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15 January 2019

Australian Government  
Review of Humanitarian Outcomes  
Department of Prime Minister and Cabinet  
By email: [humanitarianoutcomes@pmc.gov.au](mailto:humanitarianoutcomes@pmc.gov.au)

### **Centre for Policy Development Submission: Review into integration, employment and settlement outcomes for refugees and humanitarian entrants (the Review)**

The Centre for Policy Development (CPD) thanks the Review Panel for the opportunity to meet last week and to provide this written submission. The Panel is aware of CPD's long interest in employment and settlement services, reflected in our reports *Grand Alibis* (2015) and *Settling Better* (2017), and our ongoing *Cities and Settlement Initiative*. That Initiative, aided by a small team of volunteers from the Boston Consulting Group, focusses on boosting the economic and social integration of refugees and humanitarian entrants in Australia.

Sustainable economic participation is the bedrock for successful settlement. This is where Australia has been falling behind. This Review can outline how Australia can help refugees and humanitarian entrants to find sustainable jobs or start businesses more effectively. As foreshadowed, we focus on three recommendations:

1. Reimagine governance, coordination, funding and delivery of services in pivotal places;
2. Greater focus on the needs of women and families; and
3. Double down on English language education and employer engagement.

Underpinning these recommendations is the need for government to advance a positive narrative about refugees and humanitarian entrants. All Australians benefit when these migrants are fully welcomed into our workplaces, economies and communities. Finding new ways to settle them better would build on Australia's proud record since the Second World War of helping more than 800,000 refugees and displaced people of different nationalities and faiths to build new lives here. The contribution of refugees and their families to Australia has been enormously positive. They are Australia's most resilient and entrepreneurial migrants.

There is a big prize on offer. Reducing the gaps in participation, unemployment, and income by 25% relative to the average Australian jobseeker for just one annual humanitarian intake is worth \$484 million in income to those refugees and their families and a \$180 million boost to the Federal budget over ten years, not to mention the significant social and community dividends.<sup>1</sup> There is also a chance to focus efforts geographically given that, over the last decade, more than 70% of humanitarian migrants have settled in just 25 local government areas. Closing the economic gap for a single intake in the top 25 settlement locations between now and 2025 would result in these migrants enjoying additional income of \$241 million (or \$28,249 per person of working age) and benefit the Federal budget by \$90 million.<sup>2</sup>

<sup>1</sup> This comprises additional tax revenue of \$124 million plus \$56 million savings in welfare costs for a single intake.

<sup>2</sup> Income estimate is income pre-tax. Per person figure assumes 13,125 people settled in the relevant 25 local government areas (70% of annual intake of 18,750 people), 65% of whom are of working age. Benefit to the Federal budget includes income tax revenue of \$61 million and welfare savings of \$29 million. The data on settlement locations for 2009 to 2017 and additional notes on methodology and assumptions are in the Annexure.

## 2025 Opportunity

### Boost economic outcomes by 25% in top 25 settlement locations

If more effective approaches were adopted to close the economic gap between one intake of humanitarian migrants and the overall population in the top 25 settlement locations by 25% between now and 2025, this would result in humanitarian migrants from a single intake enjoying additional income of \$241 million (or \$28,249 per person of working age), and would benefit the Federal budget by \$90 million over the same period.

## Recommendations

### 1. Reimagine governance, coordination, funding and delivery of services in pivotal places

- A. Consolidate governance arrangements federally and create a centre of gravity for integration, employment and settlement outcomes by adopting the following options:
  - (i) Bring employment and language services together (e.g. *jobactive*, AMEP and SEE) in time for the rollout of the new national systems in 2020, located in the Department of Jobs and Small Business;
  - (ii) Move this new combined service to the Department of Social Services;
  - (iii) Create an independent Humanitarian Settlement Agency with a CEO and Board, attached to the Department of Social Services, responsible for overall governance and funding of integration, employment and settlement outcomes for refugees and humanitarian entrants.
- B. Implement reforms to funding, design and delivery of employment services.
- C. Invest in place-based approaches at a local level to provide integrated support for refugees and humanitarian entrants, relevant to the local context.
- D. Grow community sponsorship as an additional feature of Australia's humanitarian program to broaden local involvement in mentoring and supporting new arrivals.

### Rationale

Our report, *Setting Better*, proposed a centre of gravity in Canberra for refugee employment and settlement services, and to invest in promising practices. The above recommendations do just that. Within the Australian Government there are at least four federal departments and six ministers with responsibility for services vital to refugee settlement, but often with different policy objectives or frameworks. This stymies progress and is a recipe for confusion. There is a consensus among those working in settlement services that such fragmentation is a barrier to greater social and economic integration of refugees and humanitarian entrants. Our preference would be an independent agency attached to the Department of Social Services to lead an integrated strategy for better humanitarian settlement outcomes, backed by consolidated employment and language services.

A new agency can only have impact on the ground if it is prepared to let go and devolve funding and responsibility for agreed outcomes to local areas. This commitment to new funding and service models, underpinned by localism, was at the heart of our submission to the 2018 Expert Advisory Panel on the future of employment services chaired by Sandra McPhee AM.<sup>3</sup> We have found in our research that locally connected, place-based approaches to service delivery, with active and autonomous local brokers, are achieving better results. This requires activity based funding for recognised pathways to employment, not a tender-based model driven by price rather than results. Collaboration between providers must be incentivised so that a bundle of services (including employment readiness, skills recognition, work experience, counselling, and language training) can be provided.

<sup>3</sup> See <https://cpd.org.au/wp-content/uploads/2017/07/451-SUB-AC-Centre-for-Policy-Development.pdf> (also enclosed); *Employment Services 2020 Report* (October 2018, pp. 7, 15, 33-37, 53).

Momentum is growing in Australia and around the world for greater investment in place-based approaches, where governments and other stakeholders come together to address key policy problems in pivotal places.<sup>4</sup> Networks at the local level are often the best means of involving businesses in considering people for jobs and in identifying individual specific skills gaps. For the past several months, CPD has been working with Wyndham City Council (WCC) and other local government areas to develop a new place-based approach to economic and social inclusion of humanitarian migrants. This approach, built around the idea of collective impact, can greatly enhance humanitarian outcomes. It requires federal and state governments to fund and empower local backbone (or anchor) institutions to lead the coordination of services and building of networks. The local stakeholder institutions entrusted with this ‘backbone’ role should be long-standing, respected and neutral organisations in local areas. Depending on the context, this role could be played by local government or an appropriate government agency; via health services, schools, TAFEs or universities; or established settlement services providers or community organisations.

Key features of the place-based model we favour are set out in the Annexure, and include:

- Visibility by local stakeholders over those being settled in the area;
- Comprehensive ‘whole person/whole family’ assessment and case management for new arrivals, with case managers possessing in depth knowledge of available local services and opportunities;
- Locally coordinated approaches to employer/industry engagement;
- Local support for migrants with entrepreneurial aspirations; and
- Vocational training opportunities tailored to local employment opportunities.

The place-based model we are developing is based on a set of principles and case studies that have emerged from our *Cities and Settlement Initiative* and the work of the Settlement Services Advisory Council. There are numerous examples of successful place-based approaches around the world, including:<sup>5</sup>

- In the City of Gothenburg, Sweden, where a strong tradition of self-governing local authorities with independent control over funding has seen the development of a work-experience program for refugees arriving in the area, combined with Swedish language education classes; and
- In the County of Los Angeles, in the United States, where the Refugee Services division is funded and empowered as the single state agency responsible for the implementation of services to refugees. It coordinates a comprehensive offering of local initiatives, contracted to local service providers, designed to improve refugees’ employability and economic self-sufficiency.

Local approaches can be strengthened by growing community sponsorship as a feature of Australia’s humanitarian resettlement program. This model has been successful in Canada, where humanitarian entrants have benefited from the support of a group of individuals living in their community and the social capital they develop through interactions with their sponsors.<sup>6</sup> A similar approach in the Australian context could catalyse better economic and social outcomes, provided:

- Sponsorship criteria ensure a broader community sponsorship cohort, not just family members;
- The costs offer value for money to potential sponsors, such as by waiving government visa fees; and
- It is based on the concept of ‘additionality’ – those who are sponsored will be in addition to those whom the government has already committed to resettle through the government-funded system.

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<sup>4</sup> Examples include the Productivity Commission’s *Shifting the Dial Report* (August 2017, pp. 192-208), the *Employment Services 2020 Report* (October 2018, pp. 15, 33-37, 53), and the Hamilton Project at the Brookings Institution. See Shambaugh and Nunn (eds.), *Place-Based Policies for Shared Economic Growth* (2018), particularly David Neumark, p. 94; Austin, Glaeser and Summers, *Saving the Heartland: Place-Based Policies in 21<sup>st</sup> Century America* (2018).

<sup>5</sup> For more cases studies, see pp. 79-85 of the Annexures to the Briefing Materials for the September 2018 meeting of the Council for Economic Participation of Refugees, available at: <https://cpd.org.au/2018/12/second-meeting-council-economic-participation-refugees-september-2018/>.

<sup>6</sup> See <https://www.canada.ca/content/dam/ircc/migration/ircc/english/pdf/pub/resettlement.pdf> part 5.10.

## 2. Greater focus on the needs of women and families

### Recommendations:

- A. Ensure all humanitarian migrants are connected with a local case manager who:
  - Conducts a comprehensive assessment of the needs of each individual and the whole family over a career and life cycle;
  - Is deeply connected with local service providers, understands the services available, can make sound referrals and act as an intermediary; and
  - Follows up regularly with the family group and its individual members.
- B. Ensure policy development and interventions are tested against the following questions:
  - Does it understand and cater to the needs of women and provide appropriate and accessible services?
  - Does it consider and respond to the needs of the family unit, or the individual in the context of their family unit?
- C. Ensure that services are accessible to women in light of caring responsibilities, transport needs and cultural norms.<sup>7</sup>

### Rationale

Effective service design must consider that the individual with whom the service engages may not be the only household member who requires assistance or whose circumstances are relevant to the services. Employment services are a classic example where the focus has too often been on one jobseeker and one potential job, rather than the jobseeker's household and pathways to sustainable economic and social participation over a career and life cycle for other family members, especially women and young people. The additional spend required to do 1:1 plans for all family members will likely pay for itself through a greater dividend over the long term.

