Andrew Forrest’s Indigenous employment project: Do the arguments stack up?

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The Australian Government is currently considering the 27 major recommendations of Creating Parity, the report of the Forrest Review. While the Review was originally tasked to scrutinise Indigenous training and employment programs, the Creating Parity report has substantially expanded on this brief. Not only does it include recommendations for a much broader suite of concerns including income management, early childhood services, school attendance, housing and mobility, but it also recommends that some proposed measures apply to Indigenous and non-Indigenous Australians alike.

The Review was commissioned by the Abbott Government and chaired by mining billionaire Andrew Forrest, with support from the Parliamentary Secretary to the Prime Minister Alan Tudge. Although the recommendations—along with public submissions—are still being examined by a special ‘Forrest Review Implementation Feasibility Taskforce’ within the Department of the Prime Minister and Cabinet, Mr Tudge has publicly stated that he believes there is a positive public response to the review, and suggested that Cabinet is taking the recommendations ‘very, very seriously’ (cited in Jabour 2014).

Since the report was released on 1 August 2014, much of the media attention has focused on just one of the proposed measures—the introduction of a ‘Healthy Welfare Card’ to restrict the ways in which recipients of social security payments (except those on age or veterans’ pensions) could spend their welfare incomes (see, for example, Harrison 2014; Karvelas 2014). While this proposal is understandably controversial, the media focus has meant the recommendations specific to training and employment programs have been largely overlooked in public debate. This is unfortunate because the Review’s recommendations would have significant implications for all job-seekers who access publicly-funded employment and training services and warrant much closer scrutiny.

The following discussion examines the Review’s main recommendations for employment and training services, which centre on replacing current services with new Vocational Training and Employment Centres (VTECs). It begins by briefly explaining this proposal before situating it within what I have called Forrest’s ongoing Indigenous employment project (including the Australian Employment Covenant and GenerationOne) in which he has publicly lobbied for VTECs for several years. It questions the recent establishment of 21 VTECs—promoted by Forrest and funded by the Abbott Government—and argues that in making the case for replacing existing services with more VTECs the Review relies on an inappropriate use of evidence and fails to consider some of the potentially damaging consequences especially for remote regions.

VOCATIONAL TRAINING AND EMPLOYMENT CENTRES

The Forrest Review’s recommendations for employment and training services hinge on two ideas. First, that existing employment services—including both the mainstream Job Services Australia (JSA) scheme and the Remote Jobs and Communities Program (RJCP) that mainly services Indigenous people across 60 remote regions—are failing. Second, that all JSA services should be replaced by VTECs and RJCP services should be replaced by remote Job Centres based on the VTEC model.

According to the Review, this would improve employment outcomes by shifting the balance of incentives available to employment service providers. That is, the Review’s main criticisms of JSA and RJCP programs are that they are ‘supply-driven’ (focused on addressing the needs of job seekers and hoping there is a suitable employer at the end) and undermined by a payment structure too heavily weighted towards process over employment outcomes. The allegation is that paying providers a service fee per client, as well as fees for things like placing clients into training, encourages ‘churning job seekers back through the system to collect fees for the service provider’ (Forrest 2014, p. 151) and ‘perpetuates training for training’s sake’ (Forrest 2014, p. 37).

In contrast, the Review argues, a VTEC or remote Job Centre would be ‘demand-driven’ in that training would only be funded where it was directly linked to a ‘guaranteed job’ (Forrest 2014, p. 53, 165). Further, the ‘bulk of funding’ to the VTEC or Job Centre would be based on 26-week employment outcomes (Forrest 2014, p. 140).

An additional recommendation is that all funding for vocational education and training be replaced by an employer-driven voucher system. Under this model, all training would be designed by employers and paid for (on the employer’s behalf) and then provided by training providers at a cost that is negotiated directly with the employer. The Review argues that this system would ‘align training outcomes more closely with employer needs’ (Forrest 2014, p. 140).
Employment Covenant, subsuming that program within its structure and committing to work towards ensuring the jobs had been filled (Jordan 2011, p. 1). While Forrest soon backed away from the two-year timeframe, it had secured 55,000 job pledges from a wide range of employers by mid-2011, when the Covenant’s funding agreement with the Australian Government ceased. Importantly, however, at an upper estimate only around 4,300 of those jobs had been filled (Jordan 2011, p. 1).

