



Key messages

- + There are currently 130,000 young people who are unemployed and over half a million people of all ages who are unemployed long-term. ACOSS' goal is to prevent people disadvantaged in the labour market from being locked out of employment.
- + The evidence shows that work experience in regular jobs, supported by relevant training, can improve outcomes for unemployed people who have not had paid work for some time, or (in the case of many young people) are searching for their first job.
- + Current policy settings require young people who are unemployed for more than six months to participate in Work for the Dole or another approved activity for up to 25 hours per week for 6 months of the year. Participants receive just \$10.40 a week on top of their income support payment for participating. Work for the Dole programs have been demonstrably ineffective at getting people into paid work and we have advocated for their roll-back. A recent official evaluation found that this \$300 million program improves the probability of paid employment by just 2%.
- + The Budget sets a new youth employment policy direction, diverting funding from Work for the Dole programs to a new 3 stage youth employment program involving six weeks of work preparation training, 'internships' of up to 12 weeks, and wage subsidies of up to six months.
- + The change in direction is welcome, especially the expansion of wage subsidies, but the internship component must be carefully designed to protect young people from exploitation and maximise employment outcomes.
- + Specifically, the number of hours in internships should be capped, or the \$100pw 'incentive' payment increased, to ensure that the combination of income support and incentive payments provides the equivalent of a minimum hourly wage or training wage (if accredited training is provided).

- + Participants in internships should be mentored, and protections put in place to prevent exploitation and ensure their health and safety are not compromised.
- + Participation in an internship must be genuinely voluntary, with the option to leave without penalty at any stage.
- + Safeguards should also be in place to prevent 'churning' of people through internships, and displacement of existing workers.

Summary of the proposed PaTH program

The Budget includes a new \$751.4 million initiative to help 100,000 young people into jobs, called the Youth Jobs PaTH program ('Prepare, Trial, Hire'). The program is to be funded through changes to the current Work for the Dole program and savings from existing wage subsidy programs.

Key elements of the proposed new scheme include:

- + A compulsory pre-employment skills training program which is focused on general skills including working with a team, IT and job preparation (stage 1, from 1 April 2017).
- + An internship program with up to 120,000 placements/4 years for jobseekers registered with a JobActive provider for more than 6 months. The Government's intention is for jobseekers to work with employers to design internship placements of between 4 and 12 weeks with jobseekers working 15-25 hours per week. Participants would receive an additional \$200 a fortnight and participating employers would get an upfront payment of \$1000. Despite the description of the measure as 'voluntary' in the budget papers, penalties may apply for non-participation if the internship forms part of an Employment Pathway Plan.
- + A Youth Bonus wage subsidy of between \$6500 (for the most job ready jobseekers) and \$10,000 (for those assessed as least job-ready) for jobseekers under 25 years, to provide paid work experience for up to six months.

Most of the funding for the new program would come from redirecting current expenditure on compulsory Work for the Dole programs. Under the proposed policy, Work for the Dole would be restricted to Stream A jobseekers (those assessed as being the most job ready or least disadvantaged in the labour market) who have been with a JobActive provider for 12 months (i.e. long-term unemployed). The remainder of the funds will be derived from reducing funding to the existing wage subsidy program by paying subsidies for 6 instead of 12 months and through reduced estimates of demand (saving of \$204.2 million).

Our assessment

The shift away from the ineffective Work for the Dole program towards a new approach is welcome. However, the Government must ensure that the PaTH program is well targeted, prevents young people from being exploited and leads to real employment outcomes. This applies especially to the internship component

Training should be linked to work experience

Policy settings should ensure that the compulsory training stage is useful and linked to real job opportunities. Ideally, it should be designed in dialogue with the young person and employer and connected with work experience.

Payment during internships should be adequate

Participants should be paid the hourly equivalent of the minimum wage, or where appropriate training is provided, the National Training Wage. This could be achieved either by capping the weekly hours of the internship or by increasing the proposed \$100pw payment for participants.

