

# Local Job Partnerships:

NCOSS Jobs & Skills Proposal



8 December 2015

## About NCOSS

The NSW Council of Social Service (NCOSS) works with and for people experiencing poverty and disadvantage to see positive change in our communities.

When rates of poverty and inequality are low, everyone in NSW benefits. With 80 years of knowledge and experience informing our vision, NCOSS is uniquely placed to bring together civil society to work with government and business to ensure communities in NSW are strong for everyone.

As the peak body for health and community services in NSW we support the sector to deliver innovative services that grow and evolve as needs and circumstances evolve.

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## Recommendation

That the NSW Government invest \$82.93 million pa (rising in line with inflation and population increases in subsequent years) in a comprehensive program to address unemployment among young people, Aboriginal peoples, regional jobseekers and jobless families.

## Introduction

The Premier has committed his government to creating 150,000 jobs over the next four years. Achieving this aim will ensure that more people can share in the prosperity created by Australia's wealthiest state. But if the most disadvantaged in our community cannot access the dignity, inclusion and opportunity that come with employment, we will have failed them, and failed to take advantage of their talents to help build our shared wealth.

Unemployment causes poverty, affects physical and mental health, and reduces life satisfaction (Borland and Kennedy, 1998, p.96). While NSW has an unemployment rate of 5.5%, which is below the national average and lower than all other states,<sup>1</sup> unemployment remains a serious issue in certain demographics, specifically young jobseekers, Aboriginal jobseekers, and regional jobseekers. Also of particular concern are jobless families as lack of paid employment is the most important cause of child poverty.

Increasing employment among the most disadvantaged jobseekers has significant economic benefits to the state. When the most disadvantaged in our community are successful, we are all successful.

## Youth Unemployment

The current youth unemployment rate in NSW is 11.9% (ABS Labour Force Survey, October 2015), however the rate rises significantly higher in regional areas, to over 20% in some instances. Youth unemployment is a serious concern because it has the potential to create long-term equity, wellness, and inclusion issues. Young people experiencing lengthy or frequent periods of unemployment have poor future labour market outcomes. Those with low levels of educational attainment, Aboriginal people, and those living in disadvantaged socio-economic areas are most at risk of experiencing the long-term adverse consequences of youth unemployment (Chapman and Gray, p.1).

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<sup>1</sup> Only ACT and NT have lower unemployment rates than NSW.

## Aboriginal Unemployment

Improving economic participation is a key factor in reducing disadvantage experienced by Aboriginal people. The Aboriginal unemployment rate in NSW is 22%, nearly four times that of non-Aboriginal people (ABS, Health Survey, 2014). High rates of Aboriginal unemployment are particularly concerning because it means that a large section of this community are missing out on the economic, social, and psychological benefits that work provides.

While health and remoteness have an effect on Aboriginal employment, education is the single largest contributing factor (ABS Media Release, 27 August 2014). The low level of educational attainment in Aboriginal communities is a key factor in the employment rate disparity between Aboriginal and non-Aboriginal people. Aboriginal people with degrees have employment outcomes on par with non-Aboriginal people (Karmel et al, p.2)

## Regional Unemployment

Regional unemployment rates are substantially greater than the state average. Richmond-Tweed has the highest unemployment rate at 10.2%, followed by New England and North West at 9.0%, and Hunter Valley (excluding Newcastle) at 8.7% (ABS Labour Force Survey, October 2015).

### Richmond-Tweed

The Richmond-Tweed area has the highest rate of unemployment in NSW at 10.2% and the third highest rate of youth unemployment at 19.0% (ABS Labour Force Survey, October 2015). The Aboriginal unemployment rate for the region is 20.4% (RDANR, 2013, p.28). Regional Development Australia Northern Rivers (RDANR) has identified the tailoring of education and training programs for school-leavers, particularly those experiencing disadvantage, as a priority for the region. RDANR notes that a 'skilled and flexible workforce supported by responsive education and training programs with access to meaningful employment can adapt to changing economic circumstances and new opportunities' (RDANR, 2013, p.22).