Efforts to fill the pledged jobs are ongoing under GenerationOne, Forrest’s more recent initiative discussed in the next section. However, before moving on there are several aspects of this story that require further investigation. First, while the Covenant’s help in facilitating the employment of more than 4,000 Indigenous people could be seen as a significant achievement, the organisation never collected data on whether those employees had been out of work immediately prior to their placement or whether they had simply moved across from other jobs. This means that Forrest’s claims to have helped move all of these employees off welfare and into work (Forrest 2012) cannot be supported by available evidence. Similarly, the Covenant never collected data on the status of the jobs filled (that is, whether they were full-time, permanent, part-time or casual).

The second concern to note is the nature of the funding agreement between the Covenant and the Australian Government. While the total public investment in the Covenant was never listed, answers to questions in Senate Estimates suggest that it not only received $4 million in start-up funding but also a range of outcome payments—including approximately $3 million for the jobs pledged by employers (see Jordan 2011, p. 2). It is highly unusual to treat these job pledges as ‘outcomes’ that should be paid for by the public purse, particularly because they were usually not for current vacancies but those expected to arise in the normal course of business. Since business plans can change these pledges were never binding (the Forrest Review suggests otherwise, but the ‘legally binding’ obligation is only that the company use its best endeavours to make the pledged jobs available, see Forrest 2014, p. 181).

The third concern is the apparent discrepancy between jobs pledged and those filled. Only a small proportion of the jobs pledged have ever been available at any one time. Nonetheless, the notion that there were a large number of available jobs sitting empty added fuel to Forrest’s principal argument: that the Covenant was let down by its reliance on the Australian Government’s existing employment and training services (see, for example, Forrest 2012). In arguing that this was the problem, Forrest began a new campaign to lobby for the overhaul of these services, this time spearheaded by his new advocacy organisation GenerationOne.

FORREST’S CREDENTIALS: THE AUSTRALIAN EMPLOYMENT COVENANT

The genesis of the Forrest Review’s recommendation to replace existing employment services with VTECs dates back to 2006. At that time Forrest established the first VTEC to help facilitate Indigenous employment within Fortescue Metals Group (FMG) (of which Forrest was then CEO) and its contractors in the Pilbara. However, it was in 2008 that Forrest’s interest in Indigenous employment dramatically entered the public spotlight when he and Kevin Rudd launched Forrest’s new project, the Australian Employment Covenant (the Covenant), announcing a bold goal of placing 50,000 Indigenous Australians into jobs within two years (Department of Education, Employment and Workplace Relations 2008, p. 1).

To do that would have been an impressive feat, given that the 2006 Census recorded the number of unemployed Indigenous Australians to be around 23,000 people, and in the five years preceding the Census—a period of strong job creation and economic growth—the number of Indigenous workers increased by only around 22,000 (Jordan & Mavec 2010, p. 1). While Forrest soon backed away from the two-year timeframe, it had secured 55,000 job pledges from a wide range of employers by mid-2011, when the Covenant’s funding agreement with the Australian Government ceased. Importantly, however, at an upper estimate only around 4,300 of those jobs had been filled (Jordan 2011, p. 1).

