

2019-20 Pre-Budget Submission

February 2019



Jobs Australia

| POLICY | INFLUENCE | SUPPORT |



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Thank you for the opportunity to make this submission on behalf of Jobs Australia’s members.

Sincerely

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1. About Jobs Australia

Jobs Australia is the national peak body which helps not-for-profit employment and community services all over Australia to provide the best possible assistance to disadvantaged communities and people.

With our expertise in employment services, and because we are funded solely by our members, we can advocate to government and others for what's right and best in helping unemployed people - with real insight and an independent voice.

We represent the largest network of not-for-profit employment-related community services in Australia - with members ranging from small local community agencies to large national charities.

2. About this Submission

The views expressed in this submission are the views of Jobs Australia. While our views are informed by our consultations and meetings with our members, they should not be taken to be the views of any provider or group of providers.

3. Summary of Recommendations

1. Government recognises that a strong not-for-profit sector of employment service providers will help ensure that unemployed people get the support they need to get and keep job.
2. Provide more support to long-term unemployed people to help them get jobs and keep them.
3. Services must be delivered face-to-face when needed.
4. Implement a consultative reference group of representatives of service users and other stakeholders to co-design the new model and after its implementation.
5. Create a market of providers that supports delivery of high-quality services and investment in the most disadvantaged job seekers to help them get sustainable employment.
6. More investment is needed to assist employment service providers to recruit, train and retain skilled employees.
7. Give providers more discretion to use their professional judgement so they can tailor mutual obligations to each job seeker's needs.
8. Rename Work for the Dole to avoid stigmatising unemployed people and work experience activities.
9. Provide transition support funding to all providers most affected by the new DES funding model.
10. Review the DES funding model to confirm whether funding levels accurately correspond to levels of support needed.
11. Offer enhanced employment services to all young people aged 15-25 on income support or at risk of long-term unemployment.
12. Withdraw the Social Security Legislation Amendment (Community Development Program) Bill 2018.
13. Implement the Fair Work and Strong Communities proposal for a remote development and employment scheme, which creates jobs, does not discriminate against Indigenous people, and is Indigenous-led at the national and local level.
14. Suspend the TCF and urgently review the compliance framework for ParentsNext.
15. Develop and implement a more effective engagement framework in consultation with providers, peak bodies and participant stakeholder groups.
16. Increase Newstart by at least \$75 per week.
17. Implement a Job Guarantee, assuring that every person who wants to work could be employed in services to their community.
18. Increase funding for employment assistance to at least half the average OECD level, worth about \$500m per year.



4. Value of the Not-For-Profit Employment Services Sector

Not-for-profit employment service providers play a critical role in supporting job seekers into work. They are more likely to go above and beyond to meet the needs of their job seekers and the community they serve, rather than deliver financial returns to shareholders.

For-profit providers deliver services in such a way as to maximise profit, while not-for-profits are values and mission driven, focussed on giving people the support they need within the financial constraints within which they operate. For-profits return maximised profits to private interests, while not for profits reinvest any surpluses in higher quality employment services, or in other services, giving more back to the communities they serve.

A strong not-for-profit sector of employment service providers will help ensure people get the support they need.

Recommendation 1: Government recognises that a strong not-for-profit sector of employment service providers will help ensure that unemployed people get the support they need to get and keep job.

5. Future of Employment Services from 2020

The current model of mainstream employment services is not doing enough to support the long term unemployed. While it has placed more than 1.1m people into jobs since 2015, jobactive is not meeting the needs of all the unemployed people who use its services. Almost two-thirds of job seekers are long-term unemployed, having been in the program for at least 12 months, while almost half have been on the caseload for over two years.

Recommendation 2: Provide more support to long-term unemployed people to help them get jobs and keep them.

Providers are under-resourced, with high caseloads. jobactive is over regulated and has too many administrative requirements and complex rules. There is too much emphasis on back of office work, which reduces the resources available for providers to achieve outcomes with job seekers and employers. Rigid administrative and mutual obligation rules reduce the flexibility and capacity for providers to deliver tailored and individualised services, and to take account of job seekers' circumstances and meet their needs. The recent Senate inquiry into jobactive has also highlighted negative experiences of users, raising concerns about service quality.

