



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY



COMMENTS ON
INDUSTRY SKILLS
FUND YOUTH PILOT
PROGRAMMES
DISCUSSION PAPER

28 November 2014

**The Australian Chamber of Commerce and Industry
is the leading voice of business in Australia**

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EXECUTIVE SUMMARY

The business community is concerned about the future of our young people. There are too many falling through the gaps of an employment and skills framework that hasn't worked in their best interests for some time. Nearly a decade ago the *Intergenerational Report* outlined the issues facing Australia around our ageing population and the need to increase the participation of the many Australians not engaged in the workforce, and still we are not maximising our pool of young people to their full potential.

It is widely recognised that there is a need to focus on the successful transition of young people from education to work. In April 2014, ACCI released a major policy document entitled *Learning to Work* which highlighted industries growing concern in relation to the deteriorating economic situation for young people. It identified five key strategies to address the concerning increase in unemployment for young Australians. They were:

1. **Industry Career development** - Young people need professional career guidance informed by industry needs.
2. **Work ready graduates** – School leavers and graduates of other educational institutions need to be equipped with the right tools to adapt to the workplace. A stronger partnership between education and industry is needed, and all school leavers should meet minimum literacy and numeracy requirements.
3. **Apprenticeships and traineeships** – Restore funding support and employer incentives in a targeted way to those entry level apprenticeships that give young people a good start.
4. **Employment Services** – Ensure that services are equally focused on the job seeker and the employer. The journey for our young people doesn't end after education; finding the right job is just as hard as learning the skills.
5. **Workplace regulation that encourages employers to give young people a job.**

The two youth pilot programmes announced are only small but significant steps towards the policy strategy presented by ACCI – a more holistic approach.

ACCI realises these pilots are just that, pilots to test the success of the model. However with so many young people unemployed, this recognises that these pilots combined will only assist 10,500 young people annually - only 4% of the total young population aged between 15-24 years.

Before these pilots can be implemented some operational details need to be clarified and industry made aware so that employers can be supported along with young people to make the pilots a success. ACCI looks forward to further consultations with the Department of Industry relating to these pilots.

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1. INTRODUCTION

In the current economic climate one in six young people are not fully contributing to Australia's economic prosperity, and are not getting the start they need to maximise their contribution in the future. This low rate of participation contrasts with the economic need to increase workforce participation.

Our population is ageing and to maintain our standard of living we need to both prolong the working life of mature age people and draw as many new entrants into the workforce as possible. At the moment, for every worker who is younger than 25, there are around 2.6 workers aged 45 years or older¹.

The Global Financial Crisis (GFC) plunged most wealthy nations into recession. Australia escaped a 'technical recession' but unemployment rose by one third and young people were among the worst affected by the crisis. Five years on and young Australians (aged 15-24 years) continue to have a much higher rate of unemployment (14% per cent or 290,000 young people) than the rest of the Australian workforce (6.2%)². However, this disparity is only part of the story.

As at October 2014, there were 3.1 million young Australians aged 15 to 24. Of those, over 500,000³ do not have a job nor are they in full-time or part time education. This is a staggering number revealing that in addition to those officially classified as unemployed; around 194,000 have disengaged from the system entirely, with an additional 16,000 undertaking part time education with no work.

It is widely recognised that there is a need to focus on the successful transition of young people from education to work. In April 2014, ACCI released a major policy document entitled *Learning to Work* which highlighted industries growing concern in relation to the deteriorating economic situation for young people. It identified five key strategies to address the concerning increase in unemployment for young Australians. See figure below.

¹ Department of Education, Employment and Workplace Relations, *Australian Jobs 2013*

² ABS: Labour Force Statistics, February 2014 In February 2014, the workforce participation rate increased for all Australians but declined for young people (falling from 68.2% to 67.6%)

³ ABS: Survey of Education and Work, Australia, *Catalogue no. 6227.0* (May 2013)



Industry Career development

Work ready graduates

Apprenticeships and traineeships

Employer-facing employment services

Workplace regulations

Since that policy there has been limited response from the government to consider a holistic approach to provide young people a helping hand. The two youth pilots take a small but significant step, with 10,500 young people potentially being offered some form of assistance.