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GENERATION ONE

GenerationOne was established by Forrest and is funded by contributions from him and his wife Nicola, along with James Packer, Kerry Stokes and Lindsay Fox (GenerationOne 2014a). Although it calls for public ‘supporters’ to sign up to ‘end Indigenous disparity in one generation,’ it focuses specifically on employment and advocates for Forrest’s vision for the overhaul of publicly-funded employment and training services (GenerationOne 2014b). Launched in March 2010 (again in conjunction with Kevin Rudd), the new organisation quickly took over the reins from the Australian Employment Covenant, subsuming that program within its structure and committing to work towards ensuring the jobs pledged have ever been available at any one time.
Both Forrest and GenerationOne have continued to advocate along these lines, focused principally on what they have called the VTEC model. In a 2012 address to the National Press Club Forrest strongly argued his case, saying that ‘we have proven the impact of the VTEC approach’ and now ‘need 25 VTECs across the nation to operate as pipelines to employment to abolish the disparity’ (Forrest 2012). Further, referring to both JSAs and the government-funded Indigenous Employment Program that supports employers to take on Indigenous staff, he stated that his ‘very strong recommendation to the Government is that no more Indigenous training and related expenditure including JSAs and IEPs is funded, unless attached to a real job commitment by a participating employer’ (Forrest 2012). In this context, a ‘participating employer’ meant an employer who had pledged jobs under the Australian Employment Covenant.

Forrest’s speech also highlights a disagreement with the then government about whether more evidence was needed to support his proposal. He lamented the fact that the government ‘just wants to do another study!’ and argued there was ‘no reason willing employers should wait years to benefit’ from the VTEC model (Forrest 2012). Following his National Press Club address then Minister for Indigenous Economic Development Julie Collins confirmed that the government would not fund the roll out of VTECs ‘until a proper assessment was carried out’ (Karvelas 2012).

A subsequent review of the VTEC model commissioned by the Department of Education, Employment and Workplace Relations (the Watson Review) was tasked to ‘review and analyse the strategies and methods proposed by GenerationOne for Vocational Training and Employment Centres (VTECs) and compare them to similar projects which are supported by Australian Government programs and services’ (Hugh Watson Consulting Pty Ltd 2012, p.3).

Although the full report of the Watson Review has not been made public, the executive summary identified the key features of the proposed model, including that there would be identified jobs attached to training and the VTECs would rely on partnerships with existing services (such as JSAs and TAFEs) both for physical infrastructure and the delivery of services like formal training and post-placement support. The VTECs would also rely on JSAs for referral of clients and a financial contribution via the JSAs Employment Pathway Fund (a pool of funds that JSA providers can use to purchase training or other needs of jobseekers).

Significantly, the executive summary also noted there were several unresolved issues with the GenerationOne proposal, including for example how the proposed VTECs would work with JSAs to ‘enhance’ existing services and avoid duplicating them (Hugh Watson Consulting Pty Ltd 2012, p. 13). It also noted that the other case study projects analysed (including FMG’s VTEC) shared several features of GenerationOne’s VTEC model (such as the reliance on an identified job, committed employers and mentoring of participants), and that all of these projects already operated successfully in placing Indigenous job seekers into employment. Importantly, it identified that they do this ‘within existing Australian Government programs, including the Indigenous Employment Program and … Job Services Australia’ (Hugh Watson Consulting Pty Ltd 2012, p. 14). Although the Forrest Review resoundingly criticised the JSA system and recommended the roll out of more VTECs it did not refer to the Watson Review of the GenerationOne VTEC model (nor to recent DEEWR reviews of JSA or consultations about remote employment services, see Department of Education, Employment and Workplace Relations 2011, 2012).

At around the same time Forrest was making his Press Club speech, GenerationOne was lobbying for government funding for four VTECs as demonstration sites. Tony Abbott, then leader of the Opposition, quickly came on board, committing a Coalition government to fund four trial sites for two years if elected. The funding would be for up to $10 million, ‘using funds from existing indigenous programmes,’ and would be used to ‘train 1000 unemployed Aboriginal people for guaranteed jobs’ (Abbott 2012). Presumably Abbott was referring here to jobs already pledged by employers under the Australian Employment Covenant.

Three weeks before the federal election Abbott revised his commitment substantially upward. The new deal was for $45 million to fund 21 new VTECs that would help 5,000 Indigenous people find jobs. At the same time he announced that, if the Coalition was elected, Andrew Forrest would chair a new review of Indigenous employment programs (Abbott 2013). The decision to support establishment of 21 VTECs, rather than the initial four, needs examination given that the original rationale was for trial sites and the funding model has not been proven appropriate. The 21 VTECs are now operational and are discussed briefly in the next section, before presenting some more detailed reflections on the Forrest Review.