### New England and North West

The New England and North West area has the second highest rate of unemployment in NSW at 9.0% and the fourth highest youth unemployment rate at 18.1% (ABS Labour Force Survey, October 2015). The Regional Development Australia Northern Inland (RDANI) Regional Plan lists 'youth inclusion, youth unemployment, education and skills pathways, [and] employment opportunities' as key issues for the New England and North West region of NSW (RDANI, p.4). The RDANI Regional Plan also noted that 'projects that increase the capacity and participation of disengaged youth in employment, by way of work experience are required' (RDANI, p.20). The Aboriginal unemployment rate in the New England and North West area is 24.1%, above the state average. This region also has a larger Aboriginal population (at 9%) than the state average (2.5%) (RDANI, Appendix, p.1). The rate of jobless families in New England and North West is 19.2% (PHIDU, 2015).

## Hunter Valley (excluding Newcastle)

The Hunter Valley region (excluding Newcastle) has the third highest unemployment rate in the state at 8.7%, but also claims the second highest youth unemployment rate at 21.4% (ABS Labour Force Survey, October 2015). The current focus of the Hunter's RDA Committee for addressing youth unemployment is its ME Program. The ME Program is a schools and industry pathways program designed to encourage high school students to study STEM (science, technology, engineering and mathematics) subjects for the HSC and then pursue careers in advanced manufacturing and engineering. RDA Hunter sees the ME Program as supporting 'development of the skilled workforce that will be required by the Hunter's future industries' (RDA Hunter, p.25). The Aboriginal unemployment rate in the Hunter Valley is 16.0% (p.19). Aboriginal people account for 3.3% of the population, which is higher than the state average of 2.5%. In the Hunter, 14.8% of families with children under 15 years of age are jobless.

## Jobless Families

In NSW, 14.1% of families with children under 15 are jobless (PHIDU, 2015). This figure rises to 16.5% in non-metropolitan NSW. In metropolitan Sydney, the rate is lower, at 12.8%. These rates are particularly concerning as there is a strong causal link between jobless families and child poverty. In Australia, 70% of children experiencing poverty are living in jobless families, and this correlates with problems such as poor health, higher rates of disability, lower educational attainment and skills, elevated financial stress, and increased risks of violence (Whiteford, p.4). Furthermore, children living in jobless families lack a role model through whom they can learn the skills required to find and retain a job, and are also at higher risk of having diminished motivation to succeed in education (Baxter et al, p.4).

## The Solution: Local Job Partnerships

The main policy response to unemployment should be achieving higher rates of economic growth while simultaneously funding active labour market programs that improve the number of unemployed people who are 'job ready' and the speed with which unemployed people are matched to job vacancies (Borland, 2014, p.16). Research has shown that different approaches need to be taken to help the most disadvantaged jobseekers. While existing models of job search counselling and wage subsidy programs assist unemployed people who are less disadvantaged and who are already job-ready, the most disadvantaged jobseekers are unlikely to benefit from such programs (Borland, 2014, pp.16-17). Rather, programs that improve job readiness, that create jobs with opportunities for linked training, and that create jobs that provide a pathway to a permanent job, are the best approach to assisting the most disadvantaged jobseekers. These programs are applicable to each of the target groups: young people, Aboriginal people, regional people, and jobless families.

*Local Job Partnerships* is a program that will help address unemployment experienced by the most disadvantaged jobseekers. This is a partnership model that brings together the community, business, and government sectors to address unemployment in a localised way with a strong regional and community focus. A key element of the program is focusing on skill development in those areas where skills shortages exist locally or are projected to exist in the future. Community organisations can apply for government funding where their job skills initiative fits the *Local Jobs Partnerships* criteria. Thus government support is given to community initiatives drawing on local knowledge that are best placed to meet the needs of disadvantaged job seekers in the immediate area.

*Local Job Partnerships* offers five core forms of assistance that are delivered through local providers, typically community-based organisations and local councils. These are:

1. Job readiness;
2. Work experience;
3. Traineeships and apprenticeships;
4. Accredited training; and
5. Mentoring and post participation support.

These five forms of assistance are offered to disadvantaged jobseekers via a series of programs designed to address their unique needs. Community organisations can apply for funding under each of the program areas that follow.