ACCI welcomes the Youth Pilot Programmes to assist young people into work. However, in offering the comments below we note that the discussion papers lack some detail on the schemes, and generated questions with members about the operation of the pilots. Assumptions have been made regarding the pilot detail and our comments reflect those assumptions.

1.1 Overall comments

Overall ACCI and members demonstrated strong support for the *Training for Employment Scholarship* as it links training to employment. There was less support for the *Youth Employment Pathways* as the programme appears to be duplicating services that should be delivered either by Employment Service Providers or state funded Community providers. Industry considers that this programme needs to be more holistic and include an element of career development. Career development and guidance may be just as critical for this pilot as it targets 15-17 year olds that fall within the earn or learn requirement. Certainly the second programme should be strongly integrated with the service provided by Employment Services.

ACCI has responded to the departments 22 questions in relation to the two pilots with the responses included in Section 4. There were three key themes that members wanted raised in relation to these pilots and they related to targeted regions, milestone payments and small business.

In relation to **target regions**, ACCI found it difficult to understand the region selection process as there was no methodology provided. Our members have highlighted that some high youth unemployment regions were not selected yet others with unemployment less than the national average included in Appendix 4. For example highest level of youth unemployment for WA is Mandurah (13.5 percent – annualised; 17.5 percent in February, 2014). Regions, such as Mandurah, should be included in the Programmes.

ACCI has concerns regarding the proposed **milestone payments** and suggests further consideration in this area. In particular, the requirement to wait until the training is completed before an employer can receive payment. A number of suggestions from our members have been provided. One of those is to divide the milestone payments between commencement and completions.

As these pilots target SMEs, this element of the pilot may hinder take-up by smaller employers. There is a suggestion that small businesses (0-19 employees) may be able to receive 10 or even up to 50 per cent up-front and the remainder on completion of training if they would otherwise find it difficult to manage financially.

SMEs may be discouraged from committing to employ a young unskilled worker (which is a requirement of the pilot) if:

- a) they are financially impacted by having to fund the training upfront;
- b) their ability to obtain an up-front payment is complex and/or;
- c) there is no guarantee of payment until all training has been completed and paid for by the employer. There certainly needs to be more clarification around how the scholarships program will work practically for businesses.

2. TRAINING FOR EMPLOYMENT SCHOLARSHIPS

ACCI and members see merit in the Training for Employment Scholarship pilot but would like to see more specific details about administration. It is important to recognise that the pilot's purpose is to have youth engaged in employment. Accordingly, the program should not place too many restraints/requirements on the business that are willing to employ a young person. The key objective is to get employers to say "yes" to giving a unemployed person an opportunity to start before any specific training is undertaken.

While the scholarships Programme sets out clear commitments on behalf of the employer (12 months of guaranteed employment), there is no protection or compensation set out for the employer should the employee leave within the time period.

Some clarity is needed around businesses eligible to access the Programme. Employers are required to demonstrate a training plan to be eligible for the programmes. Many SMEs do not have the experience or resources to invest in such planning – they may be disadvantaged by the requirements. That said our ACCI Workforce development e-tool will be a useful resource which can be used by small

employers to demonstrate they are thinking about their workforce and training needs.

It is critically important that Traineeships be a possible training option for this scholarship. Entry level certificate II and non-trades certificate III training contracts which are frequently up to 12 months in duration should be accessible. The traineeship enables work to be integrated with learning, and also enables the employer to pay in accordance with trainee wage rates. Training entitlement in some states may pay for the training, in whole or in part, but where there is no entitlement or where there is a significant shortfall between the cost of training and the funding available, the funds should be available to cover this gap. This gap will be particularly acute where a provider needs to deliver LLN competency units within the occupational qualification if those skills are needed. Funding arrangements are so variable across the states, this scholarship fund has the potential to negate these inconsistencies and ensure that young people in the target areas are not denied an opportunity for an entry-level traineeship.