In response to the employment gap experienced by female humanitarian migrants (see Annexure), CPD has begun to apply a gender lens to all our *Cities and Settlement* work. We encourage government to do the same. Approaching settlement with a gender-sensitive approach considers the current reality in which female humanitarian migrants are less likely to be employed and more likely to have family caring responsibilities than male humanitarian migrants. For example, women are currently most affected by the clash between family responsibilities and the desire to improve their English. The Department of Education and Training has attempted to respond to this by including childcare services via the Adult Migrant English Program (AMEP). However, many women find it too difficult to attend language classes in practice because childcare services are often provided at a separate location to that at which AMEP classes take place, and public transport options in outer-suburban areas are often limited. Furthermore, childcare support may only be available for a few hours to attend AMEP, whereas families will often have to pay for a full day of childcare to access childcare services provided by mainstream providers. Looking at this problem through a gendered and 'whole of family' lens, it becomes clear that providing on-site childcare at AMEP classes would be beneficial.

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<sup>7</sup> The Brotherhood of St Laurence has developed a female-only entrepreneurship program – Stepping Stones. There are many overseas examples of programs designed specifically for female refugees including Stark Im Beruf and the ReDI Digital Women Program (Germany) and, in Canada, Women's Employment and Life Skills and Homeward Bound Residential Women's Employment Program. Further details of these programs can be found on our website in the Briefing Materials for our September 2018 meeting of the Council for Economic Participation of Refugees (slides 72-74).

### 3. Double down on English language education and employer engagement

#### Recommendations:

- A. Put in place English language services and learning resources that are accessible in practice to people who are working and who may also have family responsibilities in non-work hours. This might include providing:
- Funding for on-site language classes at workplaces or industrial hubs;<sup>8</sup>
  - Free access to effective digital learning platforms such as Duolingo;
  - Further funding and support for informal language practice and mentoring opportunities such as through Community Hubs Australia or via innovative apps like Chatloop; and
  - Providing on-site childcare, relocating AMEP classes to venues at or near childcare centres, or engaging community volunteers in childcare.
- B. Invest in proactive, coordinated and place-based employer engagement, by:
- Designing employment services so that employers are a primary target alongside jobseekers, sustainable employment and education pathways are prioritised and employment and microfinance opportunities are visible to refugees;
  - Using place-based approaches to engage, educate and influence local employers to consider employing refugees or offer pre-employment opportunities such as work experience, mentoring or internships;
  - Considering whether more effective ‘brokerage’ services could be established to help more employers to engage refugee jobseekers;
  - Specifying humanitarian migrants as jobseekers to whom wage subsidies might attach, and ensure funding for employment services is flexible enough to develop employment opportunities in which a key investment (e.g. occupational health and safety training for a group of refugee recruits) can be delivered at little or no cost;
  - Using government employment to lead by example, and government purchasing power to influence employer behaviour through social procurement targets; and
  - Providing funding to assist humanitarian migrants to have overseas skills and qualifications recognised or converted.<sup>9</sup>

#### Rationale

English proficiency makes a big difference to being able to participate fully in Australian society. Poor English is the second-strongest predictor (after gender) of workforce participation for refugees. Humanitarian migrants typically have a low level of English proficiency. For example, 71% of humanitarian entrants who commenced AMEP in 2017-18 were assessed as below Level 1 across the eight indicators under the Australian Core Skills Framework.<sup>10</sup> What’s more, language classes are often incompatible with work and family arrangements. The Building a New Life in Australia (BNLA) dataset shows that more than 50% of participants who discontinue AMEP cite either ‘work’ or ‘family’ as the reason for leaving. AMEP providers have expressed frustration that they cannot get eligible people to attend classes as those people are too focussed on finding a job and

<sup>8</sup> A workplace language and literacy program was a key part of the successful Barangaroo Skills Exchange (see <https://wsbc.org.au/Resources/Documents/FINAL%20Barangaroo%20Case%20Study%20v2.pdf>).

<sup>9</sup> A recent study has found that every dollar invested in Alberta’s Immigrant Access Fund (to assist immigrants in acquiring Canadian licensing and training to work in their field of expertise) returns 15 dollars to the Canadian economy in the first year after a borrower completes their lending plan. See Emery, “Evaluating the Income & Tax Yield Outcomes of the Immigrant Access Fund Program in Alberta”, Immigrant Access Fund (2015), available: <https://docplayer.net/25473268-Executive-summary-evaluating-the-income-tax-yield-outcomes-of-the-immigrant-access-fund-program-in-alberta-dr-j-c-herbert-emery-march-31-2015.html>.

<sup>10</sup> Data provided to CPD by the Federal Department of Education and Training in September 2018.

commencing work. People in this category may end up finding work in low-skilled jobs, with little opportunity to improve their English through or outside of work.

On the other side of the equation, some *jobactive* providers have reported a reluctance among some humanitarian migrants (particularly ambitious younger people without family responsibilities) to take work of the nature described immediately above. These migrants would prefer to focus on developing their English to the greatest extent possible to maximise their future career prospects, rather than being placed in what they see as a ‘dead end job’ that will lock them into social and economic disadvantage into the future. This is but another reason to integrate language and employment services.

Our work on the *Cities and Settlement Initiative* and in the Wyndham area suggest there is great scope for increasing employer awareness of refugee jobseekers and for preparing both employers and refugees for successful and sustainable employment relationships. Better outcomes for disadvantaged jobseekers could be achieved if employment service providers coordinate efforts to identify and develop ongoing relationships and networks with local employers. Backbone or anchor public institutions are uniquely placed to facilitate this and to incorporate the needs of employers more directly in service design and delivery. Services which seek to help refugees to find employment only address one half of the equation. While there are some supports and brokering services available to match Australian employers with refugee jobseekers, smaller employers with less corporate resources may be unaware of their existence or find it difficult to sustain adequate pre- and post-employment support to ensure that the placement is a success.

### **Annexure and Further Information**

Further data and information is contained in the slides annexed. CPD’s submission to the 2018 Expert Advisory Panel on the future of employment services chaired by Sandra McPhee AM is also enclosed. Additional resources arising from CPD’s *Cities and Settlement Initiative* are available at [www.cpd.org.au](http://www.cpd.org.au).



# Annexure to CPD Submission

## What are we aiming to address?

### Humanitarian migrants have poor employment outcomes

- They have **2.9 times** higher unemployment (25%) and only **0.8 times** the participation rate (48%)
- **Female humanitarian migrants have only 0.6 times** the participation of males, and **1.3 times** the unemployment
- Those with poor English skills have half the participation rates

### These challenges are tougher for recent arrivals

- Much less likely to be in paid work
- Exacerbated by poor English speaking
- More difficult for those with no prior work experience
- Unemployment more likely for women

Humanitarian migrants are highly entrepreneurial (compared with other migrants and the average taxpayer) but face the significant additional barriers to establishing businesses

Lack of recognition of prior skills and qualifications is also a major barrier to economic participation

▫ 25% improvement in outcomes for just **one annual intake** over a decade is worth:

- **\$484m** direct annual value to those migrants
- **\$180m** to the Government Budget

... In addition to significant **social cohesion dividends**, and an opportunity to improve outcomes for **all jobseekers**

# What the Cities and Settlement Initiative aims to achieve

## Overall Objective

*Settling refugees better, by helping them to find jobs or start businesses faster in the places they are settling most*

## Three Pillars

### Council on Economic Participation

Coordinated governance and new model for integrated delivery of employment and settlement services

### Knowledge Hub on What Works

Improved knowledge and replication of promising practices for employment and settlement services

### Network on Civic Engagement

Improved knowledge and investment in grass roots practices that boost social networks and civic engagement

## Current Priorities

### Reforming Service & Funding Models

1. Submission & advice to Employment Services Expert Panel at request of Chair.
2. Two-year trial of a place-based approach to boosting economic participation.
3. Recommendations to improve English language services.

### Investing in Promising Practices

1. Mapping employer needs and developing 'broker' model.
2. Report on helping refugee entrepreneurs to thrive, entrepreneur of year award.
3. Applying a gender lens to all of the new service models.

### Encouraging a Centre of Gravity

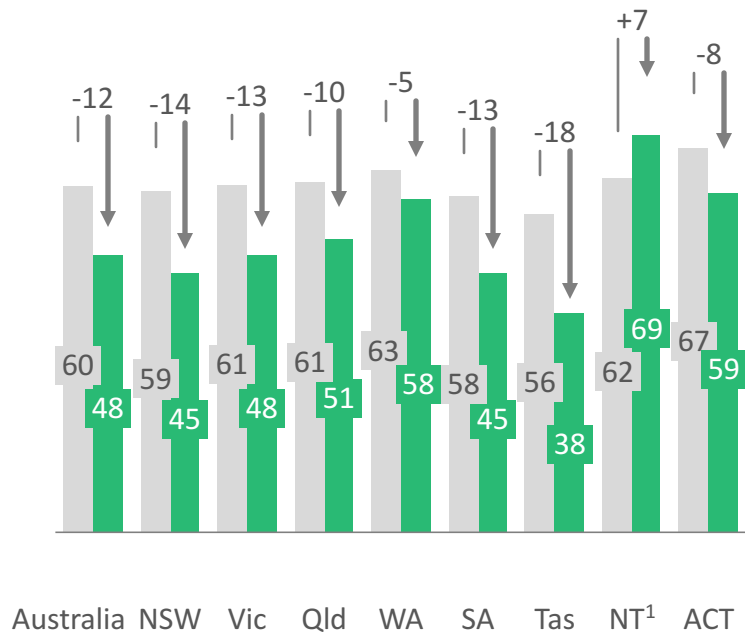
1. Developing machinery of government changes to connect key services, identify best practice and reduce duplication at federal, state and local level.



