

Employment White Paper – Submission

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Summary

Access to high quality jobs drives future earnings, particularly for those from lower socio-economic backgrounds and those without university degrees. Improving training and development for young people within businesses reduces recruitment costs, allows for more targeted responses to skills shortages, results in a more efficient allocation of labour and creates longer-term career pathways.

Currently Australia has one of the OECD's lowest rates of employment-based training. Only a structural shift in the way employers design and support high-quality jobs tied to training will reverse this trend.

Our research with employers suggests there are five potential levers: financial incentives; employer supports; reforming pre-employment programs; increasing the use of apprenticeships in different sectors; and using government purchasing power to drive change.

We propose that the Commonwealth review its employment programs to ensure that they support people into quality jobs, recognising that placement in poor quality jobs undermines efforts to develop a better skilled, more resilient workforce.

We propose that the Commonwealth identify increased 'social mobility' as an explicit policy priority.

We also highlight the role of charities as an often overlooked but crucial part of the labour market, employing around one in ten workers, and the unique challenges of charities in the care sector in creating quality jobs. We ask that the Commonwealth ensure that policy and funding arrangements designed to improve labour market productivity and participation also take account of the unique needs of the charitable sector.

About SVA

Social Ventures Australia (SVA) is a not-for-profit (NFP) organisation with the mission to alleviate disadvantage, towards an Australia where all people and communities thrive. We influence systems to deliver better social outcomes for people by learning what works in communities, helping organisations be more effective, sharing our perspectives, advocating for change and influencing systems.

Over our 20 year history, SVA has taken a deep interest in the role of fair and equal employment as a key part of achieving our vision. SVA works with employers and young people across a range of initiatives to influence systems to deliver better employment outcomes for young people including by looking for ways of creating more pathways to skilled employment. SVA has also conducted significant analysis on the financial health of and challenges facing the charity sector as an employer, and as a large service provider in the care economy.

Part 1 of this submission draws on SVA's experience and commissioned research in relation to promotion of quality job opportunities for young people. This includes:

- The [‘What will it take’ report](#) (with Apprenticeship Employment Network and PWC) exploring the barriers and enablers to employers supporting young people into skilled employment;
- Commissioned [research](#) into young people's experience of employment in Western Sydney, in addition to a tracking study of several young people's pathways into employment over time;
- Work with medium-large employers to uncover and address barriers to entry to quality jobs for young people at risk of exclusion through our Employer Innovation Lab;
- Involvement in ‘action research projects’ in Sydney and Melbourne which have involved working with TAFE, employment services providers, an industry association and young people to promote pathways into skilled employment for young people.

The focus of this submission is on action to ensure that labour market institutions and structures improve social mobility rather than further entrenching or exacerbating existing social inequalities – establishing a framework that enables those from poorer families to contribute to and share in Australia's economic prosperity. We describe this as ‘rebuilding the career ladder’.

In part 2 of this submission we draw on research conducted by SVA with the Centre for Social Impact (CSI) which highlights the specific challenges experienced by charities operating in the care sector in providing quality employment.

Part 1 – Employment, productivity and labour force participation of young people

Today's young people have less access to the 'social elevator'

An Australia in which all communities and individuals thrive is one in which both the ability to participate in the economy and the opportunity to receive economic benefits from participation are equitably distributed. Life chances, including the opportunity to achieve secure, decent work, should not depend on the circumstances of one's birth.

OECD analysis suggests that, at current rates of social mobility, it would take four generations for the descendants of one of Australia's poorest families to achieve the average income¹. This is not the worst performance in the OECD, but we should aspire to a country in which those born into poorer households have the same life chances as those born into wealth. Lack of social mobility has the potential to reduce economic growth, wellbeing and social cohesion². It means that many people's skills and talents remain untapped while incentives for poorer individuals to upskill and reskill are reduced.

Improving social mobility requires action on many fronts. One critical element is ensuring more equitable access to labour market opportunity for young people. Even though the Australian economy has performed well relative to other OECD countries, there is evidence that the opportunities for young people to improve their economic position through employment have declined. In 2020 the Productivity Commission reported that, since the GFC, young peoples' wages had declined both in real terms and relative to older workers³. They attributed this to a combination of the decline in the average number of hours worked by young people and young people entering the workforce lower down the occupational ladder and climbing more slowly (Figure 1).

Young people with university degrees are taking jobs that don't need them, while those without are moving into lower skill jobs or off the occupational ladder altogether⁴.

