys

This type of model has a number of advantages when compared to the placement of Indigenous Employment Coordinators within large organisations. The employment coordinators have a narrow focus on filling vacancies within an organisation and will often target work-ready Indigenous jobseekers who are generally going to be picked up in the market place without intervention from a dedicated employment coordinator. These employment officers are driven by employment targets and do not necessarily have a vested interest in individual jobseeker requirements or needs.

Research suggests that one of the success factors leading to sustainable outcomes for Indigenous employment programs is having direct linkages to the Indigenous community. In the case of One People HR, Paul Knight (CEO, One People HR) brings considerable professional and personal knowledge of the barriers impacting employment of Indigenous jobseekers. As an Indigenous Australian, Paul is committed to driving sustainable employment outcomes for all candidates and clients.

### IEP application processes

13. How do we balance the need for greater consistency, equity of access and accountability for decisions with program flexibility and responsiveness in the design of competitive assessment processes?
14. Is there anything further the Department needs to consider when designing competitive assessment processes?

The Chamber believes that it is not always efficient to provide funding directly to businesses to develop their own solutions. In fact, this has created a government funded industry of Indigenous employment consultants that invariably end up providing guidance that will not always result in desirable outcomes. Industry should be encouraged to develop commercially viable business solutions. Programs that may result in undermining independent industry activity should be avoided. Provision of government funding for employment related services can sometimes have the effect of creating disincentives for industry based solutions.

The Chamber believes that the IEP program can be improved in a number of ways to strengthen employment outcomes for Indigenous Australians. Currently, the IEP program lacks sufficient accountability for contracted organisations to meet agreed targets, with some programs being continued based on historical relationships and previous delivery

outcomes. In addition, one of the unintended outcomes of the program has been the creation of a consultancy industry based on IEP funding, for example the funding provided for consultancy services to inform businesses how to implement more culturally appropriate workplace environments. It is unclear how beneficial these consulting services have been. The Department should aim to avoid situations whereby business is built up around IEP funding without capacity building to allow organisations to develop independent services and models. Finally, the IEP program could benefit from a greater focus on ensuring long term sustainable employment outcomes for Indigenous job placements. It is important that long term outcomes are captured in the monitoring and reporting processes and the Indigenous employees and employers are provided with adequate support in order to maintain an ongoing employment relationship.

In summary, the IEP assessment and prioritisation process can be improved by:

- Ensuring a holistic approach to program delivery by encouraging linkages between IEP and broader social services, recognition of youth attainment and transition issues, and provision of quality pre-employment and employability skills training.
- Ensuring a more strategic focus on long term career and employment outcomes.
- Establishing a balance to ensure that IEP funding provision does not create a disincentive for private industry engagement and innovation in Indigenous employment initiatives.

If you have any questions in relation to the content of this submission, please contact Nick Minto, NSW Business Chamber's Senior Policy Adviser, [Nick.Minto@nswbc.com.au](mailto:Nick.Minto@nswbc.com.au), (02) 9458 7267.