Very supportive of the opportunity to fund skills sets as well as relevant non-accredited training, although particularly in the latter case, this will need to be closely monitored.

Payment structure may be limiting – waiting until the successful completion of the training to pay RTOs may provide to be a disincentive, particularly for the RTO.

3. YOUTH EMPLOYMENT PATHWAYS

ACCI members were less supportive of the Youth Employment Pathways initiative, particularly if it seeks to operate outside of the employment services channel. Members considered that the current proposed design appears to be duplicating services that which should be delivered either by Employment Service Providers or state funded Community providers, although it is noted that the ES Tender is changing the funding and tools available to employment service providers, so this may be valuable in the pilot areas if integrated.

There was considered thought regarding the age of this cohort and the need for earlier intervention that will assist those young at risk of leaving school a better understanding of the work available to them. Career development and guidance in school may be just as critical for this pilot as it targets 15-17 year olds that fall within the earn or learn requirement.

The previous Early School Leavers Programme delivered by Job Services Australia has similar design it may be worthwhile considering the lessons learnt from this program and adopting some of the best practice elements into this pilot.

4. RESPONSE TO DISCUSSION PAPER QUESTIONS

At the November 2014 Employment, Education and Training Committee meeting, the Youth discussion paper was discussed at the meeting. Committee members have provided feedback on the individual questions posted by the Department and are included in the table below.

Question no.	ACCI Comments
<i>Proposed Design – Selecting target regions (p2)</i>	
1	<p>Members highlighted the need for more specific selection criterion when selecting regions for the pilots. The need for closer examination of the youth unemployment rates is essential. There are examples in Appendix A where known youth high unemployment areas have not been included as an option for the pilot areas. Those examples are:</p> <ul style="list-style-type: none"> • It may be suitable to consider the overall unemployment rate of each region, as an indication of the overall employment conditions of the region. For example, in Queensland the Logan – Beaudesert region (not on the list) has youth unemployment of 15.2% and an overall unemployment rate of 9.5% as opposed to the Toowoomba region (on the list), which has a youth unemployment rate of 13.2% but a lower overall unemployment rate of only 4% • The Programmes point out three regions in WA (unemployment levels in parentheses) – Wheat Belt (11.2 per cent), Bunbury (4.9 per cent) and Outback (2.8 per cent) as ‘regions in Australia where youth unemployment is highest’. The reported July youth unemployment figures for Bunbury and the Outback are not particularly concerning. • highest level of youth unemployment for WA is Mandurah (13.5 per cent – annualised; 17.5 per cent in February, 2014). Regions, such as Mandurah, should be included in the Programmes.
2	<p>The Department selection process should take into consideration regions that have growth industries who are engaged with education and training and are prepared to give youth a chance to develop skills required.</p> <p>It may also be suitable (if not already taken into consideration) to consider the socio-economic conditions of the regions, so that the pilots are targets at regions where youth are at a greater disadvantage.</p>
<i>Proposed Design – Who is eligible? (p.3)</i>	
3	<p>Businesses need to demonstrate capacity or willingness to develop coaching and mentoring skills in order to provide adequate support to the program participants, perhaps the scholarship money can contribute to building this capacity in some instances where there is a means for the employer to access training to achieve this.</p>