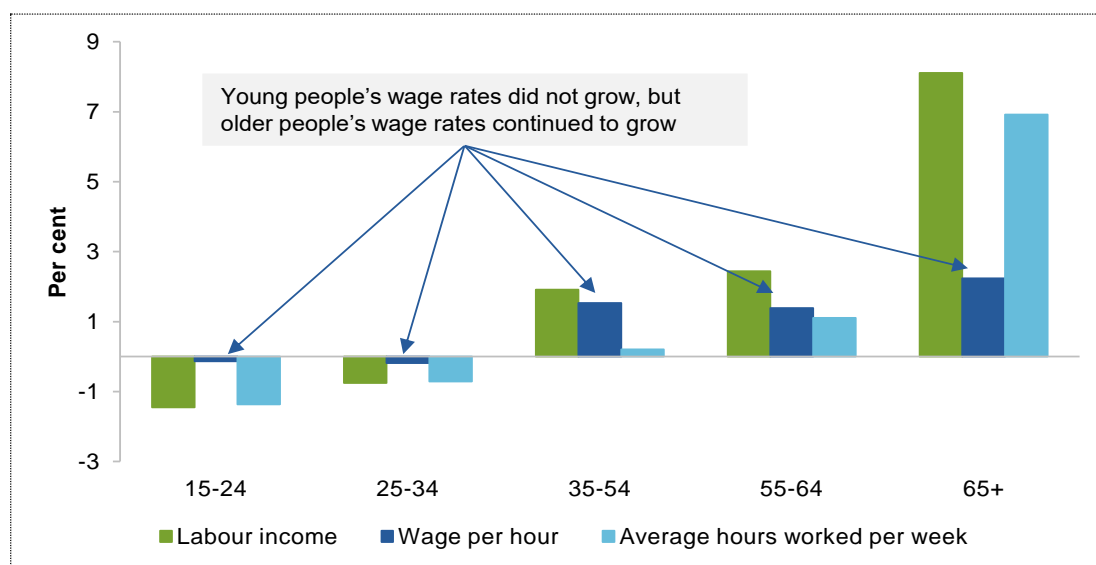
¹ OECD, *A Broken Social Elevator? How to Promote Social Mobility*, <https://www.oecd.org/australia/social-mobility-2018-AUS-EN.pdf>, 2018.

² OECD, *A Broken Social Elevator? How to Promote Social Mobility*, <https://www.oecd.org/australia/social-mobility-2018-AUS-EN.pdf>, 2018.

³ Productivity Commission, *Why did young people's incomes decline?*, Commission Research Paper, 2020.

⁴ Productivity Commission, Borland, J and Coelhi, 2020 *The next employment challenge from coronavirus: how to help the young*, The Conversation, 2021.

Figure 1 Change in wages and hours worked by age group 2008-2018



Source: Productivity Commission, *Why did young people's incomes decline?*, p41

In a related report, the Productivity Commission noted that deterioration in labour market outcomes for young people was not reflected in unemployment rates, suggesting that:

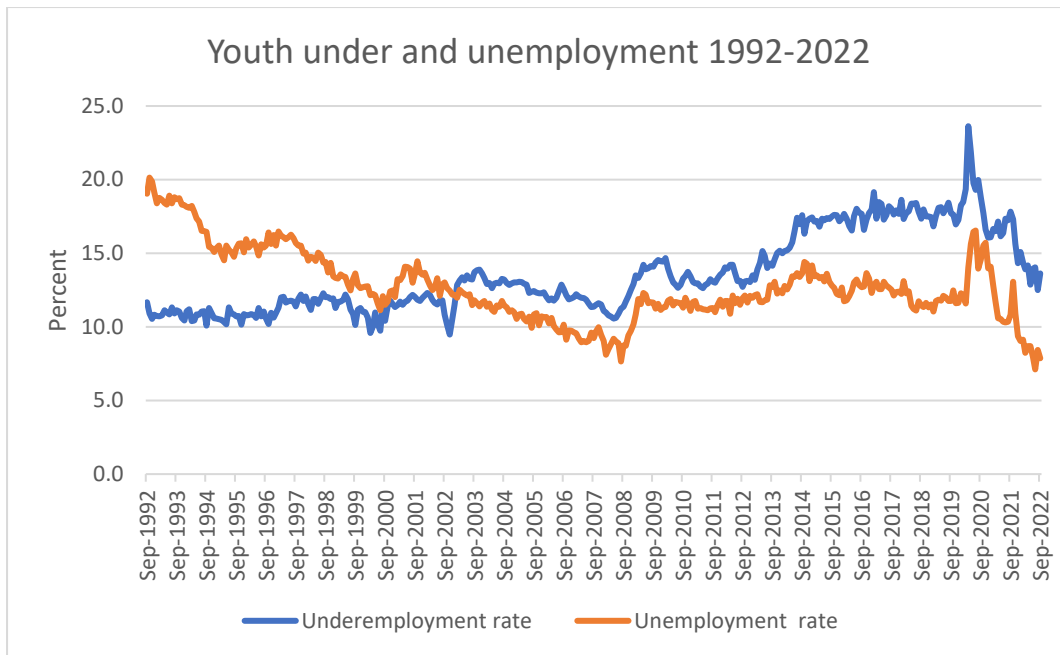
... the unemployment rate may no longer be useful as the primary measure of the health of the job market. Instead, more attention must be devoted to the *types* of jobs available.⁵

This overshadowing of issues of job quality by low headline unemployment is occurring again in 2022. In the last few months strong labour demand has reduced the youth unemployment rate to pre-GFC levels, but youth underemployment, at 13.6%, remains high (Figure 2). One in five young people in the labour force are either un or underemployed. The National Centre for Vocational Education Research's (NCVER) recent analysis of Longitudinal Surveys of Australian Youth (LSAY) data suggests that many young peoples' transitions into full time employment stalled through Covid-19. It also identifies alarmingly high rates of poor mental health⁶.

⁵ de Fontenay, C, Lampe B, Nugent J, and Jomini P, *Climbing the jobs ladder slower: Young people in a weak labour market*, Productivity Commission Staff Working Paper, 2020.