THE 21 NEW VTECS
The 21 VTECs Abbott committed to fund began operating between January and July 2014. They service the capital cities (except Hobart) as well as the Hunter region, Dubbo region and South Coast of New South Wales, north and central Queensland, Kalgoorlie, the Kimberley, the Pilbara, Alice Springs and the Barkly region of the Northern Territory.

According to GenerationOne, a number of existing organisations providing services under the government’s Indigenous Employment Program (IEP) were invited to submit expressions of interest for the VTEC contracts because they had ‘a recent record of greater than 50 per cent retention at 26 weeks’ (GenerationOne 2014d, p. 3). The Watson Review of the VTEC model suggested further that ‘preference would be given’ to selecting service providers that were ‘already delivering as many of the elements of the VTEC model as possible’ (Hugh Watson Consulting Pty Ltd 2012, p. 8). The VTECs are intended to complement existing JSA and RJCP services, with a focus on community engagement, work readiness, vocational training and post-placement support. There is a direct link to the Australian Employment Covenant because each VTEC has been allocated existing job pledges made under the Covenant that they have been tasked to fill.

Although they work alongside existing JSA and RJCP services, key features of the VTECs are that they are specifically linked to these job pledges and that they get 100 per cent of their funding on the basis of 26-week employment outcomes (although they can claim some of the anticipated outcome payments upfront). The Forrest Review applauded the 50 providers who submitted expressions of interest for VTEC contracts for their willingness to ‘take the business risk of having their sole remuneration rely on them achieving a 26-week employment outcome’ (Forrest 2014, p. 38). However, this funding model leaves important questions unanswered.

In particular, the model provides for 26-week outcome payments to VTECs of up to $13,500 per participant, which is significantly more than the total outcome payments available for either JSA or RJCP clients and substantially more than the actual expenditure per employment outcome under the JSA system (see, for example, Department of Education, Employment and Workplace Relations 2013a, p. 63). Moreover, most VTEC clients are also clients of either JSA or RJCP providers. This means that if they do reach 26 weeks in employment both the VTEC and the other provider (JSA or RJCP) can usually claim a payment for the same employment outcome. Presumably, these arrangements allow such ‘double dipping’ in the hope that the different providers might still co-operate to support a shared client into work. However, the approach warrants scrutiny for a number of reasons.

First, most of the organisations now operating as VTECs already existed as providers of IEP, JSA or RJCP services and could already deliver many of the ‘VTEC’ services under their existing contracts. This suggests that the problem of potential duplication of services identified in the Watson Review may not have been resolved. Second, while most of the providers already had recent 26 week retention rates of more than 50 per cent, the additional VTEC contracts will be deemed successful if they reach 26-week retention rates of 70 per cent (Department of Prime Minister and Cabinet 2014, p. 5). The business case, let alone ‘business risk,’ of increasing 26-week retention rates by twenty per cent for up to $13,500 per participant when many of the services were already being provided and most of the jobs have already been ‘handed over’ to the VTECs through the Australian Employment Covenant has not been made clear.

It is commonly accepted (although not yet well documented) that linking employment and training services to specified jobs and employer commitments can be very effective in securing employment outcomes. Importantly, however, the case made to date for VTECs has ignored the reality that existing services can, and do, already employ these strategies (including under the IEP, JSA and the Community Development Employment Projects before they were phased out). If the argument is that VTECs are better positioned to do this than existing services—for example, by developing more sustainable relationships with employers—then that case should be spelled out publicly. So too should the justification for the funding model which raises questions about duplication of services (and doubling up of payments) that are rightly the subject of public debate.

THE FORREST REVIEW

While the Forrest Review has been billed as a review of Indigenous training and employment, it is important to note that it has clearly been framed with the specific activities of the Australian Employment Covenant and GenerationOne in mind. Its overarching purpose has been to provide recommendations ‘to ensure Indigenous training and employment services are properly targeted and administered to connect unemployed Indigenous people with real and sustainable jobs, especially those that have been pledged to Indigenous people by Australian business’ (in Forrest 2014, p. 224, emphasis added). While the jobs pledged under the Covenant are not referred to explicitly, the connection to the Covenant and GenerationOne’s VTEC model are clear.

