

15 March 2013

Director
Employment Services Beyond June 2015
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Employment Services - Building on Success: Issues Paper Submission

Thank you for the opportunity to make a submission to the Australian Government's Issues Paper: 'Employment Services – Building on Success'.

This submission will take the supply-side matters largely as read, and leave others better placed to advocate further on their behalf.

Accordingly, the submission will concentrate on the demand-side of the equation; namely, the role of employers with respect to employing people with a disability as indicated in Part 5 of the Issues Paper.

AHRI's position on this issue relates not to matters around corporate social responsibility or good corporate citizenry, but on matters around increasing the workforce talent pool and getting the right person for the right job at the enterprise level, while also boosting Australia's multi-factor productivity at the national level.

AHRI has recognised for a number of years that there are significant numbers of Australians who, despite a disability, perform admirably in the workforce at all levels from frontline customer interface to senior executive. We also recognise at the macro level, the prosperity of all Australians, businesses included, is at risk from the ongoing multi-factor productivity malaise. We note recent improvements in productivity as reported in the National Accounts but that is only a start and we will all gain by contributing to its continuing improvement.

That point was made strongly by the then Federal Treasurer Peter Costello in his welfare-to-work budget speech of 2005, and it is equally true today. What is also true is that multi-factor productivity has continued to lag over that eight-year period while at the same time, despite considerable taxpayer expenditure, there has been little if any improvement in the workforce participation levels of people with a disability. The numbers of Australians on Disability Support Pensions have remained around 800,000 to 900,000 during that time. We accept that improving workforce participation is not the silver bullet that will single-handedly fix productivity but it is a significant contributor, and it needs to be tackled effectively.

AHRI's basis for entering public discussion on this issue is founded on its work on workplace diversity and inclusion that includes research in the areas of gender equality, mature-age employment and disability employment. In the area of disability employment, the most recent study of AHRI

member perspectives is contained in an August 2011 study titled 'Recruiting People with a Disability: An Employer Perspective'. The study can be viewed on this link:

http://www.ahri.com.au/MMSDocuments/profdevelopment/research/research_papers/disability_employment_report_web.pdf

The five questions as set out on page 16 of the Issues Paper are apt and this submission will focus on those points as set out in blue in what follows.

Issues for Discussion in Section 5 of the Issues Paper

1. What strategies could be used to increase employer awareness of the employment services system and the workforce development and business benefits it can provide?

Two main strategies are proposed by AHRI to increase employer awareness of the employment services system and its benefits:

- Reporting on disability employment: Without calling for hard-line quotas, we want the ASX Corporate Governance Council to do for disability employment what it's done for gender equity. While the approach is merely to call for a 'recommendation' that ASX members report, we believe that such a light-touch intervention has the potential to change the game. A recommendation to report means that publicly listed ASX companies need to state what they've done, if anything, by way of drafting policies, implementing practices or recruiting people from the disability employment cohort of the Australian population. There is no requirement to have actually done anything but simply to report on the basis of "if not, why not". Boards would need to consider making the recommended action a KPI for the CEO, and that action would result in knock-on KPIs down the management line. That would in turn bring about a significant change in company behaviour. Despite policy enunciations and interventions to reduce the DSP welfare burden and lift the workforce participation of that cohort, the Government's efforts to date have not been able to achieve their full measure of benefit without positive and direct action by the corporate sector where, as always, the larger ASX listed companies set the appropriate precedents. Were people in that cohort able to compete without the prevailing biases that operate, many would get jobs on their merits and boost workforce participation, which in turn would positively affect total factor productivity at the same time as reducing Australia's welfare burden. This point is more fully argued in Appendices 1-3.
- A compliance clause for government contracts: We support an initiative proposed by our colleague from the Australian Network on Disability, Suzanne Colbert AO, with respect to introducing a compliance clause requiring companies tendering for government contracts to show a degree of policy awareness and operational progress on disability employment. Apparently the practice works effectively in the US and other places and has the potential to contribute towards a game-changer in getting effective employer buy-in and ownership of the disability employment policy area. We would think it would not be a heavily policed initiative

but be enough to provide a ‘nudge’ to companies tendering for contracts to be mindful of the issue and to say enough about it in their tender applications to be compliant.