⁶ Forrest C, *Treading water: effects of the COVID-19 pandemic on youth transitions*, Research Report, NCVER, 2022.

Figure 2 15-24 year olds under and unemployment 1992-2022



Source ABS 6202.0 Labour Force, Australia, seasonally adjusted

In this environment, young people from poorer families are more likely to experience long term negative effects. They are less likely to go to university, and more likely to experience poor employment outcomes. They have less access to intra family transfers to cushion the impact of low incomes. They are less likely to live close to, or to have the resources to access mental health supports⁷.

The ‘broken social elevator’ also creates significant costs to the economy. Young people who would once have been working their way into and through ‘middle skill’ jobs, remain stuck in the peripheral labour force. They are missing out on acquiring the skills that they might use to improve their position, increasing wider economic risk that we will not have the labour force to meet future demands for middle and upper level skills.

More employers need to act to create pathways to skilled employment for young workers

The Commonwealth has rightly identified the need for greater investment in both VET and university education. The establishment of 465,000 new free TAFE places in priority skill areas is particularly important for low SES youth, who are more likely to use this pathway.

However investment in young peoples’ vocational skills will not deliver expected returns unless employers create opportunities for young people to learn and to apply skills at work. Productivity requires both the acquisition *and* application of skills. The greater the period between completion of

⁷ Blau, A, Byr, J, Piper G, *Far from care*, ABC News. Available at <https://www.abc.net.au/news/2020-12-08/covid-mental-health-system-medicare-inequality/12512378>, 2020.

vocational training and employment in a field that uses skills acquired, the less likely it is that the training will produce economic benefits for individuals or the wider economy.

One of the most effective strategies to improve outcomes for young people is through investment in work based training pathways, like apprenticeships. Young people in countries that have strong apprenticeship systems tend to have better outcomes, including in periods of economic shock⁸

In 2017 the Fair Work Commission commissioned analysis of the factors affecting take up of apprenticeships and traineeships⁹. The research identified several supply-side factors (eg. wages), however it argued that ‘demand-side factors have a more profound influence on commencement rates, and that if more places were offered by employers, more people would be engaged in apprenticeships and traineeships’¹⁰.

Despite persistent skills shortages, employer demand for apprentices and trainees has been stagnant for more than a decade. The implementation of the Boosting Apprenticeship Commencements (BAC) in 2020 has produced an uplift in the last two years, however this increase is unlikely to have been sufficient to have a significant impact on skills shortages. It is also unclear if the upward trend will continue following the wind back of incentives. Completion rates, particularly of those employed by smaller organisations, continue to decline. Lack of employer support and a poor work environment are often cited as reasons for leaving¹¹. Many employers have opted to poach, to work existing workers harder, or to buy in skills through temporary migration and/or labour hire, rather than to invest in young people’s skills. Poor completion rates also suggest another area where increased employer investment may be needed – that is, in frontline supervisor skills. The ability of existing technically skilled workers to supervise, train and support young people from increasingly diverse backgrounds is critical to success. However, there is little attention to this group in the jobs and skills debate and little or no government investment in supporting employers to address their skills. Many employers that SVA works with through its employment initiatives identify improving frontline supervisor skills in managing young workers as critical to future efforts to attract, develop and retain a future skilled workforce.

Sluggish apprenticeship rates are only one indicator of an economy wide lack of opportunity for young people to build skills through work. The National Skills Commission’s (NSC) recent Skills Priority List Report identified over half of recent vacancies as having been unfilled¹². In most cases it appears that employers received applications from people with relevant qualifications. However, across professional, trades and technical occupations, and even lower skill areas like machinery operators and drivers, qualifications were not enough – employers declined applicants because of their lack of experience. Among those who couldn’t fill roles, more employers gave up altogether (6%) than changed the position requirements (5%). In most cases, faced with lack of skilled/experienced candidates, employers opted to readvertise using the same approach. These

⁸ ILO, 2013, *Apprenticeship Systems – what do we know?*, (adapted from Michael Axmann & Christine Hofmann, ‘Overcoming the work-inexperience gap through quality apprenticeships – the ILO’s contribution, ILO Skills and Employability Department, www.ilo.org/beirut/media-centre/fs/WCMS_214722/lang--en/index.htm

⁹ Karmel T, Factors affecting apprenticeships and traineeships, research commissioned by the Fair Work Commission, Research Report 3/2017, Part II, February. (available at <https://www.fwc.gov.au/documents/sites/wagereview2017/research/apprenticetraineepdf>)

¹⁰ Nelms L, Yuen K, Pung A, Farooqui S & Walsh J, *Factors affecting apprenticeships and traineeships*, Fair Work Commission, Research Report 3/2017, 2017.

¹¹ Boyle C, *Wellbeing at work: Apprenticeships and mental health*. Melbourne: Orygen, 2021.

¹² National Skills Commission, *2022 Skills Priority List Key Findings Report*, 2022.

findings are reflected in what young people say about obstacles to finding work in their field of interest, with one study finding that 75% identified lack of experience¹³.