# Humanitarian migrants have lower participation and higher unemployment than the overall population, but this varies by state

Humanitarian migrants have 5-18pp lower participation rates than overall population

Unemployment rates for humanitarian migrants are 11-17pp higher than the overall population (except NT<sup>1</sup>)



Population participation rate  
 Humanitarian migrant labour force participation rate

Population unemployment  
 Humanitarian migrant unemployment

<sup>1</sup> Low numbers of humanitarian migrants in NT

Note: Includes humanitarian migrants arriving prior to 2009, and excludes those arriving after 2016 census

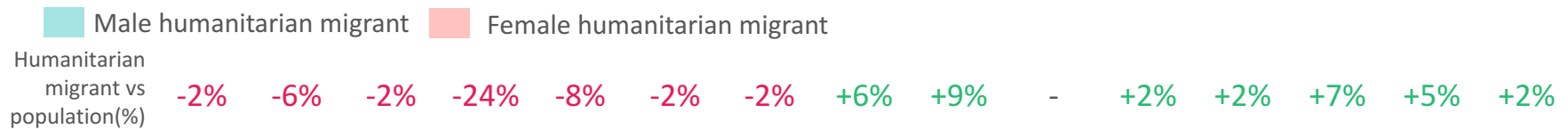
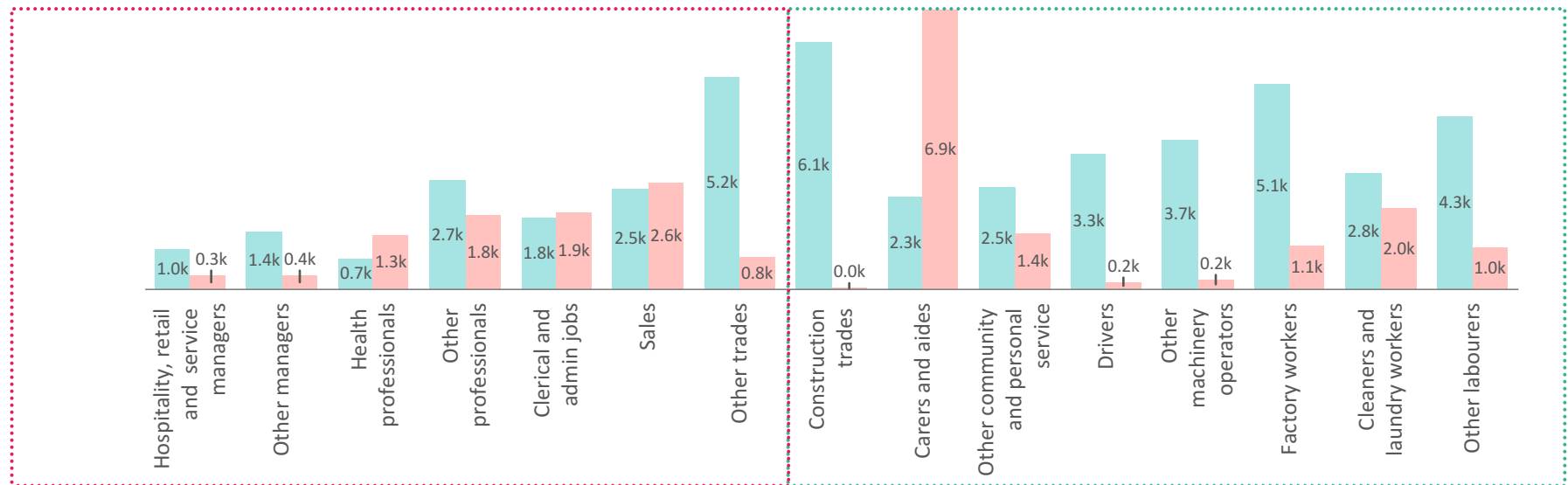
Source: ABS Census and ACMID 2016

# ...and are disproportionately working in low skill occupations

Humanitarian migrant occupations at 2016 census

Compared to the population, fewer humanitarian migrants work in management, professional or admin/sales jobs

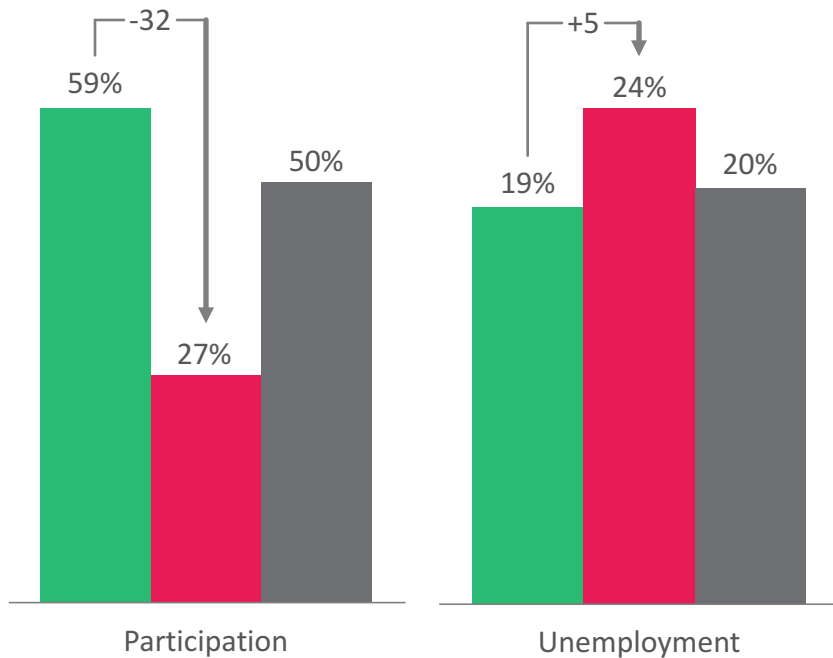
Compared to the population, more humanitarian migrants work in construction or as carers, drivers, factory workers and cleaners



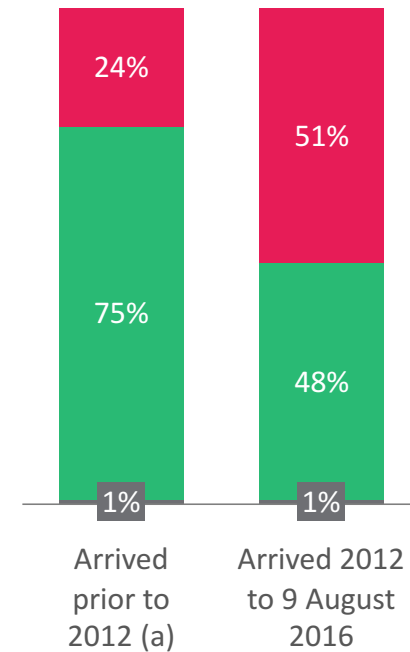
Source: ABS ACMIID 2016, DJSB Occupation growth projections for 2017-2022

# English proficiency plays a critical role in economic participation

Participation rates are 32pp lower and unemployment rates are 5pp higher for humanitarian migrants with low English proficiency



English proficiency is much lower for recently arrived migrants, suggesting worse labour market outcomes



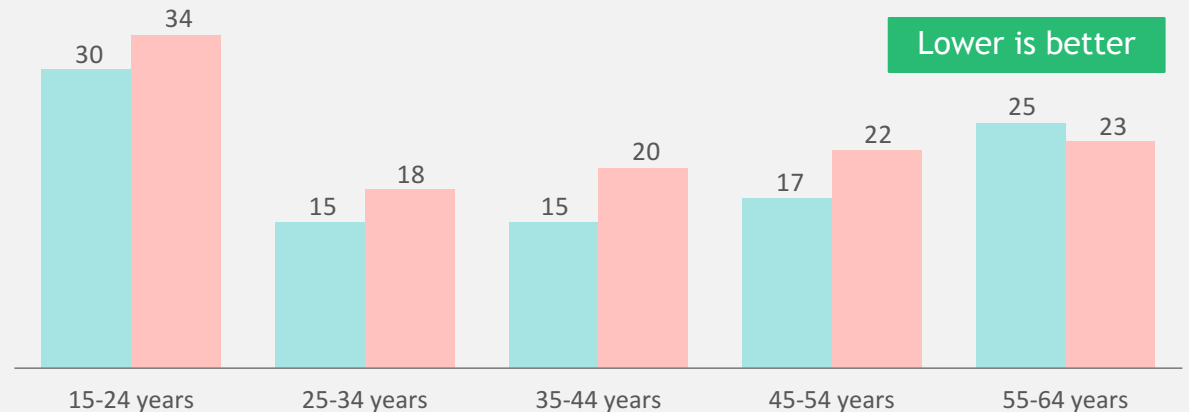
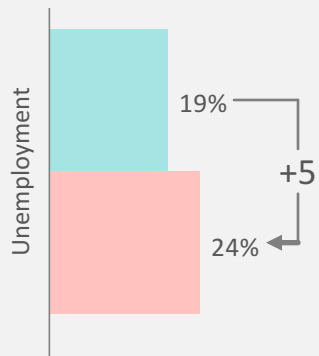
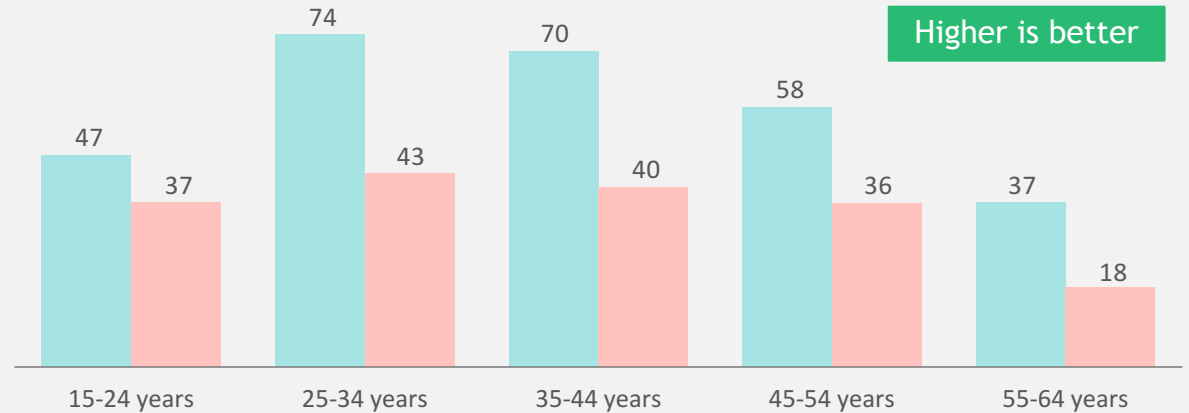
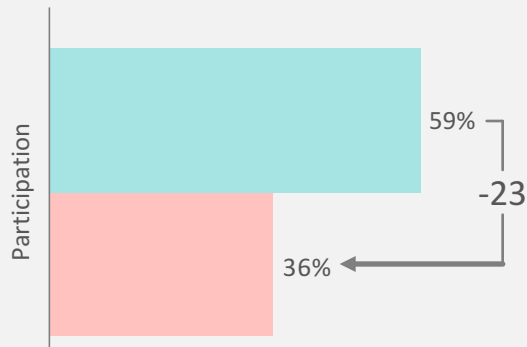
■ English only, very well and well 
 ■ Not well and not at all 
 ■ Total