	Businesses should have a demonstrated history of employing trainees and apprentices with strong completion rates as evidence that there is capacity and support for on the job learning and development
4	No Comment
5	No Comment
6	<p>No. The pilot should not exclude young persons who have an opportunity to obtain employment because they have not been unemployed for a particular period. The discussion paper recognises that employers are hesitant to employ unskilled young workers, and is aimed to provide an incentive to do so.</p> <p>Those unemployed for a longer period of time have greater difficulty returning to/entering the workforce and retaining employment. Therefore, the pilot should provide the greatest opportunity for young people to participate in work as soon as possible after becoming unemployed.</p>
7	Employer organisations, community organisations should be able to demonstrate success with unemployed youth previously or be demonstrably committed to wanting to be part of the youth unemployment solution e.g. success in transitioning youth into work in a sustainable way, in addition community organisations should also be able to demonstrate strong linkages with industry in each region as well as knowledge of the local training market to ensure effective recommendations and meaningful employment plans are generated
8	No Comment
9	<p>No – the faster they can be transitioned into employment or have an employment plan developed the better, there is no benefit in having them wait. Young people are not going to be solely motivated to leave school early to access either of these programs.</p> <p>ACCI members acknowledge that career development and guidance in schools is key, and that reform must be done in this space to increase knowledge of career pathways and support networks, increase youth participation in work and assist with successful transition from school to work.</p> <p>However, this is a longer term reform agenda, and accordingly, in the short term for the purposes of this pilot program, so long as the young person is previously unemployed and would not be able to obtain the position without being provided skills and training to perform that position, the program should be available to school leavers to encourage transition to work, which is important for ongoing participation in the workforce.</p>
<i>What activities are eligibly? Training for Employment Scholarships (p.4)</i>	
10	<p>ACCI and members would like training to be taken into consideration that is going to improve participant capacity to be a productive employee, this may include employability skills (communication, problem solving, acting on constructive criticism) as well as industry specific training (not mandatory training such as RSA or White card) perhaps use of specific technology required to perform on the job. Certificate II will be meaningful for some industries and not for others.</p> <p>Any training should lead to improvement in productivity and longevity of</p>

	employment with the organisation.
11	Any training that is mandatory to work in the industry – this should be the responsibility of the Job Service Provider for unemployed job seekers. Training that is valued by the industry should be in-scope for eligible.
<i>What activities are eligibly? Youth Employment Pathways (p.4)</i>	
12	<p>It is important to ensure ongoing support through the pathways program once the youth has re-engaged, so that they don't just fall back out of education/work once the support ends. This could possibly be addressed in the milestone payments to community organisations, so that the organisation is encouraged to provide some ongoing support for a period of time after 'achieving an outcome' to ensure that the pathways pilot is successful.</p> <p>In addition, any support which builds resilience, intrinsic motivation and self-esteem, holistic LLN support and mentoring to assist in maintaining employment. In states with a high Aboriginal and Torres Strait Islander population or humanitarian refugee, cultural barriers are significant for long term unemployed given their social circle and family is predominantly long term unemployed also.</p> <p>The importance of building networks with people who are part of the labour market is often overlooked but is part of the fabric of the workforce. .</p>
13	Any training that may result in the job seeker becoming less employable e.g. Certificate III where an on the job traineeship may be offered.
<i>Expressions of Interest from training providers or community organisations – Training for Employment Scholarships (p.5)</i>	
14	<p>Prequalified training providers may not be suitable for more remote regions, where it may be necessary to allow the employers to source suitable and accessible trainers for approval at the time of application. A list of prequalified training providers may discourage some remote employers for applying if they know that the training will not be easily accessible.</p> <p>There are providers making significant money from applying for such grants, many of these providers are unable to provide any quantitative or qualitative data on the effectiveness of their use of such funds i.e. direct employment or ongoing educational outcomes.</p> <p>Those employers who are actively engaged with the training system are far better placed to decide who can deliver the best outcomes for their workforce. Requiring pre-qualified RTOs will mean that the best RTO may not be able to provide training services to an employer due to not being pre-qualified.</p> <p>The employers that are not actively engaged in the training system need to be offered advice through the Single Business Service regarding training provider options.</p>
<i>Expressions of Interest from training providers or community organisations – Youth</i>	