Both approaches put pressure on companies to be mindful of the issue of disability employment and to create internal KPIs at strategic levels about an issue that is presently not on the radar at all in most companies. Preferably KPIs would operate also at the CEO level in order to give effect to the reporting recommendation and minimise any risks to reputation and loss of business opportunity.

Disclosure by employees of their disability status is not a necessary part of a recommendation to report or of a procurement compliance regime. The proposals simply call for a ‘light-touch’ report on progress at some level; it could be as simple as the company having drafted a policy and communicating it to staff so that the company is being ‘nudged’.

For companies that go the next step and choose to report on their progress with the actual appointment of people with a disability, some type of disclosure mechanism would be required so that the companies could report, say, that they appointed X number of people with a disability during a particular period. That disclosure regime would not require the identification of employees by name, level, occupation or department, but it might include those details depending on the company policy, the company culture, and employee readiness to disclose.

On the more general matter of awareness, we would add that of the employers in the AHRI study that have employed a person with a disability, only a third of those (35%) used a Disability Employment Service provider. Of those that had never employed a person with a disability, more than half (54%) were not aware that DES services were available to them. In addition, nearly half (46%) had never thought about the possibility of employing a person with a disability so the issue was not on the organisation’s radar. That possibly points to a larger issue of low general community awareness despite successive government attempts to raise awareness. The survey respondents that made comments such as “never heard of it” or “didn’t know about it”, indicate that those awareness campaigns have been less than successful.

While a small number of employers are aware and proactive, a great many do not know anything and can see no reason why they should know. We would hope that the two measures suggested above would assist in changing the latter situation.

2. How should the employment services system best meet the workforce needs of employers?

3. How can employment services build stronger partnerships with employers to achieve sustainable employment outcomes?

4. How could large employers – with many work sites – partner most effectively with employment services? How can employment services providers partner with small and local employers?

5. How can employment services providers contribute to overcoming national and regional labour and skills shortages?

While acknowledging that questions 2-5 each contain a separate focus, we will deal with them together given AHRI's limited work in the supply-side on this issue. That said, AHRI welcomed the shift in the emphasis of the 2012 competitive tender process towards disability employment service providers being required to work more effectively with employers. We particularly applaud the initiative that requires the best providers to assist 75,000 people with a permanent disability to achieve and maintain sustainable employment. That initiative should better enable partnerships with employers to be developed and recruitment solutions to be found that match suitable job candidates with employer needs so that successful recruits become fully engaged, productive and ongoing in employment.

The consistent evidence we have from the employer perspective is that when organisations are looking for suitable candidates to fill job vacancies, they want the right person for the right job. They may seek out a disability employment provider in drawing up a short-list if they are aware of those services, but fundamentally they want a person who can perform the requirements of the job, and who is responsive to continuous improvement in the position for the medium to long term.

Employers want to deal with DES providers who can talk that language, and are not interested in simply filling a vacancy with a job-seeker simply because the provider has someone available. So recruitment practice capabilities such as properly assessing job criteria and job-matching are critical, and enable the appointment of appropriate candidates to jobs for which they are suited. Inadequacies in that area lead to reputational damage as well-meaning employers become impatient with time losses and disappointments associated with line managers and HR practitioners interviewing inappropriate candidates. That is no different than with inappropriate able-bodied candidates being referred by employment agencies.

Under the auspices of a modest DEEWR Innovation Fund grant, AHRI worked in 2012 with Disability Employment Australia to produce a framework for lifting the skill level of DES consultants who liaise with employers, especially their capabilities with respect to talking the language of business. The framework was the outcome of two focus groups: DES consultants on the one hand and HR managers on the other. The HR managers were asked what they wanted from DES consultants and the consultants spoke about what they offered. A framework and a training program arose out of the results and the training has been piloted and run with some success on a number of occasions. The materials are now available for further use.