Note: Self assessed English ability as recorded in the census, which typically rates higher English language proficiency than DSS assessment at settlement  
 Source: ABS ACMID based on 2016 Census

# Female humanitarian migrants have poorer labour market outcomes than men (participation and unemployment)

Female humanitarian migrants have lower participation and higher unemployment than males

This is consistent across almost all age groups



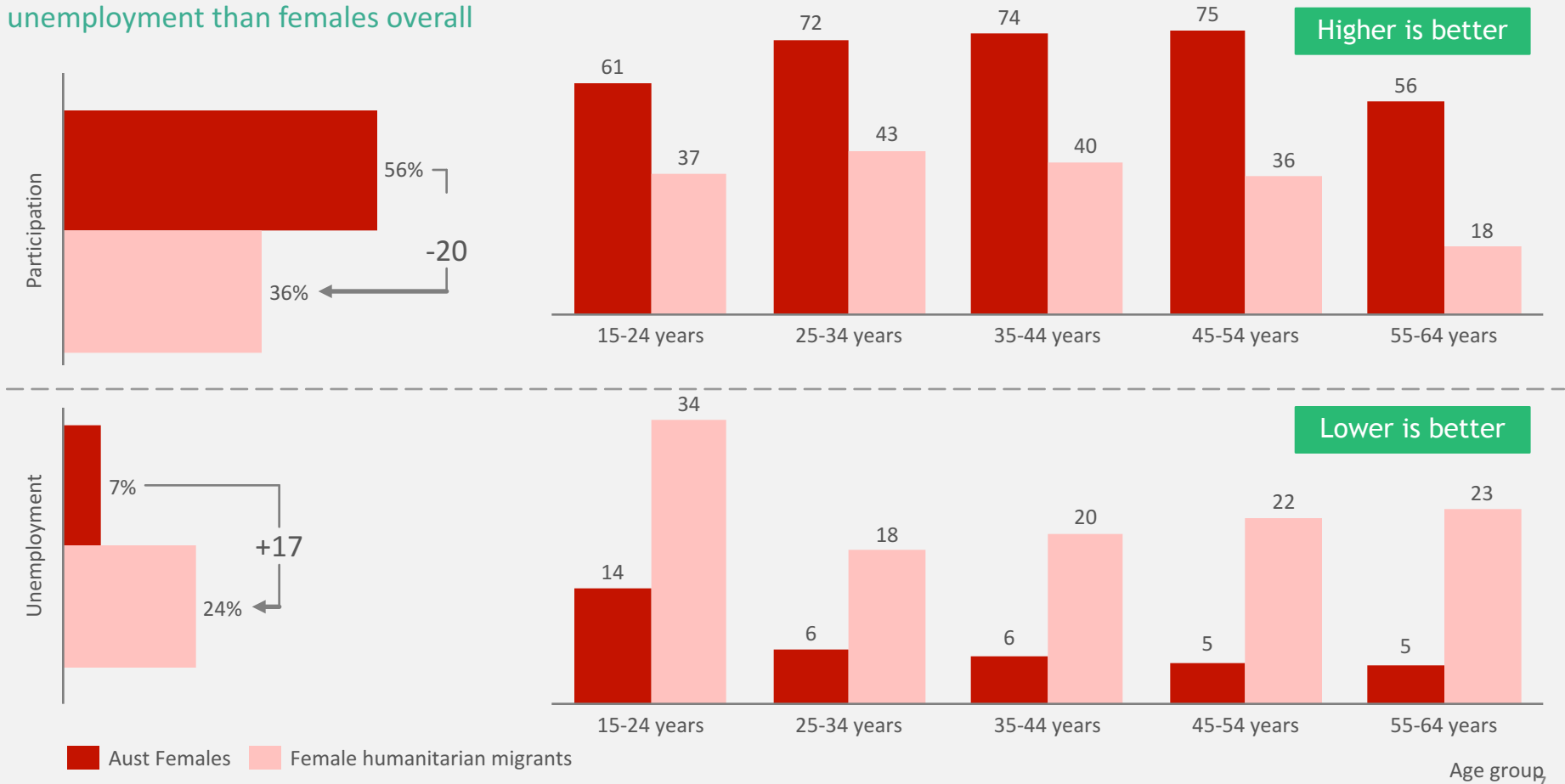
Male Female

Age group

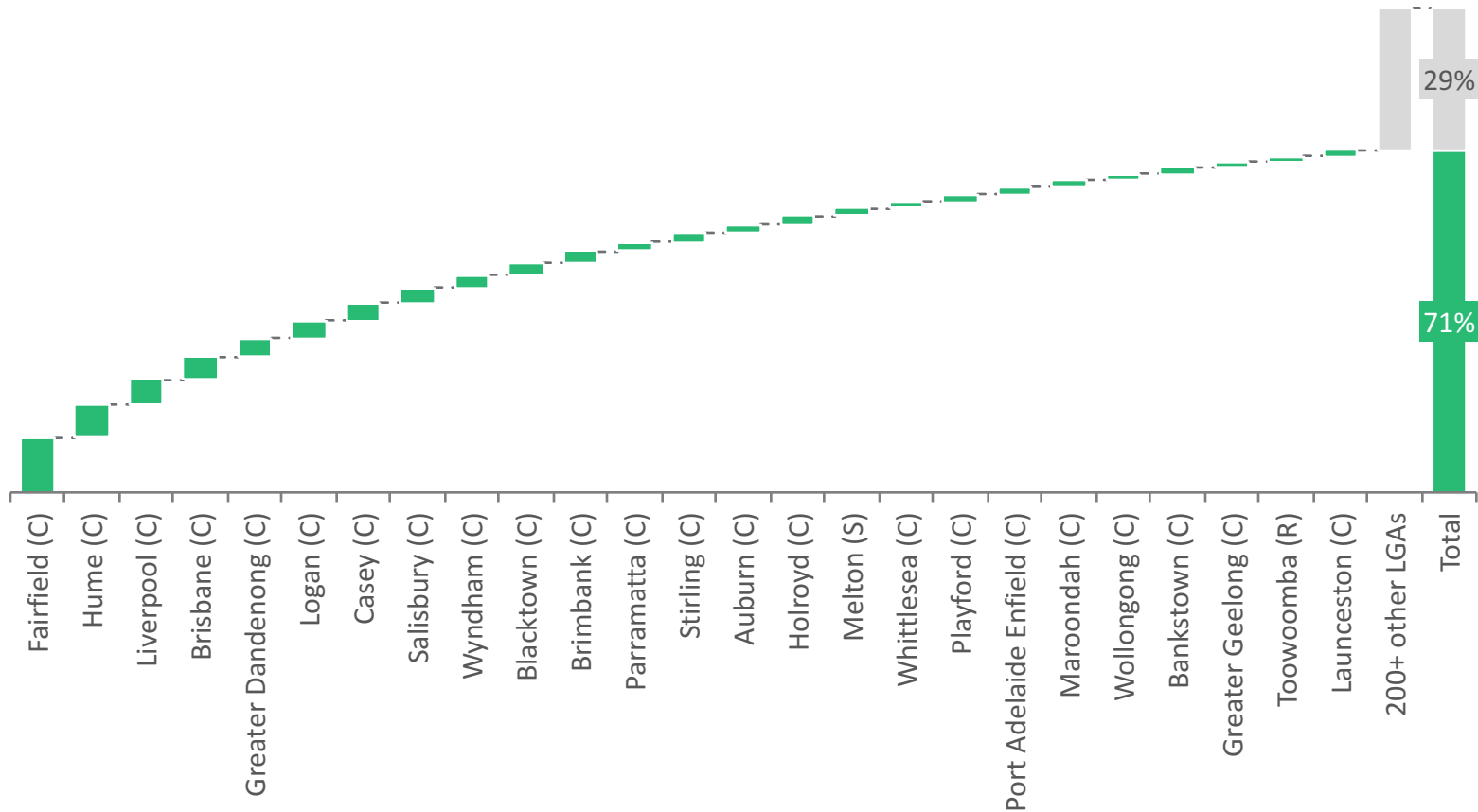
# Females humanitarian migrants have much poorer labour outcomes than females overall

Female humanitarian migrants have lower participation and higher unemployment than females overall

This is consistent across almost all age groups



# Humanitarian migrants are disproportionately settled in a few areas. The top 25 LGAs have settled over 70% (2009 -2017)



Source: DSS Settlement Database Humanitarian Migrants settled between Jan 2009 and Dec 2017



## Methodology and assumptions for economic forecasts in submission

The methodology for economic forecasts on closing the gap between humanitarian migrants and the overall Australian population are as set out in the *Settling Better* report (see pages 17-20) but have been updated taking into account the increase in the size of the humanitarian program from 17,500 to 18,750. Other adjustments have been made in line with the assumptions outlined below.