The Budget papers indicate that the Government intends for young people to participate in internships for 15-25 hours per week. The national minimum wage is currently \$17.29 per hour or \$656.90 per 38 hour week (before tax). Lower rates apply to young people under 21 years. For example for a 19 year old the national minimum is 82.5% of this or \$14.26 per hour.¹

- + A young person receiving Youth Allowance (Other) and living at home, who participates in the internship phase would receive their base income support payment (\$142.60 a week) and the proposed \$100 incentive payment (a total weekly income of \$242.60). This would provide the equivalent of 17 hours a week at the minimum wage.²
- + A young person receiving Youth Allowance (Other) and living away from home, who participates in the internship phase would receive their base income support payment (\$216.60 a week) and the proposed \$100 incentive payment (a total weekly income of \$316.20). This would provide the equivalent of 22 hours a week at the minimum wage.³
- + For young people receiving the Newstart Allowance (on current policy settings, for those above 22 years of age, \$263.80 per week) and the \$100 per week

¹ Youth minimum rates vary according to age and the particular Award that applies. The rate quoted here is for a 19 year old employed in a job for which no specific Award applies.

² This will vary up or down depending on the age of the young person.

³ This will vary up or down depending on the age of the young person.

incentive payment, total income would be equivalent to \$364 a week, or 21 hours a week at the minimum wage.

Internships should be voluntary

The internships should be genuinely voluntary so that if a young person decides that an internship is not useful for them, they can discontinue without additional financial penalties (beyond the cessation of the additional \$100 a week payment for participation), even if the activity is agreed in their Employment Pathway Plan.

The risk of exploitation or harm should be minimised

Importantly, funding for the internships program should not be used to support long, unpaid internships that do not lead to permanent jobs for disadvantaged young people. To ensure this, as well as the capping of hours, the following safeguards should also apply:

- + Appropriate payment for participants (discussed above).
- + Employers who are 'churning' people through internships or not regularly converting internships into paid employment opportunities should be barred from the program.
- + Occupational health and safety protections should apply to young people participating in internships as well as protections against bullying and harassment.
- + Interns and sponsoring employers should be properly mentored, and this function should be properly resourced. Mentors would play a role in monitoring the above requirements.
- + Reasonable excuse provisions should apply so that young people who are unable to attend the workplace during their internship phase due to sickness are not penalized.
- + JobActive providers must be adequately resourced and incentivised to support young people to negotiate and participate in the internship process.
- + An effective complaints process should be established and adequately resourced and appropriate remedies available for young people who are being exploited in the program.
- + Exclusion of employers from the program where they have recently reduced their workforce or the risk of displacement of existing workers is high (discussed below).

Adverse impacts on the labour market should be minimised

Under current policy settings, unemployed people registered with JobActive providers can participate in unpaid work experience placements for up to 4 weeks, with employers who offer ongoing work potentially eligible for a wage subsidy. Employers are excluded from participating in the scheme if they have downsized their workforce in the previous 12 months or plan to do so during the placement or if the placement would result in the replacement of existing workers or a reduction of their hours. Similar safeguards should apply to the proposed internship program.

Providing 30,000 places a year, places in the PaTH program fall far short of the number of young unemployed people (there are currently 137,000 young people receiving unemployment payments). This means it is unlikely to have a major impact on reducing youth or long term unemployment in isolation, but the limited scope of the program also reduces the risk of labour displacement. The risks of labour displacement in low-skilled work posed by currently uncapped backpacker visas (240,000 last year) is far greater than those posed by the PaTH program.

Finally, we are concerned that while the Government is moving away from Work for the Dole approaches under its PaTH program for young people, the policy would remain in place for those in remote Aboriginal communities under the Community Development Program and for jobseekers registered with JobActive providers for more than 12 months. The Community Development Program legislation remains before the Senate and would require people in certain remote areas (mainly Aboriginal and Torres Strait Islander peoples) to participate in 25 hours per week of compulsory Work for the Dole activities and outsource social security functions to employment providers, instead of Centrelink. ACOSS remains strongly opposed to this proposal.

Conclusion

The youth PaTH program sets a positive new direction but consultation with key stakeholders, including unions, welfare and youth organisations, employers and jobseekers, should be undertaken to ensure we get the policy settings right so that the potential benefits are maximised and the risks are kept to a minimum.