A comprehensive re-design of the system is needed to enable providers to deliver services that meet people's needs and achieve more outcomes for those who need the most support. We need less focus on job seeker and provider compliance and more focus on support for job seekers and employers.



The recent report of the Employment Services Expert Advisory Panel, *I Want to Work*, acknowledges that the system can do better, particularly for the long-term unemployed.

Key features of the Panel's new proposal include:

- Three levels of service, including digital self-servicing for 'job ready' participants who are not attached to provider caseloads.
- More intensive support for the long-term unemployed.
- More flexible mutual obligation, with more focus on reward for achievement and a less punitive system culture.
- A shift away from a high-volume, transactional, administratively heavy system for providers towards smaller caseloads and digital tools which simplify compliance and administration.
- Continuous user feedback into design, implementation and governance, incorporating advisory roles for stakeholders.
- Local committees with access to local funds for local employment initiatives.
- A managed licensing framework with a capped number of licenses in each region. Initially, guaranteed minimum and maximum market shares.
- Performance measured by benchmarks, reflecting local conditions, and quality standards.
- A licensing framework, with initially guaranteed minimum and maximum market shares.

The proposal addresses many concerns about the current model, creating both new opportunities and risks.

Digitisation and Self-Service

The 2020 reforms signal an intention to rely on more employment services being delivered digitally, with 'job ready' job seekers not attached to a provider. An increasing reliance on service delivery via digital platforms brings with it concerns about access, privacy, use of data and automation of decision-making.

Our members already observe barriers to the use of digital services for many unemployed people who might not have access to satisfactory internet coverage, or who do not have access to suitable devices. There will need to be more investment in building job seeker capacity to engage in more services delivered digitally.

The new system of employment services needs to retain the capacity to deliver services via human intervention and discretion. Job seekers who are assessed as job ready and in a digital only service should retain access to face-to-face services as a backup when needed.

Concerns about privacy and data protection arise with increased use of data collection, profiling and storage in electronic systems, such as information about mental health, drugs and alcohol abuse or offending histories. Increased reliance on technologies needs to safeguard the human rights of unemployed people, and particularly those who are vulnerable because they are long term unemployed and face structural barriers to employment.

The existing employment services system is increasingly relying upon automated decision making. The introduction in July 2018 of the demerit points-based targeted compliance framework (TCF) to

monitor job seeker compliance with their mutual obligation requirements has reduced the application of human discretion to understanding the complex personal situations of individuals. The TCF has resulted in large numbers of automatic suspensions of payments in error which are subsequently overturned, but not before causing distress for the people affected. The TCF has also limited the scrutiny applied by DHS to determinations of non-compliance by providers, which is likely to have led to a more rapid accumulation of demerits than would have otherwise occurred.

Australia is considered a world-leader in the adoption of public policy experiments and now veers on the edge of one of the largest citizen digitisation exercises as the future delivery of employment services is considered. Lessons from the TCF are important sign posts to how the digitisation of government services needs to be regarded with caution. This is because they remove the human interaction needed to provide balance between activation strategies and welfare service provision.

We need to retain human back-up systems that allow for face-to-face interventions whenever necessary.

Recommendation 3: Services must be delivered face-to-face when needed.

Service Quality

The design of the new system must respond to the needs of job seekers, employers and providers, and continue to hear their voices and feedback after the new system is implemented. Ongoing consultation and co-design with service users and other stakeholders will help to ensure that the system does not lose focus on the needs of those who are supposed to benefit from it.

Rewarding licensed providers who consistently meet quality standards will also help to safeguard quality.

Recommendation 4: Implement a consultative reference group of representatives of service users and other stakeholders to co-design the new model and after its implementation.

Sustainability of the Market

The market of employment service providers in 2020 needs to get the balance right between competition and sustainability. Competition between providers supports consumer choice and can drive improvements in quality and efficiency, but too much competition can lead to unnecessary duplication, excessive cost cutting, reductions in service quality, less innovation and collaboration, and ongoing disruption as providers exit.

We need to create market of providers that supports delivery of high-quality services and investment in the most disadvantaged job seekers to help them get sustainable employment. The market must also invest in provider capability to reduce turnover, develop staff skills and recruit and retain skilled staff.

Recommendation 5: Create a market of providers that supports delivery of high-quality services and investment in the most disadvantaged job seekers to help them get sustainable employment.