### Assumptions:

- *CPI 2.5% as per RBA, used for Centrelink indexation.*
- *Wage growth rate 3.2% based on 10 year average growth.*
- *Discount rate 8% as per Productivity Commission guidelines on business cases.*
- *Centrelink rates based on current partnered Newstart/parent payment rates. Excludes other allowances such as rent assistance. Assumes all unemployed and non-participating who are 15+ years old receive a payment, and those employed do not.*
- *Income tax based on 2018-19 personal income tax rates. Does not include planned future tax changes. Excludes the Medicare surcharge, tax offsets and other taxes.*
- *Working age population assumes new migrants have a similar age distribution to previous humanitarian migrants.*
- *Unemployment and participation rates based on 2016 census, which differ from official Labour Force Survey rates as they include those 65+ in the working age population.*
- *Average taxable income based on 2013-14 tax returns from ATO/ABS, indexed to 2018-19 levels using wage growth.*



## A merged set of guiding principles for a place-based approach<sup>1</sup>

1. A merged set of principles from the work of CPD and the Settlement Services Advisory Council, taking into account Australian and international place-based approaches



### Locally led design, decision-making and accountability

- Local bodies/initiatives decide their own priorities and approaches to service delivery in consultation with local stakeholders. High level of transparency and public scrutiny.



### Engagement with local stakeholders

- Stakeholder engagement is crucial to identify local needs, processes and service capability (including what may need to be developed) and avoid duplication, fragmentation or service gaps.



### Coordinated/integrated service delivery with intensive one-to-one case management for client and family unit

- Local body/initiative takes a strong leadership position to align other stakeholders and service providers. Extends to securing clear commitments from community groups and leaders.



### Employer-focused from the start

- Employers are active in designing and participating in measures to boost employment of refugee job seekers, as well as championing workforce diversity and migrant success.



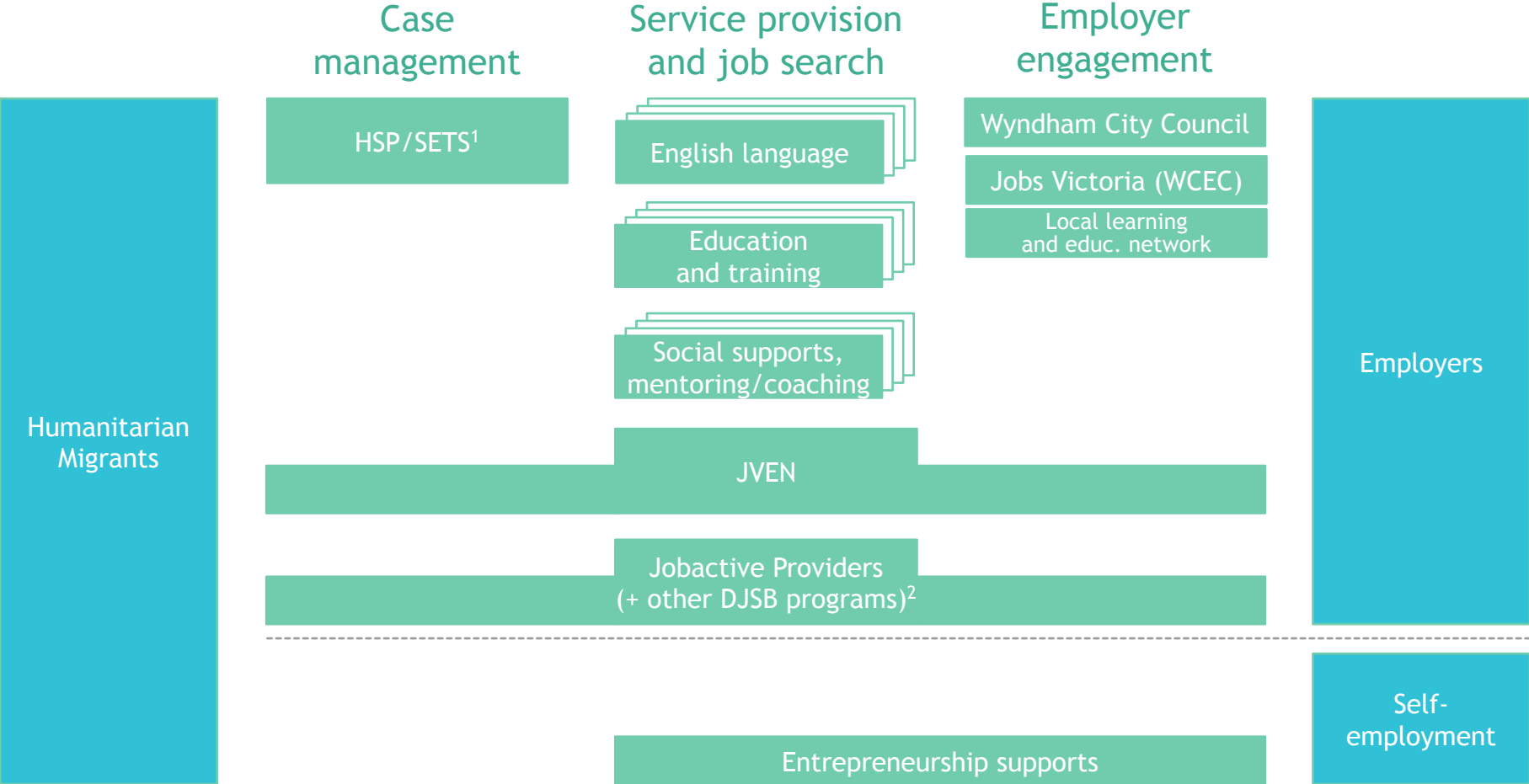
### Community involvement

- Members of the broader community are engaged with disadvantaged job seekers in a variety of capacities to aid smooth integration, social cohesion and acquisition of social capital by refugees.

# Elements of a place-based approach


	<b>Objectives</b>	<ul style="list-style-type: none"><li>• Begin with specific, measurable, outcome-oriented objectives that respond to the locally-identified problem</li></ul>
	<b>Understand local challenges</b>	<ul style="list-style-type: none"><li>• Understand local challenges and their causation deeply—integrate insights into design and implementation</li></ul>
	<b>Participant cohort</b>	<ul style="list-style-type: none"><li>• Identify likely participant cohort early and iterate as the design progresses</li></ul>
	<b>Service model</b>	<ul style="list-style-type: none"><li>• Develop service model in collaboration with local experts and stakeholders, leveraging community strengths and adjusting for challenges</li></ul>
	<b>Governance, key roles, and funding</b>	<ul style="list-style-type: none"><li>• Establish robust governance structures early to oversee design as well as implementation</li><li>• Engage in transparent, open discussions on funding at an early stage</li></ul>
	<b>Evaluation</b>	<ul style="list-style-type: none"><li>• Develop rigorous approach to monitoring and evaluation early, to inform and structure design work</li></ul>

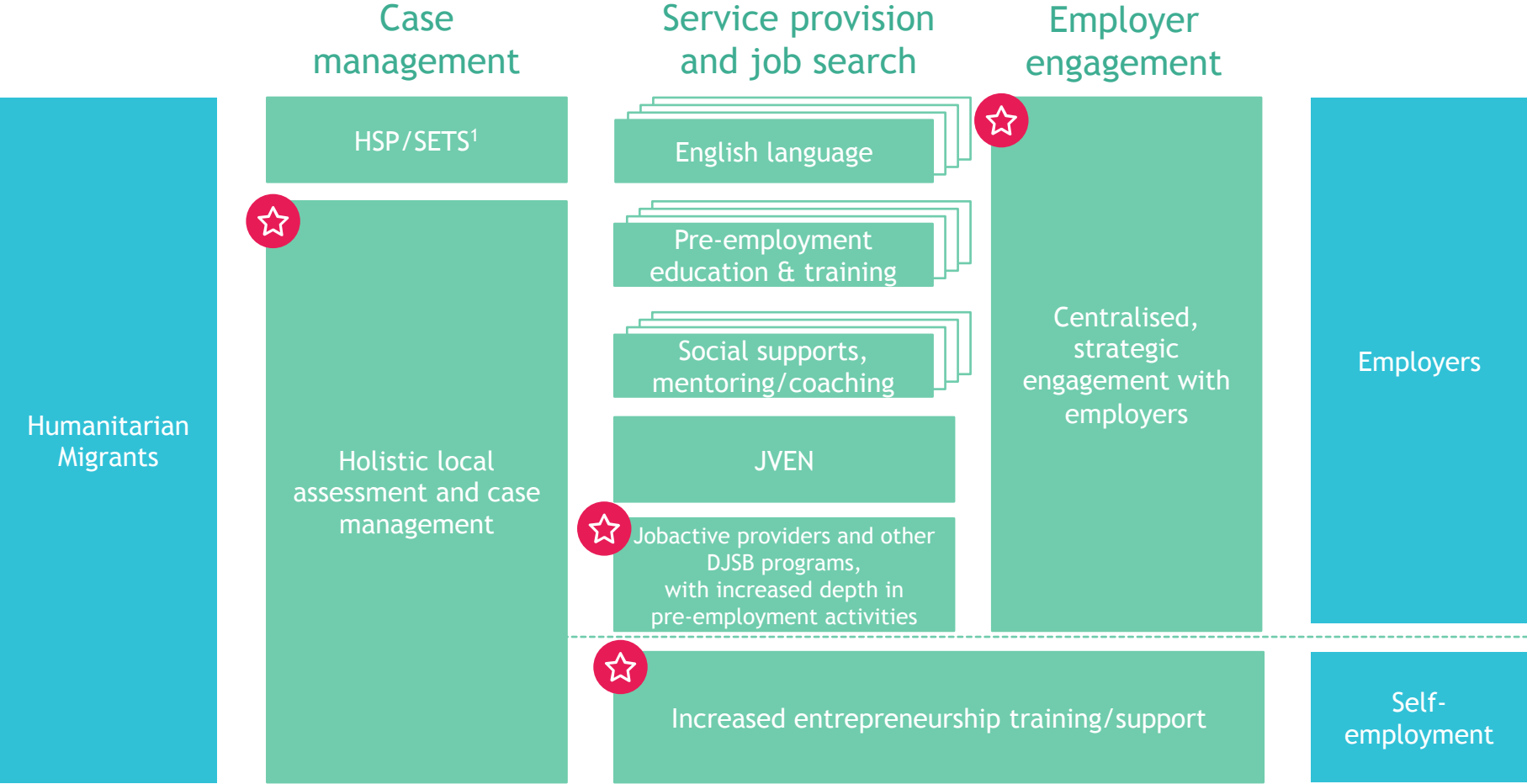
# Service model: Current state



<sup>1</sup> Humanitarian Support Program/Settlement Engagement and Transition Support <sup>2</sup> NEIS, Transition to Work, Parents Next