When they are in work, young people are concentrated in casual and part-time work, making them less likely to receive workplace training¹⁴. Across the economy, there is evidence of a decline in workplace training. ABS data show that in 2005 35.9% of Australians received work related training in the last year¹⁵. In 2020-21, only 23% received this training. Those in the most skilled occupations were twice as likely to have received training than those in the lowest skilled occupations (40% vs 19%)¹⁶. The poorest 20% were less likely to receive workplace training than the best off (15.3% vs 27.4%)¹⁷. These patterns of workplace training entrench existing inequalities, shoring up the labour market options of those who are already advantaged, and increasing the vulnerability of those in lower skill, more precarious work.

Despite persistent skill shortages, an ageing workforce, and long term trends towards higher skilled work, many Australian employers do not appear to have increased their investments in young Australians' skills. Young people are spending long periods out of work, in casual or part-time work, reducing their ability to acquire critical skills or apply those that they might have already gained. Government investments in vocational training and support for young people are essential, but they will have limited impact if those young people cannot access quality jobs that enable them to apply and continue to develop their skills. This requires a step change among employers.

We outline below some suggested actions the Commonwealth consider to encourage, support and, if necessary, require employers to increase their efforts to create good quality jobs, with learning opportunities, for young people.

¹³ Foundation for Young Australians, *New Work Reality*, 2008.

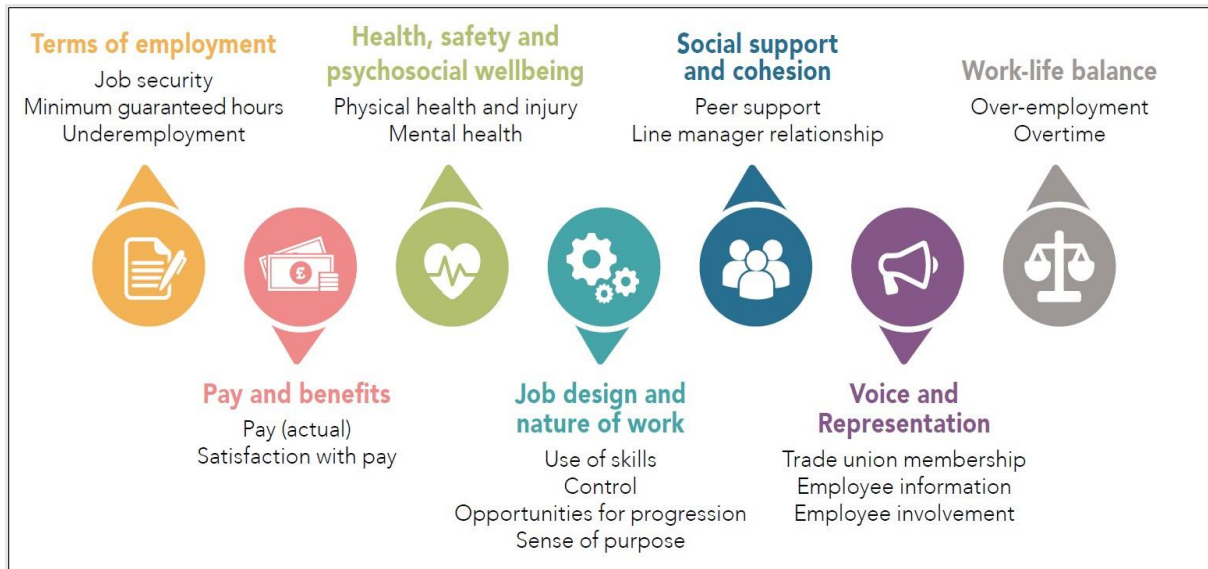
¹⁴ Gilfillan G, *Characteristics and use of casual employees in Australia*, Parliamentary Library Research Series 2017-2018, available at https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1718/CasualEmployeesAustralia, 2021; Cassidy N and Parsons S, *The Rising Share of Part-time Employment*, Reserve Bank of Australia Bulletin, available at <https://www.rba.gov.au/publications/bulletin/2017/sep/3.html>, 2017.

¹⁵ Buchanan J, Submission to Productivity Commission – Interim Report – National Agreement on Skills and Workforce Development, available at https://www.pc.gov.au/_data/assets/pdf_file/0005/255182/subir151-skills-workforce-agreement.pdf, 2020.

¹⁶ Australian Bureau of Statistics, *Work-Related Training and Adult Learning, Australia*, ABS Website, accessed 29 November 2022.

¹⁷ Non formal workplace training by SEIFA quintile. Australian Bureau of Statistics, *Work-Related Training and Adult Learning, Australia*, ABS Website, accessed 29 November 2022. [Table 2 -](#)

Figure 3 Dimensions of job quality



Source: Irvine, G., White, D., Diffley, M, (2018) *Measuring Good Work : the final report of the Measuring Job Quality Working Group*.

What it will take to increase quality job opportunities for young people

In 2021, SVA, along with PwC, Apprenticeship Employment Network and Global Apprenticeships Network (Australia), investigated the factors that shape employers' willingness to hire and train young workers, and considered what might be done to increase their opportunities.

The [report](#) found that, while many employers agreed that their organisations had both an interest and responsibility to invest in young workers, there were several obstacles to doing this.

Foremost amongst these was a desire for employees to be 'productive from day one'. The mentoring and support that many young workers need was identified as costly. Employers often prioritised resources, including the time and attention of existing skilled workers, to meeting immediate business needs, rather than supporting and training new workers. While employer incentives are valued, most employers suggested that they were not decisive. In this sense the 'cost' issue is better understood at an organisational level – reflecting the cost of establishing and maintaining a structure of supervision, training and support for young people over time.