<i>Employment Pathways (p.5)</i>	
15	<p>It is imperative that the community organisations can demonstrate connections with employers in growth industries in each region. This provides insight into labour market expectations and ensures that employment pathways are meaningful to both the job seeker and employer.</p> <p>Training providers should be selected based on experience and evidence of effective delivery in the particular industry sector or foundation skills to ensure that the training outcomes provide value for money and meaningful outcomes for the job seeker and employer.</p> <p>Expressions of interest should have solid references and support from employers and/or industry bodies and strong evidence (industry engagement, quality outcomes) should be required to avoid poor quality outcomes.</p>
16	Industry would be looking for providers that demonstrate strong linkages and relationships with employers in the region, respected as a quality training provider, prepared to deliver training and be paid at completion or partially paid on completion. .
<i>Application processes – Training for Employment scholarships (p.6)</i>	
17	The simplest way to determine whether an individual is a new worker is to seek a current Payslip from the employer and confirm their unemployment status with their Employment Service provider using their CRN.
<i>Application processes – Youth Employment Pathways (p.6)</i>	
18	Online application – meet particular criteria, age, employment history or lack thereof, criteria needs to be transparent to ensure that there is no misunderstanding as to who is eligible for an employment plan. The young person can sign a form that can be scanned for electronic verification.
19	Proof of age, letter from School principal.
<i>Funding arrangements and outcomes – Youth Employment Pathways (p.7)</i>	
20	Consideration needs to be given to the on-going cost of engaging with the young person therefore 50 % milestone on commencement and 50% on completion.
21	Payment needs to be flexible to allow for payment to be made per person or a group of individuals because economies of scale will mean that savings can be made with a group of young people being trained in the same area.
22	<p>Possible evidence of to seek payment would depend on the outcome achieved. The payment should also be commensurate with the preferred government outcome.</p> <p>Examples of evidence could be:</p>

	completed pathway endorsed by the young person; or employment outcomes; and/or transparent pathway to achieving either one or the other
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5. CONCLUSION

ACCI is encouraged that the Government is investing in young people through the Youth Pilot programmes. There is, however, scope and need for more investment to assist the vulnerable young people. There continues to be a gap in provide young people with the assistant they need with their career paths, particularly while they are at school.

It was evident that the pilots are still in an early stage with limited detail about the actual implementation. ACCI and members would welcome further consultations when the department has advanced the pilots in more detail.

6. ABOUT ACCI

6.1 Who We Are

The Australian Chamber of Commerce and Industry (ACCI) speaks on behalf of Australian business at a national and international level.

Australia's largest and most representative business advocate, ACCI develops and advocates policies that are in the best interests of Australian business, economy and community.

We achieve this through the collaborative action of our national member network which comprises:

- All eight state and territory chambers of commerce
- 29 national industry associations
- Bilateral and multilateral business organisations.

In this way, ACCI provides leadership for more than 300,000 businesses which:

- Operate in all industry sectors
- Includes small, medium and large businesses
- Are located throughout metropolitan and regional Australia.

6.2 What We Do

ACCI takes a leading role in advocating the views of Australian business to public policy decision makers and influencers including:

- Federal Government Ministers & Shadow Ministers
- Federal Parliamentarians
- Policy Advisors
- Commonwealth Public Servants
- Regulatory Authorities
- Federal Government Agencies.

Our objective is to ensure that the voice of Australian businesses is heard, whether they are one of the top 100 Australian companies or a small sole trader.

Our specific activities include:

- Representation and advocacy to Governments, parliaments, tribunals and policy makers both domestically and internationally;
- Business representation on a range of statutory and business boards and committees;
- Representing business in national forums including the Fair Work Commission, Safe Work Australia and many other bodies associated with economics, taxation, sustainability, small business, superannuation, employment, education and training, migration, trade, workplace relations and occupational health and safety;
- Representing business in international and global forums including the International Labour Organisation, International Organisation of Employers, International Chamber of Commerce, Business and Industry Advisory Committee to the Organisation for Economic Co-operation and Development, Confederation of Asia-Pacific Chambers of Commerce and Industry and Confederation of Asia-Pacific Employers;
- Research and policy development on issues concerning Australian business;
- The publication of leading business surveys and other information products; and
- Providing forums for collective discussion amongst businesses on matters of law and policy.

ACCI MEMBERS

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RETAIL ASSOCIATION **OIL INDUSTRY INDUSTRIAL ASSOCIATION** PHARMACY GUILD OF
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