Recommendation 6: More investment is needed to assist employment service providers to recruit, train and retain skilled employees.

Mutual Obligation

There is too much emphasis on managing job seeker compliance in the current model, and not enough emphasis on helping people to find work. Rigid rules also reduce flexibility and the capacity for providers to deliver tailored and individualised services, which take account of job seekers' circumstances and meet their needs.

Flexibility is constrained by rigid requirements for job search and to undertake activities such as Work for the Dole. Job seekers require flexible services and activities which increase their skills and provide a pathway to employment. Past reviews of Work for the Dole have shown that it is less effective than other, more tailored interventions at moving people into work. Requiring providers to use the least effective intervention undermines their capacity to obtain outcomes. Work for the Dole should be renamed and should not be compulsory.

More individualised services are needed. Jobs Australia supports less rigid rules around hours of participation and number of job searches each fortnight. Activities need to be suitable, meaningful and provide social interaction and connectedness, including for paid work experience and other work trials.

Recommendation 7: Give providers more discretion to use their professional judgement so they can tailor mutual obligations to each job seeker's needs.

Work for the Dole

Welfare that works and that is based on real mutuality remains a worthwhile goal. In order to affirm the mutuality of employment services support, there is a need for a change of program name to overcome the stigma of the name Work for the Dole. Work experience activities should be regarded as an important human capital development aspect of labour market programs, intended to expose long term unemployed people to work like contexts, upgrade their skills and overcome the social isolation that leads to loss of confidence and self-esteem. We know Work for the Dole activities work – if managed properly – and work experience projects assist jobseekers gain work-like skills and to increase employability.

Recommendation 8: Rename Work for the Dole to avoid stigmatising unemployed people and work experience activities.

6. Disability Employment Services

In last year's Budget, \$9.9m was allocated over two years to support the transition of 14 selected existing providers to the new DES framework and funding model, which commenced in July 2018.

Key features of the new DES program include providers no longer receiving a guaranteed minimum market share of participants, more intense competition between providers arising from large increases in the number of providers at the local level, and a funding model that pays providers less upfront in service fees, and more for employment outcomes.

The 14 providers that were selected to receive transition funding were those forecast to experience significant drops in revenue, due to changes in funding attached to the typical job seekers they served.

The formula for identifying those to receive transition funding were those forecast to experience a drop in revenue of more than 7.5% and more than \$10,000. These providers had caseloads that were expected to experience the biggest reductions in funding due to caseload composition and expected changes in funding levels attached to each job seeker.

Since the new program commenced in July 2018, it has become apparent that more providers would have met the criteria for transition funding support. These providers have experienced significant actual falls in revenue due to the changed funding model, and lower than expected numbers of participants allocated to higher funding levels.

To maintain the sustainability of the DES sector, it is recommended that the same financial criteria that were used to identify providers for transition support be applied to all providers, using actual funding level data.

Further, under the new risk-adjusted funding model our members report that there are certain cohorts of job seekers with significant barriers to employment but are not adequately funded to receive the level of support they require.

These cohorts include:

- Eligible school leavers
- People on the autism spectrum
- People with intellectual/learning disabilities.

Members are concerned that the funding model does not adequately compensate providers for the work involved, and that it will have adverse consequences for job seekers and providers themselves. Also, many members are reporting that the number of people in higher funding categories is much lower than expected, and vice versa.

A review of the new funding model is needed to confirm whether funding levels accurately correspond to levels of support needed.

Recommendation 9: Provide transition support funding to all providers most affected by the new DES funding model

Recommendation 10: Review the DES funding model to confirm whether funding levels accurately correspond to levels of support needed.



7. Enhanced Employment Services for all Young People

To improve transitions from education to employment, all young people aged 15-25 on income support or at risk of long-term unemployment should be eligible for an enhanced youth employment service, which includes vocational guidance, career planning, skill development activities, real world work experience opportunities and specialist support.

Young people in the enhanced service would meet their mutual obligation requirements by participating in the service, as occurs currently with the Transition to Work program.

Recommendation 11: Offer enhanced employment services to all young people aged 15-25 on income support or at risk of long-term unemployment

8. A New Indigenous-Led Remote Employment Service

CDP is Punitive and Causing Disengagement

The Community Development Program (CDP) is punitive and leading to disengagement from support. A new remote employment and participation program is needed.