While not universal, many employers also indicated a lack of internal capability and/or the need for better system navigation support. Some employers have well established internal mechanisms for recruiting and supporting apprenticeships and trainees. These tend to be larger organisations, and their internal capability is reflected in higher completion rates¹⁸. But other employers have limited or no recent experience in supporting apprenticeships. Larger employers in sectors/occupations with a less established culture of apprenticeship pathways (like IT) are grappling with a range of challenges from identifying appropriate qualifications/skill sets, to implementing internal support structures. Many employers acknowledge the need for cultural change within their workplaces, particularly in

¹⁸ O'Dwyer L and Korbel P, *Completion rates for group training organisations and direct employers: how do they compare?*, NCVET, 2019.

middle and frontline manager roles, to support diverse learners within the workplace. It is worth noting the significant value of Group Training Organisations in addressing these challenges, particularly in supporting smaller employers to support and retain apprentices, but their reach is patchy across the country, and the current business model¹⁹ does not always cover the costs for the level of support required by employers and employees.

The 'What will it take' report identified a number of potential levers to drive employer action to create quality jobs. These are outlined below, with suggestions for next steps/further discussion:

Financial levers

There is significant domestic and international precedent for use of financial levers - like levies or tax incentives - to promote employer investment in training. A local historical example was the Training Guarantee Levy which, while short-lived, demonstrably increased spending on workplace training²⁰. Application of an economy or sector wide approach combats employer concerns that they will invest in training young workers only to have them leave. It should create pressure on employers to upskill their supervisory workforce so that they can better support young workers. Experience in the UK suggests that it may also stimulate establishment of new higher level apprenticeships in sectors like IT and consulting.

We recognise that this would be a significant change and would require considerable consultation over the proposal and its design. We believe that this is an important discussion to have. In the meantime the Commonwealth should look at how it might make the level and distribution of employer spending on training more transparent – for example by asking larger employers to report their spending, or, at a minimum, implementing regular employer surveys.

In addition, Government should look for opportunities to co-invest with employers at an industry/sector level (as opposed to via individual incentives) to help build cultural and institutional support for employment of young people through apprenticeships/traineeships and similar opportunities to learn and earn. These should have an explicit focus on equity. They should also encompass upskilling supervisors and middle managers. We can see some of these approaches emerging in the tech sector currently.

Revitalise or redesign support models for employers

There are a number of organisations already in place to support employers to bring on young workers. However, these are not reaching many employers, particularly in sectors without strong existing apprenticeship pathways. While organisations like Apprenticeship Support Network providers have a role in marketing apprenticeships to employers, they are not designed to support the sort of large scale change in use of work-based training that is needed to rebuilding career pathways for young people. Their mentoring role is inadequate to address the need for better support inside employer organisations. Group Training Organisations (GTOs) can impact on workplace cultures, and have shown that they can improve apprenticeship completions – but their potential is limited by their business model which, in most jurisdictions, relies on fees from employers. Overall the system is confusing for employers to navigate. Employers, particularly those

¹⁹ Noting that in most States GTOs must rely entirely on fees from employers to deliver the range of support services they offer.

²⁰ Buchanan J, Submission to Productivity Commission – Interim Report – National Agreement on Skills and Workforce Development, available at https://www.pc.gov.au/data/assets/pdf_file/0005/255182/subir151-skills-workforce-agreement.pdf, 2020.

new to establishing work-based training pathways face a bewildering array of ASNs, GTOs, RTOs, TAFE/Universities, Skills Service Organisations, employment services providers and State funded services (eg, LLENs, RIEP). Many of these organisations compete with each other. Some have overlapping roles (eg, mentoring new apprentices). Few, if any, are designed to assist employers to set up new work-based training structures in workplaces that meet the needs of both employers and young people. (SVA and Global Apprenticeship Network Australia have done some preliminary work to map these gaps – that analysis is attached.)

The Commonwealth should initiate a co-design process to include employers, young people and key actors in this field to design and test a support model that includes:

- Technical and practical support for employers to design and implement new work-based employment pathways into their organisations, with a focus on sectors that do not have these pathways currently;
- A ‘one stop shop’ for administration and access to incentives;
- Assistance for employers to ensure that their workplaces, and particularly supervisors, are equipped to support diverse young workers;
- Dissemination of good practice.

The Commonwealth should examine ways of enhancing GTOs’ capacity to boost take up of work-based employment models amongst small-medium employers and enhance their ability to support apprenticeship outcomes for less advantaged young people.

More coherent approach to pre-employment programs

Pre-employment and pre-apprenticeship programs have an important role to play in connecting employers and young people. There are some highly effective and innovative models that could be expanded and extended to new industries – these include the Multi-Industry School Based and Pre-apprenticeship Pilot (MIP)²¹. However the system lacks coherence, is inconsistent and fragmented. For young people, it can be difficult to identify or differentiate between the range of offerings. Employer commitment to and engagement in these programs is inconsistent. While various Governments have invested in pre-employment and pre-apprenticeship programs, there is little or no public data that would enable identification of any gaps in delivery or evaluation of different approaches. While there is evidence that pre-apprenticeships can improve outcomes, we don’t know whether existing efforts are well targeted either to the cohort or available job roles.