In this context, the decision to appoint Forrest as chair of the Review raises questions about its impartiality, particularly given his very public lobbying for VTECs for several years prior to the Review. And the Review’s insistence that the VTEC model is the only one worthy of consideration. The new VTECs are only a few months old and their approach warrants scrutiny for a number of reasons.
efficacy (and appropriateness) has not been tested. Yet, the Review makes the radical recommendation to replace both the JSA and RJCP programs with VTECs nationwide. This would mean that all publicly-funded employment services for all job-seekers would be delivered through VTECs, and is quite different from the existing model of VTECs that work in conjunction with existing services.

If the Review had used available evidence to comprehensively investigate the effectiveness of the range of existing employment and training services, and provided a considered reflection on the implications of replacing them with VTECs, then its conclusion that VTECs were the only effective model would have held more weight. Instead, the Review reads less like a thorough analysis and more like a position paper advocating for VTECs based loosely on three arguments: assertions about the failures of JSA, limited evidence about employment outcomes under the IEP and Australian Employment Covenant, and an inappropriate comparison of the funding of JSAs to the funding of the existing VTECs.

As noted previously, the principal assertions about the JSA system are that it is ‘supply-driven’ and paid for process over employment outcomes. The Review suggests this system fails to meet employer needs, perpetuates training for training’s sake and encourages ‘gaming’ among providers (Forrest 2014, p. 154). There are certainly significant problems with the JSA system, but suggestions of widespread ‘gaming’ and deliberate provision of useless training in order to secure outcome payments are very difficult to substantiate. Moreover, they ignore the many other complex barriers to increasing Indigenous employment participation elsewhere acknowledged in the Review.

For example, the Review recognises that almost 70 per cent of Indigenous JSA clients are assessed as being among the most disadvantaged job seekers who are the hardest to place into employment (Forrest 2014, p. 153). That training courses do not always lead to sustainable employment among this cohort reflects problems many of which are outside the control of JSA providers (such as the motivation, caring responsibilities and physical and mental health of the job seekers, as well as things like employer discrimination and the ‘cultural fit’ of the workplace).

Further, some of the criticism of the JSA system rests on a comparison with limited evidence about employment outcomes through the IEP and Australian Employment Covenant. For example, the Review suggests that the IEP is more effective at placing Indigenous people into employment than the JSA system, with 68 per cent of IEP clients achieving a three month employment outcome compared to only 52 per cent of Indigenous ‘Stream 1’ JSA clients (that is, those with the fewest barriers to employment) and 27 per cent of Indigenous JSA clients overall. Without attempting to analyse the reasons for this difference between IEP and JSA outcomes, the Review implies it is principally because the IEP is demand-driven (Forrest 2014, p. 147).

However, attempting a simple comparison between IEP employment outcomes and those of JSA clients (even in Stream 1) is problematic for a number of reasons. For example, JSA providers can refer their clients to an IEP provider, so both the JSA and IEP can contribute to the same clients’ employment outcome. In addition, unlike most JSA clients, those assisted by IEP might already be employed full-time and seeking simply to ‘upgrade their skills or pursue a new career’ (Department of Education, Employment and Workplace Relations 2013b, p. 6). Indeed, while JSAs are a universal service and must provide support for their entire caseload, IEPs can focus their efforts singularly on individuals assessed as suitable for targeted jobs. In failing to account for these factors, the Forrest Review’s comparison of JSA to IEP services is a significant oversimplification.

The same can be said of the implicit comparison between JSA and the employment outcomes under the Australian Employment Covenant. The Review states that employers have now made 61,000 pledges under the Covenant and 18,700 of these pledges have been filled. Further, it says that of the 16,000 jobs for which there are available data, 75 per cent have been retained to 26 weeks (Forrest 2014, p. 38). As noted in the previous discussion about the Covenant, these figures rely on fairly limited reporting from employers to GenerationOne, and do not identify whether the employees have moved out of unemployment to fill these positions or simply moved across from other jobs. Nor do they indicate whether the same employee has filled more than one of these positions over time. Moreover, even if we take the numbers at face value, using them to support the argument for replacing existing services with VTECs is curious because, until January 2014, the only VTEC in operation was FMG’s facility that has so far assisted around 1,000 Indigenous people into jobs (Fortescue Metals Group Ltd 2014). That would suggest that the remaining placements have been possible within existing arrangements including JSA and IEP.