# Service model: Proposed trial

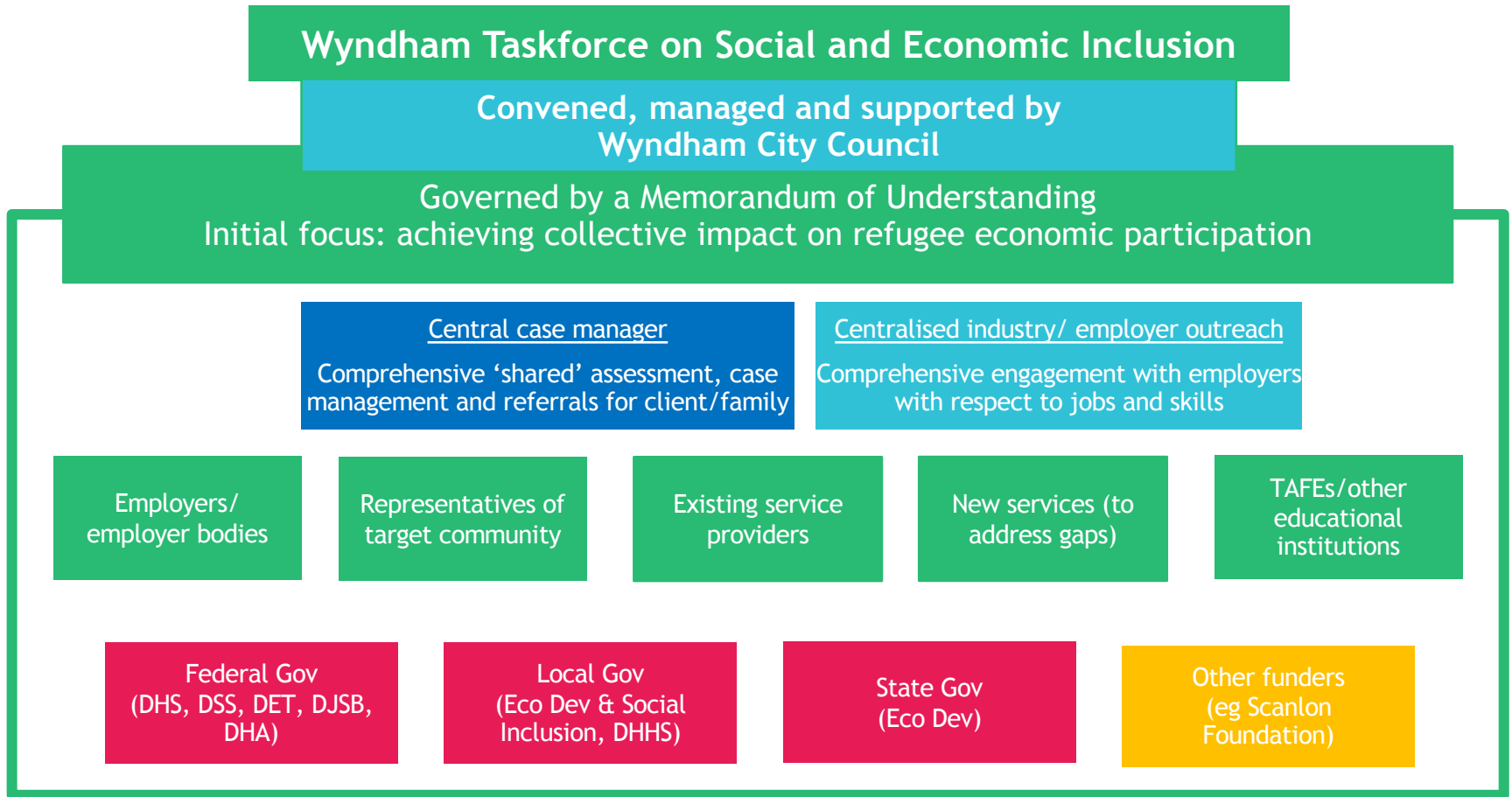
 Key changes in trial



<sup>1</sup> Humanitarian Support Program/Settlement Engagement and Transition Support 2. NEIS, Transition to Work, Parents Next

# A collective impact approach to governance

Wyndham example





# Key features of this governance model

## Wyndham City Council as "Backbone"

### Wyndham City Council:

- The largest employer,
- Declared commitment to building economic and social cohesion,
- Wants to support and coordinate the trial.

### Wyndham City Council would:

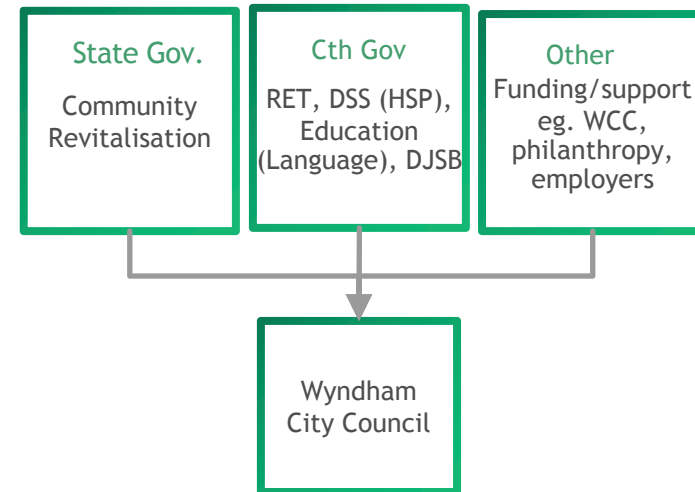
- Coordinate trial and governance
- Establish an 'economic participation' unit to:
  - broker employer engagements and industry outreach,
  - enhance local service offering,
  - grow entrepreneurship training/support,
  - develop and deploy resources.

## MOU with all key stakeholders

### A shared MOU, agreed by all stakeholders would include:









- Agreed target cohort, vision, objectives and goals,
- Shared data and communications systems,
- Commitments to core elements of the trial and pooling of funding.
- Agreed modifications to service provider system/contracts,
- Locally developed collective strategies for employment, entrepreneurship, vocational education, and language provision,
- Identify and address service gaps.

## Pooled funding



Under this model, Wyndham City Council would coordinate sourcing and distribution of funding for the trial, including overseeing procurement of additional local services.

# At a national level, we've identified a series of challenges in current pathway to employment for refugees

	Pain point	Description
Arrival & HSP	 Insufficient early focus on employment	▫ Limited focus in HSP on employment preparation activities, even for capable jobseekers
Connected with ESP	 Engagement model too one-size-fits-all	▫ Initial assessments miss factors unique to refugees, leading to incorrect streaming. ▫ Three-stream model doesn't reflect the very wide range of refugee capability profiles
	 Women not sufficiently supported	▫ Female refugees often not primary jobseeker - Current model lacks flexibility to deliver complementary services like childcare, or ramp up AMEP/employment services later
Job-readiness activities	 Complex and costly to gain skill recognition	▫ Lengthy, difficult, and costly for migrants to gain recognition for prior qualifications
	 Not well coordinated with other services	▫ Employment services not well integrated with other services (e.g. AMEP, VET/TAFE)
	 Funding model too narrow	Narrow focus on employment outcome in current funding limits incentive for ESPs to invest in harder-to-place refugees (e.g. work experience, mentoring, training)
Job search	 Too much time spent on compliance	▫ Excessive time spent on ESP requirements as opposed to job search (e.g. completing activity schedules, navigating non-digital services)
Employed	 Employer needs not considered	▫ Insufficient preparation of refugees to meet employer needs (e.g. high-growth sectors in disability services and infrastructure)



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10 August 2018

Future Employment Services Consultation  
Department of Jobs and Small Business  
GPO Box 9880  
Canberra ACT 2601

## Centre for Policy Development Submission: Future of Employment Services

### Introduction

The Centre for Policy Development (CPD) welcomes the opportunity to make a submission to the Future Employment Services Consultation.

CPD has a track record of research within our Effective Government Program into the effectiveness of employment services. Our long interest in these matters is reflected in the reports [Grand Alibis](#) (December 2015) and [Settling Better](#) (February 2017, which was released with the support of the Boston Consulting Group), and a broader discussion paper on Australia's democracy (December 2017). These issues also informed the creation of our multi-year Cities and Settlement Initiative, which focusses on helping refugees to find jobs faster. These reports, related [articles](#) by CPD staff members about *jobactive*, and further information about CPD's Cities and Settlement Initiative are available on our website.

Our submission to the Future Employment Services Consultation builds on our correspondence with Sandra McPhee, Chair of the Employment Services Expert Advisory Panel (the Panel), and discussions with the Active Labour Market Assistance Branch in the Department of Jobs and Small Business (the Department). It also draws on discussions and analysis produced through our Cities and Settlement Initiative. We would be pleased to continue these conversations to expand on the recommendations below.

Our recommendations focus on service and funding models; activation and assessment; governance and evaluation; policy objectives and service coordination; and digital offerings.

### General Principles

Several principles inform CPD's approach to employment services.

- A goal of sustainable, appropriately paid employment in the places that matter most;
- Employment services should upskill and retrain all Australians – young, old, and new;
- All jobseekers have capabilities to contribute, not least refugees;
- One size does not fit all – the new system will need a combination of digital training accounts for all and personalised, flexible, local services for the most disadvantaged;
- Local governments or other public agencies are often best placed to coordinate or deliver integrated, flexible and well adapted solutions – especially for complex social services;
- 1:1 engagement with employment services for disadvantaged jobseekers, often at the family level, and with a career or life cycle perspective; and
- Funding models must be designed for quality outcomes, not price.