The Commonwealth should work with State and Territory Governments to:

- Capture information about the availability and accessibility of government funded pre-employment/pre-apprenticeship programs;
- Establish a common approach to gather evidence about engagement with and effectiveness of these programs;
- Work towards a system that ensures that young people who could benefit can access an appropriate program, and that government investments are focussed on approaches that work.

Promote increased use of apprenticeships, particularly in growth sectors and ‘new’ industries

It is clear that work-based learning and work integrated learning provide critical pathways for young people, particularly those who are from lower income backgrounds. Despite successful pilots of

²¹ See further: Multi Industry School Based and Pre-Apprenticeship Support Project, <https://aen.org.au/multi-industry-school-based-pre-apprenticeship-support-project/>.

higher apprenticeships, these pathways are undeveloped across many sectors. Many larger firms are experimenting with apprenticeships, for example into IT roles, but there is a major challenge to achieve scale. Recent research conducted for ABCN also highlighted the need for greater effort to educate schools, parents and young people about these new pathways.

We have noted, in items 1 and 2 above, strategies that would encourage and support greater use of apprenticeships. The Government should consider establishing targets for establishment of apprenticeships/higher apprenticeships in sectors where they are currently limited.

Historically, governments and government owned utilities played a critical role in the development of young people through apprenticeship, traineeship and other entry level pathways²².

In recent years the Commonwealth has lagged in its commitment to training young people. At December 2019 the Commonwealth employed only 304 trainees and 914 graduate trainees, with a workforce of around 145,000. Fewer than 12.1% of all employees were under 30, down from 17.5% in 2000²³. By comparison around 16% of the Australian labour force is under 25. We note some welcome signs of increased investments, including through the Digital Apprenticeship Program and new APS VET pathways.

Governments, as large employers, have the capacity to support and train large numbers of young people so that they can work, not just in the public sector, but in the wider economy. They have the capacity to ‘anchor’ training programs – for example by guaranteeing that a number of places will be filled in a program that may be made available to multiple employers, or by supporting temporary rotations into public sector role.

In addition to increasing its own commitment to internal apprenticeship programs, it should look for ways that these initiatives can be leveraged to support greater opportunities in the private and non-Government sectors.

In addition, the Commonwealth should consider providing funds to the local government sector to create apprenticeships and traineeships, with priority given to local government areas with high rates of youth joblessness. That sector employs around 192,000 employees. In 2018 the ALGA produced a report that found that the local government workforce:

- Is considerably older than the Australian All-industry workforce;
- Has a declining participation level of workers under 30 years of age;
- Does not have enough apprentices to meet future needs;
- Is facing major skills shortages in key professional and technical occupations; and
- Is not well positioned in regard to new and emerging soft skills.²⁴

The Commonwealth should provide funds to local governments to create new ongoing jobs, including apprenticeships, traineeships and cadetships, particularly in locations with high rates of youth under and un-employment. In regional and remote areas, local government could provide the

²² Knight B, Evolution of apprenticeships and traineeships in Australia: an unfinished history , NCVER <https://www.ncver.edu.au/data/assets/file/0010/4132/2444.pdf>, 2012.

²³ https://www.apsc.gov.au/sites/default/files/3377_aps_employment_release_31_december_2019.pdf

²⁴ Australian Local Government Association, Local Government Workforce and Future Skills Report Australia, <https://alga.asn.au/local-government-workforce-and-future-skills-report-australia/>, 2018.

critical mass to implement effective apprenticeship schemes that might also benefit other local employers but which could be difficult for them to sustain on their own.

Procurement and contracting to drive skills development

Commonwealth and State Governments are achieving a skills and equity dividend from their infrastructure investments through use of targets for training positions and specific target groups (eg. unemployed, First Nations workers). Application of this approach to growth sectors such as clean energy and IT represents a significant opportunity.

The Commonwealth Government has committed to an Australian Skills Guarantee, providing that one in 10 workers on major, Australian Government funded projects are an apprentice, trainee or paid cadet. SVA notes that consultation is currently underway in relation to the design of this measure. In the first instance, it is expected that the guarantee will apply to construction projects, although application to other sectors (particularly IT) is being contemplated.

As the Government's discussion paper has noted, the construction industry may already be meeting the one in ten requirement. For the skills guarantee to have a significant effect on the prospects for young people, it must be extended to sectors that are not providing pathways into skilled employment for young people at scale.

SVA urges the Commonwealth to be ambitious in its implementation of the Australian Skills Guarantee across areas of its expenditure. It should, in our view, extend beyond 'major projects' to areas of ongoing activity – like information technology support; management consulting; legal services.

The effectiveness of this work requires effective intermediary support, including better support for employers to implement traineeships and apprenticeships in their organisations. It also requires effective monitoring of outcomes, particularly in the use of traineeships.

We also note the influence of the Commonwealth as major funder across human services like aged and disability care and employment services. Again, we believe that the Commonwealth can play a critical role in increasing investment in quality jobs with skills development in these sectors.

Employment services

This submission argues that the most urgent issue to be addressed is increased employer action to create opportunities for young people and provide the types of workplaces that young people can thrive in.

But many young people also need individual assistance in order to find their way into careers, to achieve and sustain employment.