AHRI research also shows that negative cultural attitudes from the workplace at the executive, line management and co-worker levels are a significant barrier to the recruitment and continuing employment of people with disability. Our 2011 member survey (see link above) indicated that nearly half the respondents believe there is a workplace perception that a person with a disability would (a) not perform as highly as a person without a disability and (b) that a person with a disability is high risk and could be expensive. Only 19% believed that perception 'a' does not exist at all in their workplace, and 15% that perception 'b' does not exist. Survey respondent comments included the following: "It has taken some significant internal marketing effort to gain acceptance for the reasonable adjustments required" and "More communication is needed from the relevant agencies, and more acceptance at a management level". Some HR practitioners report having to fight internal cultural battles to get results and some conclude that the fight is too hard and too lonely, and is not worth the struggle against cultures that are either indifferent or intransigent. One respondent said that the boss made it clear that it would not be worth his job to short-list a candidate with a disability.

There are clearly connections therefore between high levels of negative workplace attitudes, a general lack of community awareness and the business shortcomings of employment providers.

While there are many challenges, a key one is to make inroads into employer and community awareness so that the work of employment service providers and advocates within business are not continuing to work in isolation and against the odds, because that makes a difficult job more difficult.

If your office wishes to contact AHRI further, please do so in the first instance through the National Manager, Government and Media Relations, Paul Begley, on 03 9918 9232 or 0402 897 884 or email paul.begley@ahri.com.au



Peter Wilson AM
Chairman



Lyn Goodear
Chief Executive Officer

Appendix 1

This is a link to and the text of an AFR article on disability employment from (former) AHRI CEO Serge Sardo.

http://afr.com/p/national/work_space/ignorance_becomes_its_own_disability_6FGsa8vs8N0F8GgWn5uW1J

Ignorance becomes its own disability in hiring

PUBLISHED: 27 Jun 2012 00:02:40 | *The Australian Financial Review*

Serge Sardo

There are plenty of reasons to be wary of advocating mandatory reporting on employment targets that favour minority groups.

For one, mandatory reporting spawns yet another regulatory regime. Another is that, as a form of affirmative action, it can often lead to real or perceived cases of unfairness and injustice. And a third: it tends to create waves of public cynicism, backlash and sometimes envy.

Turn your mind for a moment to the acrimony caused by affirmative action campaigns of recent years in gender equity and indigenous affairs. Light-skinned Aboriginal people were alleged to have used their ethnicity to gain supposedly lucrative jobs, and talented women have been subject to continual innuendo and name-calling as token appointees after winning a rare executive promotion or a board position.

Merit should prevail, so the argument goes, forgetting that for years merit was not a factor in the persistent exclusion of those from society's out-groups.

I dare say that many long-standing board directors might get a little nervous if the merit meter was passed over their appointments in years past.

That said, I believe the evidence is now building which supports the introduction of mandatory reporting for the employment of Australians with a disability, mindful that it is not wise to use the legislative stick lightly.

I do believe, however, that we can mirror a few of the things that are happening in the gender equity arena. The recently passed Workplace Gender Equality Act 2012 will add to the obligations of employers to report on gender equality indicators. And last year the ASX imposed a number of new diversity reporting requirements on listed companies; however, the only mandatory reporting requirement applies to progress on gender diversity.

A look at the history of diversity in disability employment over the past decade is a sobering experience. I'm talking about the time since the Costello "welfare-to-work" budget, when

governments began to put significant taxpayer money into boosting the participation of those Australians with a disability who were willing and able to work but who could not get into the workforce.

The main argument for moving in that direction has been the lagging total factor productivity number which could be improved by moving more Australians from disability support pensions into jobs. Other reasons include the social inclusion agenda of the present government, culminating in the Prime Minister's Australia Day speech this year on the dignity of work.

Yet despite all the bipartisan goodwill, the now billions of dollars invested in the issue, and all the excellent work done in improving the job readiness of candidates, the number of Australians with a disability who are not able to get a job has remained roughly unchanged for the last decade at around 800,000. A Council of Australian Governments (COAG) report released a few weeks ago confirms this is still the case.

Last year PricewaterhouseCoopers released a report showing that people with disabilities living in Australia have the poorest quality of life in the developed world. We rank 27th out of 27 countries in the Organisation for Economic Co-operation and Development (OECD).