CPD's extensive attitudes research conducted in 2017 about Australia's democracy found that Australians are highly sceptical about outsourced social services and view government as the better provider on key indicators (cost, accessibility, quality, accountability, and affordability). We found 82 per cent of respondents wanted government to retain the skills and capability to deliver services directly, and 75 per cent of respondents supported embedding the public sector in more parts of Australia. These findings are consistent with Gary Morgan's [research](#) on the most trusted professions in Australia. Public employees delivering services at the front line are always at or near the top. Nurses have been the most trusted for 23 years running.

Doctors and teachers are not far behind, ranking second and fourth respectively in 2017. Public servants in general are ranked well above journalists, business leaders, and politicians.

Public service values and culture may seem esoteric to some but deliver tangible benefits if deployed towards the delivery of integrated services in the places Australia needs them most. These values include an imperative to work in the public and community interest, to find the best outcome for the intended beneficiary, and a willingness to use networks to ensure individuals have the best collection of services available. Cultural elements include remembering what has been attempted beforehand, lesson learning systems and evaluation, retained capability, and trusted relationships with complex sets of stakeholders.

These values and cultural elements appear to have been lost in the evolution of the outsourced delivery system, especially the tender and commissioning processes. These objectives are not highly weighted in tender documents, to the extent they appear at all. Nor are they generally available publicly or measurable against outcomes transparently given the reliance on commercial-in-confidence provisions in procurement contracts. Commissioning processes that are not intended to exclude public delivery options in theory often do so in practice, making it very difficult for public institutions to bid and depriving the market of public sector values and culture often associated with the best quality of delivery. There is seldom any accurate comparison of cost in these outsourced systems with the cost within an effectively managed public sector environment, or tangible evidence of the reported efficiency gains via outsourced systems. Without better evidence, an observer could conclude profits are placed ahead of efficiency and quality in outsourced delivery systems. Arguably this has been the case with Australia's employment services.

## **Recommendations**

### ***1. Change service and funding model***

CPD believes a pivotal issue for employment services, especially the enhanced services model, is that they must be driven by results, not by price. They must also enlarge the role of public authorities in delivery at the local level. We are finding in our research that locally connected, place-based approaches to service delivery, with active and autonomous local brokers, are achieving better results. Our view is that activity based funding (ABF) and place based services should feature strongly in the new system.

If the panel is persuaded by this, we encourage them not to let transition risks or transition arrangements to the new system to impact the ultimate design. There are several ways to minimise the transition risks, including by implementing the new design in different geographies at different times. Another option is to adopt a hybrid model, whereby jobseekers who are currently be streamed in category A receive digital training accounts (and associated funds) directly, as under the NDIS, whereas the more disadvantaged jobseekers (now categories B and C) are eligible for the enhanced services model built around ABF.

#### ***a. Activity based funding***

Simple but effective outcomes-based funding arrangements have been difficult to achieve in practice. Finding a job is often the sole payment point, instead of a bundle of activities that collectively generate sustained economic participation (such as employment readiness, skills certification, mentoring, re-training, work experience, mapping career pathways, collaboration, and building local networks). However, insufficient attention appears to have been given during the growth and pricing of outsourced employment services to:

- Joined up responses (such as employment, education, and language training);
- Cost-benefit comparison of public provision; and
- Culturally-sensitive capability, service delivery experience and incentives to ensure decision-makers act in the best interests of the client.

The Department will be familiar with ABF and casemix models used in Australian public hospitals. A similar model, with a fixed efficient price, local authority and accountability for outcomes, could make employment services much more effective. We believe ABF is superior to the existing reliance on tendering, where incentives are skewed toward producing the lowest price without due regard to results and the most difficult to place jobseekers.

Designed well, ABF can help to remedy the inherent problems of managerialism which harm *jobactive* and create legitimate and collaborative institutions and services that empower citizens at the local level. This responds directly to the attitudes research reported in CPD's 2017 discussion paper on Australia's democracy, namely great weariness with policy based on microeconomics as a means of taking the country

forward and a desire for more active involvement of government in designing and delivering complex services alongside communities.

ABF encourages governments and other funders to consider the relative cost-effectiveness of different types of employment services. It is an important tool in allocative efficiency and has three benefits:

1. *Transparency*: it directly links funds to services provided.
2. *Equity*: it assists benchmarking and ensures that funding paid for like services is the same.
3. *Efficiency*: it helps managers identify inefficient practices and target unnecessary costs, while providing incentives to do this by allowing surpluses to be used for reinvestment, research, or other purposes.

ABF has two features: price and classification. Both are commonly handled by an independent government authority. That authority describes the relevant employment services activities and sets their price. The authority sets the rules that surround those prices (e.g. quality performance indicators, characteristics of the organisations providing the service, strong preference for organisations that are networked well into the community, expectations around evaluation and data). The prices and rules are updated on a regular basis (e.g. annual price adjustments based on the efficient price, three-year rule reviews). The authority also sets the criteria for public and private entities to qualify as providers, and therefore be eligible to receive funding. It might also distinguish between providers that do activation and assessment, and those that are best placed to deliver services at the local level.

One advantage of using ABF for employment services is local flexibility and autonomy. Formal recognition of providers of employment services would be the entry point to working in the system, with no restrictions placed on the type of provider under the system. They could be TAFEs, local community groups, not for profit organisations, local governments, and for profit providers. Collaboration between providers can be incentivised so that a bundle of services (including employment readiness, skills recognition, work experience, counselling, and language training) can be provided to those with complex needs.

As with the Gonski reforms, the efficient price for a given service should apply to all providers. However, tender based prices should not be the reference point. Declining prices have, over time, reduced the quality of services for those with complex needs and crowded out public involvement. Funding needs to be channelled through the appropriate government agency, although simplifying funding channels and accountability is needed. One area of overlap is between employment and language support. Another is between federal, state, and local funding.

We have conducted a comparative analysis of employment services contracts and funding mechanisms provided to us by Settlement Services International (SSI) in NSW, and the Jobs Victoria Employment Network (JVEN). We believe these contracts are instructive because they are designed to remedy the areas where *jobactive* has fallen short and take a different approach to prescription, pricing, autonomy and incentives for collaboration. Unique elements to the contracts, in contrast to *jobactive*, include:

1. Place based initiatives: taking a specific geographic area allows the targeting of the cohort, clearer awareness of barriers faced, and stronger connections to local employment opportunities.
2. A focus upon *sustainable* and *skilled* employment.
3. Face-to-face and personalised support through, for example, Employment Pathway Plans.
4. Ongoing language training and payments for providers when clients complete *post-AMEP* training.
5. Collaboration: requiring the provider to develop working relationships with employers, employment services, education providers and settlement services, or to establish stakeholder advisory committees.
6. Payment points for overcoming the barrier of overseas-skills recognition, through obtaining recognition, or providing alternative pathways to recognition.
7. Payment points for the provider when a client successfully completes work experience.
8. Entrepreneurship as an employment outcome: helping individuals to access and connect with information about establishing their own businesses.
9. Mentoring and mental health care: providers are required to engage with health and mental health services, as well as mentoring services for clients.
10. Transport barriers: payment points for overcoming this barrier for clients and allowing them to reach their place of employment.

These models come closer to ABF as applied in hospitals and when an independent government body sets prices, depending on the complexity of client's needs. They have one or more of the following elements, which appear increasingly important for better outcomes.

- Autonomy in provision of services;
- Sets of activities clearly set out; and
- Clear price signals and incentives for collaboration at the local level.

#### ***b. Place based service models***

Chapter 8 of *The next generation of employment services* discussion paper suggests that targeted regional and local approaches will be necessary for future employment services. Indeed, networks at the local level are often the best means of involving businesses in considering people for jobs and in identifying individual specific skills gaps. Only a local arrangement can provide this given that national administration is often distant from the circumstances of the numerous communities which constitute Australia. Support at the local level in an integrated way (skills, language, employment etc.) can prepare people for participation in jobs available at the local level. Markets have been unable to achieve this level of personalised integration.

Place based service models might be a subset of or alternative to the enhanced services model. They build self-reliance in local communities, whereby the key unit of change is a geographic area. Designed well, they are one way for the next generation of employment services to spark creativity at the local level and make a real difference to employment outcomes. Such areas demand creative partnerships and active brokers that employ the 'Bunnings Principle' to find local solutions. By this we mean identifying bespoke approaches and local infrastructure or public entities that can be leveraged (and then replicated and scaled) to achieve better outcomes. The alternative is the status quo, where *jobactive* providers compete with state government and tailored NGO approaches for the same clients: three organisations spending money on the same cohort without a coordinated effort in design or local delivery.

We think there is considerable merit in exploring these models further and trialling approaches that devolve funding and authority to public agencies (or local governments) operating in communities where there is acute unemployment or underemployment. Within our Cities and Settlement Initiative, we have a working group investigating what locally connected approaches to employment services could look like in practice for vulnerable jobseekers. They have examined various models in the United Kingdom, Europe, Canada and the United States. These examples suggest several critical success factors, including:

- Close working relationships with and proximity to partner organisations (e.g. higher and vocational education, business, NGOs and charities);
- Understanding of the local population's needs (including by undertaking specific research and surveys, and awareness of local processes and emerging trends);
- Active government involvement (often local or municipal governments) and integration with local businesses (matching employers with employees, acting as a broker for employment); and
- Local control and design of programs (either by autonomy to adapt well-funded and developed national programs or to design, fund and manage such programs independently).

If the panel is suitably persuaded by placed based approaches, accurate segmentation of vulnerable cohorts by geographic area based on data from *jobactive*, the Index of Relative Socioeconomic Advantage and Disadvantage ([ISRAD](#)), and the ABS SA2-3 datasets will assist with identifying areas of acute need. Those areas and cohorts should be mapped so that there is a clearer view of the employment/non-employment distribution, the *jobactive*/related services distribution, labour demand and other economic indicators. We suspect significant service or capability deficits in those areas whereby a 1:30 caseload is unachievable. Employment services in such areas are a worthy candidate for the sort of 'special project' undertaken jointly by governments contemplated by the Productivity Commission in *Shifting the Dial* (2017, pp. 192-208).