As noted in the discussion paper, current employment services are focussed on the 'first available' job regardless of job quality or suitability for an individual. Young people are required to apply for and accept jobs that don't use their skills or qualifications or reflect their aspirations. In this way, employment services contribute to underutilisation of skills and to job churn. The policy of pushing young people into the first available job sits at cross-purposes to policies aimed at improving the skills and adaptability of our workforce.

Historically, a key justification for the 'work first' approach is the idea that even though initial employment may be in jobs that are poor quality, these will provide a stepping stone to better work. However, over the last decade, research suggests that poor quality work can lead to long term

‘scarring’²⁵, while insecure and casual work can worsen mental health²⁶. It appears that the chances of getting trapped in poor quality jobs is greater in sectors with industries that have high rates of casualisation and in small to medium-sized firms that offer limited internal mobility.²⁷ It is worth noting that around 30% of jobactive placements were in the accommodation and food services or retail sectors – characterised by high rates of casualisation and relatively low rates of post-school qualifications²⁸. Fourteen of the top twenty employers in which unemployed people were placed were in were labour hire firms, while the top two employers were Woolworths and Coles.

International evidence shows that while work-first approaches may have a positive effect on short-term employment, programs that combine skills training and employment assistance have stronger outcomes over the long term²⁹.

In the US, the MDRC has highlighted the value of sectoral programs in creating pathways for people facing disadvantage into good quality jobs³⁰. One example is ‘Year up’ – a full-time, year-long workforce training program for economically-disadvantaged young workers that focuses on economic sectors with jobs in high demand, notably in the tech sector. The program includes industry relevant ‘employability skills’ (eg business etiquette) alongside technical skills, and a six month paid ‘internship’.³¹ Wrap around support is provided.

In Australia this type of approach might be possible (by bringing together several different actors and funding sources) but it would not be easy. Delivery of foundation skills, vocational training, apprenticeship support and employment assistance is spread across different programs (and providers). The eligibility, payment and performance measures across different programs rarely align and are often at cross purposes.

SVA supports the Government’s interest in adopting more place based, collaborative approaches. We suggest that these are more challenging to operationalise in urban centres, where they may need to sit alongside industry/sector based approaches.

In order to be effective, place based approaches are likely to require significant change in the way that governments manage programs and providers and how they structure their own operations. In employment services, the Commonwealth’s approach to procurement and contracting has increased central monitoring and control, reduced innovation and encouraged ‘herding’ around standardised practices³². Devolution of control, flexibility around performance targets and funding, and increase

²⁵ Karmel T & Oliver D, *Starting Out In Low-Skill Jobs Longitudinal Surveys of Australian Youth*, Research Report 64, NCVET, 2013; de Fontenay C, Lampe B, Nugent J and Jomini P, *Climbing the jobs ladder slower: Young people in a weak labour market*, Productivity Commission Staff Working Paper, 2020.

²⁶ Butterworth P, et al., *‘The psychosocial quality of work determines whether employment has benefits for mental health: results from a longitudinal national household panel survey’*, *Occupational and Environmental Medicine*, 2021; Green F, *Health effects of job insecurity*, IZA World of Labor 2020.

²⁷ Mitchell W & Welters R, *‘Does casual employment provide a “stepping stone” to better work prospects?’*, Centre for Full Employment and Equity, University of Newcastle, 2008.

²⁸ Australian Government, *The next generation of employment services discussion paper, appendices*, (NB: calculation excludes ‘other services’ category), 2018.

²⁹ Card D, Kluve J & Weber A, *What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations*, NBER Working Paper No. 21431, 2015 (revised 2017).

³⁰ Schaberg K, *Sector Strategies for Success* (Issue November 2020), Katz L et al., *Why Do Sectoral Employment Programs Work? Lessons from WorkAdvance*, NBER: National Bureau of Economic Research, 2020. Retrieved from <https://policycommons.net/artifacts/1385730/why-do-sectoral-employment-programs-work-lessons-from-workadvance/1999993/> on 07 Dec 2022.

³¹ Arnold Ventures, *Evidence Summary for the Year Up Program — Workforce Training for Economically Disadvantaged Young Adults*, 2022.

³² O’Sullivan S, Considine M, McGann M, *Buying and Selling the Poor*, Sydney University Press, 2021.

openness to innovation are all essential if place based approaches are to be anything more than efforts at information exchange.

SVA notes the current Parliamentary Inquiry into Workforce Australia, which will canvas these issues in more detail. In the meantime we urge the Employment Taskforce to recognise that unless 'skills development' and 'workforce participation' are considered together, many young people will continue to be forced to take up employment that harms their long term career prospects.

Putting social mobility on the agenda

In 2020 the Diversity Council of Australia's survey found that class, more than any other indicator, had the strongest correlation with a sense of workplace exclusion. However, while many larger employers have Diversity and Inclusion strategies, very few employers collect data or seek to monitor or address socio-economic diversity within their workforces. The Australian Public Service reports on a number of diversity indicators, but socio-economic status is not one of them. Nor do larger firms tend to see young people as a target for inclusion initiatives. Many have, in fact, reduced their rates of employment of young people – a factor that the Productivity Commission identified as contributing to lower pay rates³³. Many larger companies support programs that work in disadvantaged schools but far fewer invest in employment pathways for low SES young people into careers within their own organisations.