The requirements for most CDP participants to undertake Work for the Dole all year round as soon as they commence in the program are unreasonable and unfair. These requirements have resulted in disproportionately large rates of financial penalties being applied to participants, more than 80% of whom are Indigenous.

Since commencing in 2015, the number of financial penalties applied to CDP participants increased at an alarming rate. Participants are penalised more than 25 times the rate of penalties applied to people in the mainstream programs like jobactive.

CDP is also leading to disengagement. The number of people in the program has fallen by around 20%, because it is too hard for many people to comply with. Providers are experiencing a decreasing number in activity tested participants that can't be fully explained by job placements or movement to non-remote areas, particularly among Indigenous men aged 18 to 30¹, suggesting they are disengaging entirely from the labour market and support. Participation requirements must be aligned with those in non-remote areas.

CDP Bill 2018

Jobs Australia opposes the *Social Security Legislation Amendment (Community Development Program) Bill 2018*. The CDP Bill would apply the Targeted Compliance Framework (TCF) to CDP, targeting jobseekers who are 'persistently and wilfully non-compliant', and applying financial penalties that can't be waived through re-engagement.

¹ ANAO (2017). *Report No. 14 2017/18: Design and Implementation of the Community Development Programme*.

Since CDP commenced, participants have accounted for over 70% of all persistent non-compliance penalties, despite only representing less than 4% of activity tested income support recipients. Under current arrangements, these penalties can be waived following re-engagement.

The Government's own modelling tabled in the Senate on 20th August 2018 suggests that, in the first year alone, 4,687 people will receive 4-week penalties and be forced to re-apply for income support. In year two, this rises to 7941. From a caseload that currently stands at close to 30,000, 25% of participants getting a 4-week penalty and having their payments cancelled would be disastrous for them, their families and their communities.

While the TCF reduces the maximum non-payment period from eight weeks to four, it would remove the ability under current arrangements to have outstanding penalties waived following re-engagement. There is a risk that people will become trapped indefinitely in a cycle of financial penalties, or otherwise disengage because it is too difficult to comply.

Minister Scullion has frequently cited waivers of eight-week non-payment penalties in defence of the current arrangements². The abolition of waivers under the TCF will remove this protection and is likely to result in higher levels of lost income and poverty.

The TCF would also remove the discretion of providers to not report non-compliance to DHS if they do not believe it is the best strategy to re-engage the job seeker at that point in time. This discretion is abolished under the TCF, where providers no longer have the option to not use the compliance system. The TCF automates the link between job seeker non-compliance and the application of demerits. If the non-compliance does not fall within a defined set of accepted reasons, then demerits are automatically applied by the IT system.

This means that applying the TCF to CDP will make a bad situation worse, with disastrous impacts upon financial hardship, poverty and disengagement.

Recommendation 12: Withdraw the Social Security Legislation Amendment (Community Development Program) Bill 2018.

Fair Work and Strong Communities: Proposal for a Remote Development and Employment Scheme

Jobs Australia supports the establishment of the *Fair Work and Strong Communities: Proposal for a Remote Development and Employment Scheme*³. This proposal was developed by a national alliance of Indigenous and other non-Government organisations, including Jobs Australia.

This *Fair Work and Strong Communities* proposal would create at least 12,000 new jobs in remote communities, with the scheme adapted to local circumstances. The proposal aims for long-term improvements in employment rates, increased incomes and empowering local communities. Under the Scheme, Indigenous leadership and control is embedded at all levels – nationally in the development of policy and governance, through to implementation by local Indigenous

² Senator the Hon Nigel Scullion, 2016, Facts don't back up ANU report on CDP, <https://ministers.pmc.gov.au/scullion/2016/facts-dont-back-anu-report-cdp>

³ <https://www.fairworkstrongcommunities.org/>



organisations. It emphasises incentives, not punishments. The annual number of activity hours would be aligned with non-remote job seekers. There is less emphasis on managing compliance and administration, and more on creating meaningful opportunities for work and participation.

Recommendation 13: Implement the Fair Work and Strong Communities proposal for a remote development and employment scheme, which creates jobs, does not discriminate against Indigenous people, and is Indigenous-led at the national and local level.