The third key plank of reasoning the Review relies on to support its VTEC model is a problematic attempt to compare the funding of JSAs to the funding of the existing VTECs. Again attributing faults in the JSA system to its being ‘supply-driven’, the Review states that:

While governments claim JSA funding is outcome-based, only 8% of it is at risk if providers do not retain...
job seekers in work for 26 weeks. Compare this to a Vocational Training and Employment Centre (VTEC) service, where 100% of their funding is at risk if 26-week outcomes are not achieved. It's pretty clear who will focus on getting and keeping people in long-term jobs (Forrest 2014, p. 38).

Such a comparison between JSA and VTEC funding is misleading because the current incarnation of VTECs operate in conjunction with JSA services, rather than replacing them. This means they are not only tasked to deliver a much narrower range of services than JSAs but can also ‘piggy-back’ on the infrastructure of other services and seek additional financial and in-kind contributions from JSA or RJCP providers (Department of the Prime Minister and Cabinet & Department of Employment 2014, p. 2).

Paying close attention to the Forrest Review’s reasoning is important because its oversimplification of evidence allows it to argue that:

Outside of the VTEC model, and despite the billions spent by governments to assist disadvantaged job seekers, including the TAFE systems of education, none have made a systemic and major inroad into finding meaningful employment for the majority of the most disadvantaged first Australians (Forrest 2014, p. 141).

A new system, it argues, ‘must demonstrate that it is totally demand-driven’ with ‘the bulk of funding’ paid only on 26-week employment outcomes (Forrest 2014, p. 140).

However, while replacing the JSA and RJCP programs with VTECs would do away with the risk of double outcome payments identified in the previous section, it is not an appropriate solution. It would be particularly problematic for regions in which there were few prospects for guaranteed jobs and where significant numbers of 26-week employment outcomes were most difficult to achieve. For example, what would happen if a VTEC consistently failed to secure guaranteed jobs in their location, or failed to regularly get their clients into 26-week employment outcomes (as is likely in many remote areas)? Would they be prevented from providing training because there are no guaranteed jobs? What proportion of their funding would they lose if they did not achieve outcomes to 26 weeks? If funding was jeopardised, what would happen to their clients or the other services they are envisaged to provide (including the provision of participation activities and administering compliance for income support recipients)?

CONCLUSIONS

The practical difficulties of the Forrest Review are rooted in a philosophical stance that represents the primary problem as one of ill-discipline borne of overly permissive government funding. According to the Review, while welfare recipients need to be disciplined through income management, the providers of publicly-funded employment and training programs must be disciplined by tying the bulk of their income to 26-week employment outcome payments. In the process, the Review argues, the power to dictate what training to offer must also be granted singularly to employers who say they can guarantee jobs.

These philosophical underpinnings dramatically oversimplify the very complex realities of seeking to improve Indigenous employment participation. Just as not all welfare recipients have behavioural problems that can be solved through a Healthy Welfare Card, there are many barriers to employment that will not be overcome by linking training and employment services to 26-week outcome payments or prohibiting funding for training not attached to a guaranteed job. Instead of addressing these problems, the recommendation to replace existing services with VTECs risks undermining the sustainability of these services and what flexibility and responsiveness to client needs they still have.

This is not an argument for the status quo. Nor is it intended to diminish the positive outcomes that can be achieved when providers seek partnerships with employers to match job seekers with identified jobs (whether through a VTEC, JSA, RJCP or the IEP). Crucially, however, such approaches ought to form part of much broader development strategies that are specific to needs in remote, urban and regional locations. For remote areas, in particular, these strategies must also include support for job-creation through small businesses and locally-directed community development projects and not just the training needs of pledged jobs elsewhere.

REFERENCES


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