At a time when Australia has record low unemployment and we are rightly proud of being the envy of the world during hard economic times, this OECD ranking is a blight on our self-image and our international reputation, and might go some way to explain why our productivity continues to dog the economy despite all the other signs of strength.

When the Grattan Institute reported recently on improving Australia's productivity, it cited only the increased participation of single mothers and the mature aged workforce as having a significant impact.

About four million people (nearly one in five Australians) have a disability and there are a further 2.6 million carers. These two groups continue to face substantial barriers to full participation in society (according to the COAG report). It surprises me to see that these groups are not being discussed as a priority in our productivity debates.

At a personal level, it's widely accepted that having a job is one of the best ways to improve the quality of a person's life.

Stella Young regards herself as one of the lucky ones: she was from a rural community and was not placed in a special school when she was young. Instead she gained academic, rather than "life", skills. That enabled her to get a university degree and a well-paid job.

Here is Stella: "People with disabilities are unemployed for a variety of reasons, namely a lack of access to education, the built environment, personal support and equipment."

To her list I would add one more: the widespread reluctance of employers to employ a person with a disability. We recently surveyed our 20,000 HR practitioner members and asked a

question about where their organisation would prefer to source labour if they were limited to choosing from one of five target groups.

The results showed that 49 per cent would choose mature-aged Australians, 26 per cent skilled immigrants, 13 per cent young Australians, but only 7 per cent would choose respectively from the groups of Australians from indigenous backgrounds or Australians with a disability.

In light of these survey results it's no surprise that our members who identify themselves as advocates for people with disability within their own organisations also tell us that it's a hard sell.

There is no public groundswell that they can call on such as we see with gender equity, for example. If they propose short-listing a person with a disability during a recruitment exercise, they risk earning the rancour of the line manager for proposing such a person and the resentment of everyone else if an appointment is made which doesn't work out.

There are many reasons why an appointment might not work out, and it may not be because the person who gets the job is not willing and able to perform. Those of us in employment need adequate resources to perform to our optimum and people with a disability are no different.

That is especially the case with the speed of technological change. We all need to keep up to date and to be trained. Yet despite an excellent and well-funded support system from government to enable the smooth appointment of people with disabilities, many employers tell us they are not aware of uncapped assistance that will fully fund employers for costs incurred in making workplace adjustments, purchasing specialist technology, conducting inductions and providing ongoing training, among other things.

I would like to think there is room for hope that things are changing, but change will need to involve employers taking ownership of the agenda, and from where I'm sitting that's a long time coming.

My clear preference is for employers to voluntarily take it upon themselves to set targets for giving jobs to people with disabilities, and to set performance indicators for managers to make it happen, especially if those KPIs involve rewards through bonuses. Some good employers are already doing that.

A game-changer needs to happen to get disability employment on employers' radar and the game-changer most likely to work looks like being the legislative imposition of mandatory reporting on targets – otherwise I can see myself writing the same article in 2020.

Serge Sardo is chief executive of the Australian Human Resources Institute and a member of the Australian government's reference group on disability employment services.

The Australian Financial Review

Appendix 2

This is a link to and the text of a blog post from AHRI CEO Lyn Goodear.

<http://blog.ahri.com.au/workforce-diversity/why-the-fuss-over-disability-employment/>

Why the fuss over disability employment?

Posted on December 12, 2012 by [Lyn Goodear](#)

Readers of the *Australian Financial Review* might have noticed over the past few weeks a number of articles on the subject of disability employment that make reference to AHRI.

Let me give you a brief background. Back in August AHRI joined with the Australian Disability Discrimination Commissioner, Graeme Innes, and the Employment and Workplace Relations Minister, Bill Shorten, in calling on the ASX Corporate Governance Council to recommend that ASX listed companies report annually on what their members are doing about employing Australians with a disability.

We did not call for hard-line quotas. Rather we asked the ASX Governance Council to do for disability employment what it's done for gender equity. While our approach is merely a call for a 'recommendation' to report, we believe that such a light-touch intervention has the potential to change the game.