By contrast in the UK the existence of the [Social Mobility Commission](#) has drawn attention to the need for employers, including in the public sector, to measure and promote social mobility within their own organisations. In the US, large employers in the [Business Roundtable](#) and [Skill Up Employer Network](#) (formerly Hire Opportunity Coalition) have committed to widening access to good quality jobs for young people.

SVA believes that the Commonwealth should promote the need for employer action to increase social mobility, including through providing careers for low SES youth. This should include the initiatives already outlined here to increase its own efforts as an employer and to use procurement to promote action by private and non-government employers. It could also include adoption of social mobility as a cross-government objective, and a framework through which policies and investments should be assessed.

³³ Productivity Commission (2020), Why did young people's incomes decline?, p72

Part 2 – Care economy and the charitable sector

Since 2020, SVA has collaborated with CSI on the [Partners in Recovery](#) report series, which examines the financial health of charities through the pandemic. The series aims to improve understanding of the important role of charities within the economy – including as an employer – and provide input for decision makers and the sector on the policy settings needed for a thriving charities sector. Our fifth report, [Partners in Recovery: Moving beyond the crisis?](#) released in September 2022, incorporates updated data on how charities fared since the onset of Covid-19 and the impacts of a shifting operating environment. It includes a focus on the role of charities in the care economy and examines issues relevant to the Employment White Paper, with specific regard to:

- Ensuring there is adaptability in our workforce to meet the needs of fast-growing industries
- Providing employees job security with fair pay and conditions
- Equal employment opportunities for women to decrease underemployment and provide financial security
- Increasing labour force participation by reducing barriers and disincentives to work, as many employees reduce their capacity to work in order to provide informal care
- The need to increase the training and development available to employees for greater career progression.

Some headline findings from the reports are outlined below. Further information – including references for the figures and statistics in this submission – is available within our fifth [Partners in Recovery report and the earlier reports in the series](#).

Charities and NFPs have and will continue to play a vital role in supporting economic and employment growth in Australia and are major employers in high growth caring industries:

- The charity sector employs 1.4 million people – or close to 11% of workers in Australia. This is more than mining and manufacturing combined.
- The charity sector also plays a critical role in reducing the reliance on informal care. This, in turn, increases the supply of labour across the economy, which is an important driver of economic growth and achieving full employment.
- Charities play a significant role in the care economy. More than a quarter of (27.2%) of not-for-profits reporting to the ACNC were categorised as either health, social services or development and housing organisations with a further 19.5% education and research (encompassing early learning) and 29.8% religious (which will also incorporate some religious organisations that also deliver caring services).
- The most in-demand jobs in Australia currently include early childhood teachers and workers, registered nurses, child carers, and aged and disabled carers – all sectors in which not-for-profit providers are significant employers.
- Not-for-profit employees are disproportionately female and many are employed on a casual or fixed term basis (this was the case for more than half of not-for-profit employees in NSW in 2020). As charities are not an ‘industry’, they are a legal structure that can operate in any sector, an industry-by-industry approach will not effectively support them. Further, the structural settings for charities have led to systemic financial precarity which makes the sector vulnerable to shock:
- As a majority funder of charities, government has significant influence through contracting on employment, training and recruitment by charities. Systemic underfunding by

governments for the provision of contracted services (identified as being 30% below the full cost of delivery by the Productivity Commission) is a significant factor contributing to low wages within the community sector.

- In 2021, only 20% of charity respondents reported that their main funding source covered the full costs of service delivery and just 14% said that indexation arrangements for their main funding source was adequate.
- Not-for-profits face difficulties investing in their staff through human resources, training and development opportunities and upskilling workers, as indirect costs are not seen as delivering services or as a frontline priority from funders and government when sourcing contract services. More information about indirect costs and why charities have to forgo them can be found in our [Paying What It Takes report](#).
- The charity sector is unable to compete with wages and career progression provided by government employers or for-profit organisations due to revenue streams, and insecure inconsistent funding arrangements, leading to low quality employment.

These structural issues are likely to be exacerbated by current economic headwinds, which place additional pressure on charity finances. To best support the charity sector to help Australia build back better from the crisis, government support needs to be tailored to their specific needs.

- Charities must be included in policy design on employment and economic issues. This allows input from not-for-profits on the impact of potential new policies on the sector and the identification of strategies to ensure their ability to provide secure, quality employment is enhanced not hindered. The Government needs to address structural funding issues – by providing full funding for contracted services delivery by charities – to ensure not for profits can provide training, upskilling and reskilling opportunities for employees, and provide career progression pathways.
- Government should consider policy settings and implementation strategies that create a better environment for workers in the care economy (e.g. increasing wages, offering more flexibility with working arrangements, portable leave, as well as offering more pay and career progression and pathways) in a way that doesn't create extra pressure for NFPs, who are often in a position with the least amount of flexibility, money and ability to respond to new policy changes and obligations. Increasing pay in the sector will inevitably assist in closing the gender pay gap, as over 75% of employees in the care economy are women. Reforms in the care economy need to take account of the needs of charities, which often differ from those of for-profit providers in respect to regulatory and reporting obligations, and tax concessions that incur an added expense or resource. Supporting the charity sector is imperative in achieving full employment for Australia.