## Set for Work

*Set for Work* helps disadvantaged jobseekers transition to employment and/or further education and training. It specifically targets jobless families, regional, youth, and Aboriginal jobseekers. This program funds organisations to deliver nationally recognised training up to Certificate III level; career advice; job preparation skills including resume writing, interview preparation, and workplace skills; and mentoring and post participation support. *Set for Work* differs from the Commonwealth's *Job Active* program in that it targets jobseekers who are ineligible for Australian Government employment services or assistance, those who have already accessed Australian Government services for more than six months, and those who need supplementary services because they face additional challenges to learning and employment.

## Empower

*Empower* helps disadvantaged youth exiting correctional facilities or who are subject to community-based orders to gain the skills necessary to transition to employment and/or further education and training. It funds community organisations to deliver nationally recognised training up to Certificate III level; career advice; job preparation skills including resume writing, interview preparation, and workplace skills; personal skills development such as literacy and living skills; and mentoring and post participation support. In NSW there is an average of 315 young people in custody each day. Of these, 150 are of Aboriginal and/or Torres Strait Islander background; 155 are serving a custodial sentence; and 159 are on remand. Additionally there are 4,641 young people commencing community-based orders each year.

*Empower* is envisaged as a joint venture between the Department of Industry, Skills and Regional Development and the Department of Justice (Juvenile Justice). Such a program has the potential to have a significant impact in regional parts of NSW, where property-related crime – which is often connected with a lack of employment opportunities for young people – is once again on the rise. For example, in its most recent *NSW Quarterly Crime Statistics* Report, the Bureau of Crime Statistics and Research (BOCSAR) found that over the past two years, criminal incidents involving stealing from a retail store increased by 42.6% in Coffs Harbour, 24.1% in Muswellbrook and 31.5% in Moree.

## Head Start

*Head Start* provides time limited wage subsidies to local councils and private sector employers who employ disadvantaged jobseekers in a 12-month traineeship who have previously participated in either *Set for Work* or *Empower*.

## Anticipated Outcomes and Impacts

A range of state government employment programs have been implemented and evaluated in recent times. In Queensland, of the 72,000 people who participated in a skills and employment program, 57,000 gained employment and of these 8500 would not have gained employment had it not been for the program (Deloitte Access Economics, p.ii). These 8,500 people generated \$454 million in real wages per year of employment (in present value terms). The Government investment was \$115 million per year (in present value terms), which was returned to the Queensland Government within one year of program completion in terms of increased earnings and value-added. The net value of the direct benefits over 5, 10 and 40 years was approximately \$900 million, \$2.7 billion and \$11.6 billion respectively (in present value terms). Flowing from the direct effects (number of people employed and generated real wages) the total effects for the following decade were an additional \$6.5 billion in Gross State Product and Gross Domestic Product; an additional \$1.8 billion in consumption; and an additional \$1.2 billion in state tax receipts.

**Local Job Partnerships** is targeting 402,680 jobseekers across NSW comprising the following:

Youth Jobseekers	82,000
Regional Jobseekers	68,000
Aboriginal Jobseekers	152,000
Jobless Families	100,680

It is estimated that approximately 100,000 people will participate in *Local Job Partnerships* in the first year. 78,000 participants will gain employment, 12,000 of whom would not have found (and kept) a job were it not for *Local Job Partnerships*.

This is a breakdown of anticipated costs for each of the three programs contained in the **Local Job Partnerships** initiative:

<i>Set for Work</i>	\$74.24 million
<i>Empower</i>	\$2.48 million
<i>Head Start</i>	\$6.21 million



The total outlay for *Local Job Partnerships* is \$82.93 million in the first year, increasing in line with population and inflation increases in future years. Based on economic modelling used to evaluate similar programs implemented in other jurisdictions, it is projected that three years investment would result in \$622 million in real wages per year of employment for people participating in the scheme.

The net value of the direct benefits over 5, 10 and 40 years from three years of investment are projected to be approximately \$1.2 billion, \$3.7 billion and \$15.9 billion respectively.

Flowing from the direct effects (number of people employed and generated real wages) the total effects for the decade subsequent to the project ending would be an additional \$8.9 billion in Gross State Product and Gross Domestic Product; an additional \$2.46 billion in consumption; and an additional \$1.64 billion in state tax receipts.

## Conclusion

Thank you for the opportunity to provide input into a jobs and skills program for NSW. If you would like any further information on the issues raised in this submission please contact John Mikelsons, Deputy CEO, on (02) 8960 7916 or email [john@ncoss.org.au](mailto:john@ncoss.org.au)

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