This is why: A recommendation to report means that publicly listed ASX companies need to state what they've done, if anything, by way of drafting policies, implementing practices or recruiting people from the disability employment cohort of the Australian population. There is no requirement to have done anything but there is a requirement to report on the basis of "if not, why not". Boards would need to consider making the recommended action a KPI for the CEO, an action that would result in knock-on KPIs down the management line.

That would in turn bring about a significant change in company behaviour. At AHRI we have the benefit of member responses to surveys we conducted in 2008 and 2011 on this issue, so we have access to data that reveals most organisations are unaware of the imperatives that relate to disability and employment, and to put it crudely, most organisations don't want to know and see no reason why the matter should bother them.

So what are those imperatives? And why should business bother with them?

I'd like to answer the first of those questions by stating that simply being a good corporate citizen is not one of the imperatives. I hasten to add that contributing positively to the society of which a business enterprise is part, is undoubtedly the right thing to do and may also be good for business. But it's not the chief reason for AHRI's involvement in the area.

The central issue that has driven our engagement goes back to 2004 when the Treasurer Peter Costello delivered a speech notable for one dominant theme: 'welfare-to work'. Its pivotal message was that national prosperity was suffering from a productivity malaise, the genesis of which was a two-part problem. The first part was that a large proportion of the population who could be active participants in the workforce were not working. That contributed to a significant loss of potential revenue through uncollectable tax receipts. It also negatively affected total factor productivity and was harmful to the national economy. The second part was that a considerable number of those Australians, around 800,000 in round numbers, were drawing disability support pensions (DSPs) from the Australian welfare system. That number consisted of Australians who suffered from a permanent or temporary disability but were officially looking for work. In summary, the issue was identified by the then Treasurer as an economic problem that was deemed worthy of its own budget theme.

It's now nine years after that Costello budget and 2013 is now almost upon us. So what's happened in the interim? The short answer is nothing. Australians who collect DSPs and are looking for work still number in the magnitude of 800,000+, significantly more than the 637,000 on unemployment benefits. Around \$9.5 billion is spent by government on DSPs each year and billions more are spent on government-funded disability support services designed to get participants 'job-ready'. In 2004 around 68,000 people enrolled in those services. At last count this year, 170,000 participated. That looks like success of sorts. But the test of success finally is moving people from DSPs into jobs, and that largely continues not to happen. So the stoppers are not government inactivity or lacklustre motivation of job-seekers. The stopper is employer engagement, a conclusion our research confirms. Through no fault of their own, employers with a few exceptions are either unaware of the issue or regard it as none of their business.

AHRI is of the view that it's the business of everyone and in that we are in agreement with the likes of the Business Council of Australia and others, including former Future Fund chairman David Murray who drove the point home on the ABC's *7.30 Report* recently. Murray identified the two-part malaise I've just described and called it the slippery road on which Greece now sits. There may be a touch of overreach in that comparison but it's an

indication of the seriousness with which the matter appears to be viewed in some high-level business quarters.

We will persist in our approach to the ASX Corporate Governance Council and I will keep you posted.

I would also appreciate any feedback from readers.

Lyn Goodear is the chief executive officer of the Australian Human Resources Institute and a member of the Employment Participation Minister's Disability Employment Services Reference Group.

Appendix 3

This is the text of a letter to the ASX Corporate Governance Council from AHRI's Peter Wilson.

10 December 2012

Alan Cameron AO
Chairman
ASX Corporate Governance Council
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

RE: Disability Employment and ASX Reporting

Dear Mr Cameron

I refer to our letter of 31 August and your response of 28 November, in which we were copied, to the letter of the Hon Bill Shorten and the Hon Kate Ellis.

Those letters dealt with a proposal for mandatory reporting by ASX listed companies on the matter of employing Australians with a disability.

I note the point you make in your letter on gender diversity and reporting, and commend the ASX for the contribution it has made in that regard. While there is still a way to go in boosting the proportion of women on boards and in senior management roles, the ASX intervention has already made a difference and there are sound reasons to think that further gains will benefit the competitive advantage of organisations that engage on the issue.