#### **2. Better assessment and prompt activation of services**

A successful future employment services system will rely heavily on accurate assessment of need (including of digital literacy) and prompt activation of services in the initial phase, even for those who are not able to find work immediately.

Better assessment requires the right set of questions, capable systems and experienced staff to assess need, and continuity of 1:1 planning and service provision thereafter if individualised services are activated. Each of these areas needs fixing. Our research has found that inaccurate streaming is a big issue, and that 1:1 early



intervention by a case manager focussed on sustainable outcomes has a better track record than blunt, transient *jobactive* targets. The integration and establishment plans in Finland and Sweden, the *Given the Chance* program run by the Brotherhood of St Laurence, and JVEN are several examples of such an approach in action.

Future employment services should also bear in mind that jobseekers who are assessed as requiring the enhanced services model may not be the only household member able to find suitable employment but may be the only one interacting with the system. Data we have seen, for example, suggests migrant spouses have an unemployment rate of 22.7% despite 36% of the same cohort holding bachelor degrees. The additional spend required to do 1:1 plans *for all family members* of other disadvantaged cohorts (such as CALD and Indigenous communities) will likely pay for itself through a greater dividend over the long term.

### **3. Offer smarter digital solutions**

We agree the new system should equip the workforce for the future and that digital services can reduce the cost of supporting those jobseekers with stronger prospects. Digital technology can assist with more effective assessment and activation, including by mapping skill sets to the local labour market. Digital services can also boost equity and flexibility, making online training, language support, coaching and employer matching available regardless of location. They are likely to be attractive to those who are underemployed, seeking to change careers, or in the process of retraining or upskilling – all growing trends.

One strong caution, however, is that digital services and big data will not be a panacea for better employment services. Data transfer from providers to government has been poor, and commonly for compliance, not to learn more about what works. For vulnerable jobseekers, digital is barely used because computer literacy is often low. We suggest savvier digital offerings that focus on smart phones, where literacy is much higher. We also suggest incentives to encourage jobseeker, service provider, and employer participation, such as topping up digital training account credits when jobseekers evaluate services or refer others, and triggering wage subsidies when employers recruit direct from the system.

### **4. Streamline policy objectives and service delivery coordination**

We recommend a specific gender lens be applied to the next system. New initiatives principally for women and children (e.g. Community Hubs Australia) have emerged in the settlement space because mainstream service offerings (including in *jobactive*) take a one-size-fits-all approach often unsuited, for example, to migrant women.

Our research on employment services continues to find that language, and effective language services, are a necessary condition for better employment outcomes in culturally and linguistically diverse communities. Data we have seen confirms English language fluency is critical to employment, and that it is more of a barrier to women than it is to men. For this reason, language training should be a key plank of the new enhanced services model.

More can be done in this respect to link federal government programs that should be interconnected and mutually reinforcing. Policy drivers, like ‘finding a job’ or ‘learning a language’, are delivered by separate programs, *jobactive* and the Adult Migrant English Program (AMEP), that can push in opposite directions. This is counterproductive. For example:

- Poor English is the second strongest predictor (after gender) of workforce participation for refugees.
- 26% of eligible refugees were unable to continue the AMEP program after finding a job.

A defined period of interagency collaboration between relevant departments (e.g. Jobs and Small Business, Social Services, Industry, Education, Human Services and Home Affairs) will be necessary to refine the new employment services system so that policy objectives are aligned and service are streamlined.

### **5. Reform governance and build in evaluation**

If the funding and service models change, the governance strategy used is important. Relatively independent public agencies (such as schools and hospitals) arguably have a better track record at delivering services than departments of state. These agencies can be held accountable for outputs and outcomes given significant improvement in management techniques and clearer thinking about how best to achieve the purchaser-provider separation. In some areas, therefore, it may be prudent to experiment with decentralised or devolved delivery to independent agencies within the public sector as this puts responsibility for delivering services close to the clients of those services.

So far as place based services are concerned, we propose area-specific governance models that make the most of experience at the local level about what it takes to get a job and connect with employers.

Specifically, we suggest:

- elevating the role of local government or other public agencies to broker, coordinate and deliver services (like models in London, Hamburg, the Netherlands, or [Northern Futures](#) in South Australia);
- incentivising tripartite partnerships (as required by JVEN) between peak bodies in the community or industry, local government, and education;
- front-loading funding for individualised plans and service coordination, together with wage subsidies to local employers (such as Denmark's IGU program), particularly where employment is connected to other services like language support (such as Sweden's 'Step In' subsidies).

Governance reforms at the local level will only be effective if accompanied by changes federally. As *Settling Better* showed, in settlement and employment services there can be four departments and six ministers involved at any one time, a recipe for fragmentation and grand alibis. If interagency collaboration is unlikely to result in greater alignment of policy objectives and service offerings, machinery of government changes will be necessary.

The Federal Government's commitment to [open contracting](#) and a lack of good data on what works in job services also provides an incentive to embed evaluation into the new system. This is one area where immediate progress can be made. Employment trials could exempt certain cohorts from *jobactive* and track their progress via bespoke services that have emerged because of *jobactive*'s deficiencies (like SSI's Refugee Employment Service or JVEN). Both focus on integrated services tied to employment for vulnerable cohorts, have different payment points and activation phases.

### **Triple Dividend on Offer for Australia**

CPD's research on refugee employment and settlement services, conducted with the support of the Boston Consulting Group and through our Cities and Settlement Initiative, has revealed several of the pain points in the current employment services system. Just as important, however, is that it has highlighted the prize on offer for Australia if we can do better.

Our analysis of Wave 3 of the Department of Social Services' *Building a New Life in Australia* longitudinal study found that after 36 months in Australia:

- Overall, just 21% of humanitarian migrants are in paid work;
- Humanitarian migrants with poor English speaking skills are 2.2 times more likely not to have a job;
- Humanitarian migrants with no paid work experience before arrival are 1.8 times more likely not to have a job; and
- Woman are 4.2 times more likely not to have a job.

Improving employment outcomes by 25 per cent for just one annual intake of humanitarian migrants (compared to average jobseekers) would deliver a 'triple dividend' for Australia. It is worth \$465 million in direct annual value to those migrants, \$165 million to the Federal Government budget and significant social cohesion dividends. Lessons learned by improving outcomes for refugees will also improve outcomes for other jobseekers requiring an enhanced services model (such as CALD and Indigenous communities). To do so, future employment services must overcome several pain points (Figure 1) and consider the reforms we have outlined above (Figure 2).

## Figure 1: Multiple pain points for refugees with jobactive

	Pain point	Description
Arrival & HSP	Insufficient early focus on employment	While HSP has a stated focus on employment, this is not yet supported by funding or HSP processes
Connected with ESP	Engagement model too one-size-fits-all	Initial assessments miss factors unique to refugees, leading to incorrect streaming. Three-stream model doesn't reflect the very wide range of refugee capability profiles (some ready for work well before 6 months, others need extended/specialised supports)
	Women not sufficiently supported	Female refugees often not the primary jobseeker - Current model lacks flexibility to deliver complementary services like childcare, or ramp up AMEP/employment services later
Job-readiness activities	Complex and costly to gain skill recognition	Skilled refugees often placed in jobs below their skill level because it is a lengthy and costly process for migrants to gain recognition/certification
	Not well coordinated with other services	Employment services are not well integrated & aligned with language (AMEP) and settlement services, VET/TAFE, or local gov't
	Funding model too narrow	Narrow focus on employment outcome in current funding model limits incentive for ESPs to invest in harder-to-place refugees (e.g. work experience, mentoring, training)
Job search	Too much time spent on compliance	Excessive time spent on ESP requirements as opposed to job search (e.g. completing activity schedules, navigating non-digital services)
Employed	Employer needs not taken into consideration	Employment services do not sufficiently engage employers or prepare refugees to meet their needs (e.g. high-growth sectors in disability services and infrastructure)

## Figure 2: Potential reforms

	Pain point	Proposal	Description
Arrival & HSP	Insufficient early focus on employment	Encourage 'better' assessment and prompt activation of services	<ul style="list-style-type: none"> <li>Implement individualised assessment and service activation</li> <li>Implement the 'right' set of questions, capable systems and experienced staff to assess need</li> </ul>
Connected with ESP	Engagement model too one-size-fits-all		
	Women not sufficiently supported	Reform governance and 'build in' evaluation	<ul style="list-style-type: none"> <li>Implement a randomised trial that exempts people from <i>jobactive</i> and tracks their progress via bespoke services</li> <li>Embed evaluation of what works in the new system</li> </ul>
Job-readiness activities	Complex and costly to gain skill recognition	Streamline policy objectives and service delivery coordination	<ul style="list-style-type: none"> <li>Streamline policy objectives and improve coordination of service delivery across the five Commonwealth Departments involved in humanitarian migration (Home Affairs, DSS, DHS, DET, DJSB)</li> </ul>
	Not well coordinated with other services	Change service and funding model to encourage steps towards employment	<ul style="list-style-type: none"> <li>Revise funding model to incentivise broader range of activities for high-needs cohorts, and pilot place-based approaches through area-specific governance and funding arrangements in high-need LGAs</li> <li>Test activity-based funding and placed-based model with regional employment trials</li> </ul>
	Funding model too narrow		
Job search	Too much time spent on compliance	Offer smarter digital solutions	<ul style="list-style-type: none"> <li>Boost flexibility of delivering training, language support, coaching and employer matching - with a focus on smartphones</li> <li>Use incentives to encourage jobseekers, providers and employers to participate, with appropriate solutions for CALD clients</li> </ul>
Employed	Employer needs not taken into consideration		

### Conclusion

CPD is aware that employment trials will commence in ten disadvantaged regions in October 2018. These trials provide a unique opportunity to test an activity based funding model for higher needs cohorts, and a greater role for public agencies and local governments in coordinating or delivering services.

Please contact us if you have any or would like to discuss any of the matters raised by this submission.

Sincerely

Travers McLeod  
Chief Executive Officer