9. A Different Approach to ParentsNext

ParentsNext is a promising pre-employment program for parents with children under six. It has the potential to match low level of activation with strategies aimed to provide young parents with access to services and training that will enable them to more easily transition to employment once their youngest child is of school age.

Since the aims of ParentsNext are to provide future benefits to the welfare of families at risk of labour market disadvantage, it is of utmost importance that the welfare of these families be protected while they are in the program.

Jobs Australia has serious concerns about the application of the TCF to ParentsNext. The TCF was designed to target 'persistently and wilfully non-compliant' job seekers. ParentsNext is a pre-employment program, and ParentsNext participants are not job seekers. Following the application of the TCF to ParentsNext, approximately 10% of parents have had payments suspended, with suspensions lasting from 2-12 days. These payment suspensions are having deleterious effects on ParentsNext participants and their children as young as 6 months old, causing them unnecessary distress and financial hardship. The application of the TCF is having negative outcomes for their physical and mental health, relationships and engagement with the program. Instead of providing support, the TCF is making the lives of some participants more difficult.

Payment suspensions under the TCF are problematic because they are triggered automatically when attendance at an appointment or activity has not been reported or recorded. The TCF introduced mandatory fortnight income reporting for eligible Parents regardless of whether they were working or not. These obligations are recorded as activities in the job seeker calendar and become appointments at which the ParentsNext participant must report attendance. This means they need to navigate complex IT systems such as MyGov to report they are at work every day, and if they don't, their payment is suspended until they do. Payment suspensions should be avoided for self-report failures.

ParentsNext participants should not have payments cancelled. Payment suspensions should only occur if the reason for doing so significantly outweighs the effect of the suspensions. Jobs Australia believes it would be more appropriate to offer incentive based behavioural mechanisms, such as an Immunisation Allowance type payment.

The application of the TCF to ParentsNext should be immediately suspended and the compliance framework reviewed. A more effective engagement framework can be developed in consultation



with providers, peak bodies and participant stakeholder groups. A shift is needed away from over-reliance on payment suspensions and threat of penalties, giving providers more discretion about the best means of engagement.

Recommendation 14: Suspend the TCF and urgently review the compliance framework for ParentsNext.

Recommendation 15: Develop and implement a more effective engagement framework in consultation with providers, peak bodies and participant stakeholder groups.

10. Increase Newstart

The single person rate of Newstart is \$278 per week and has not increased in real terms in 24 years. In contrast, the equivalent weekly Pension rate is \$437.10. More than half of the people on Newstart live below the poverty line, because Newstart does not provide enough income to pay for the expenses of basic needs, such as housing, food, transport, health, energy and clothing. The low level of Newstart makes it more difficult for job seekers to compete successfully for jobs and is a barrier to obtaining employment.

Recommendation 16: Increase Newstart by at least \$75 per week.

11. Implement a Job Guarantee

Employment services providers alone cannot solve the problem of long-term unemployment. They are constrained by program contracts and guidelines, funding arrangements, the demand for labour and the specific needs of job seekers and employers. Government also has a role to play through investment in the creation of job opportunities, particularly for long term unemployed people – through directly funded jobs, subsidies, procurement and place-based solutions – combined with strong pathways into the open labour market.

Recommendation 17: Implement a Job Guarantee, assuring that every person who wants to work could be employed in services to their community.



12. Boost Spending on Employment Services

Australia consistently spends less than most OECD countries on labour market programs. In 2016 Australia spent 0.89% of GDP on labour markets⁴, including training, well under the OECD average of 1.17% of GDP.

In its latest economic survey for Australia, the OECD recommended increasing spending on active labour market programmes by about 50%, which would have a 2.1% increase in GDP per capita over the long-run⁵.

In 2015 Australia spent 0.23% of GDP on employment assistance, which was less than half the OECD average of 0.53%⁶. More investment in employment services is needed.

Recommendation 18: Increase funding for employment assistance to at least half the average OECD level, worth about \$500m per year.

⁴ <https://data.oecd.org/socialexp/public-spending-on-labour-markets.htm>

⁵ 2018 OECD Economic Survey of Australia, <http://www.oecd.org/australia/economic-survey-australia.htm>

⁶ OECD Social Expenditure Database <http://www.oecd.org/social/expenditure.htm>