I note also the point made in your letter about the limits to the power of your Council to “require” ASX listed entities to report on anything. I accept that your power is limited to recommending a reporting regimen, and can understand why you interpreted our general request that reporting on targets be mandated as a request for it to be a requirement.

To state our position more clearly, AHRI would be happy for the Council to “recommend” on an “if not, why not” basis that listed entities comply with a reporting regimen. That would achieve two positive outcomes. First, as a recommendation on which other companies would be likely to report positively, a board would need to consider whether the item should be added to the KPIs for its own chief executive. To the extent that happens, the issue would have knock-on effects down the management line, and so the second outcome would be achieved in that management would have to become mindful when formulating the organisation’s recruitment and retention policies and practices that reporting on disability employment in some form will be a requirement, even if it amounts to reporting that nothing has been implemented or achieved. Mindfulness would be a significant move forward because our members inform us that the matter is not on the radar in any form for most companies. Mindfulness also leads to measurement and things that get measured, as most of us know, tend to get done.

While taking your point that disability employment is not directly comparable as a governance issue with gender equity, it has governance implications to the extent that CEOs are given KPIs. And while there is not comparable research on the loss to business capability and economic performance with respect to disability employment as there is with gender equity, there is an abundance of anecdotal evidence of unconscious and conscious bias that leads to loss of opportunity and potentially to business competitiveness. The story of Bill Moss is a notable case in point. Having retired with \$40 million in hand as head of the real estate and banking division at Macquarie Bank, Moss’s highly successful career may never have made a start had he revealed when appointed that he suffered from a serious degenerative disability since childhood. The point is that while there are a great many of the 4 million Australians

with a disability who cannot work, there are very many who are willing and able to do so. At the last count approximately 170,000 of the latter actively participate in the federal government's disability employment services designed to assist them to get a job. The government also assists, by way of a substantial funding model, companies that employ Australians with a disability who require workplace adjustments or training to operate productively.

At the same time, the government spends around \$9.5 billion each year on a growing cohort of around 800,000 Australians who draw welfare through disability support pensions. These are people who have a temporary or permanent disability and have the potential to work, but in many cases have given up trying after successive disappointments in trying to get a foot in the employment door. That cohort presently outnumbers Australians on unemployment benefits.

It is regrettable that Australia's total factor productivity has remained steadfastly poor for around a decade. Over the same period, the number of Australians drawing DSPs has remained constant at around 800,000. Despite policy enunciations and interventions to reduce the DSP welfare burden and lift the workforce participation of that cohort, the Government's efforts cannot achieve their full measure of benefit without positive and direct action by the corporate sector where, as always, the larger ASX listed companies set the appropriate precedents. Were people in that cohort able to compete without the prevailing biases that operate, many would get jobs on their merits and boost workforce participation, which in turn would positively affect total factor productivity at the same time as reducing Australia's welfare burden. As the issue affects national prosperity, it becomes an economic and business imperative, not just a social inclusion question. This point was made forcefully by David Murray in a recent interview on *7.30 Report* in which he advanced a scenario that foresaw a continuance of this malaise putting Australia onto the slippery road on which Greece is unhappily travelling. While that projection may be a bridge too far, Murray advanced it seriously.

Although it could legitimately be argued that public awareness of the disability employment issue is not what it could be, fundamentally the stopper has been and continues to be ignorance, indifference or reluctance to acknowledge the problem by employers. Given the failure of other interventions, the likely future options are quotas imposed by law or the lighter touch of recommending reporting by ASX listed entities in the first instance. AHRI members do not favour the imposition of quotas but see that coming as necessary if a game-changer cannot be found.

In summary, we see the game-changer being a recommendation by your Council that ASX listed entities report on disability employment as that light-touch intervention would be sufficient to trigger chief executive KPIs.

I would be pleased to discuss this proposal further at your convenience.

Yours sincerely



Peter Wilson AM
Chairman
Australian Human Resources Institute

Cc: The Hon Bill Shorten MP, Minister for Employment and Workplace Relations

The Hon Kate Ellis MP, Minister for Employment Participation

Graeme Innes AO, Disability Discrimination Commissioner