

Social Services Legislation Amendment (Welfare Reform) Bill 2017

Submission to Community Affairs Committee
August 2017



About ACOSS

The [Australian Council of Social Service \(ACOSS\)](#) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

Summary

ACOSS strongly opposes the Social Services Legislation Amendment (Welfare Reform) Bill 2017.

The effect of the Bill would be to increase the financial hardship already faced by people on inadequate incomes by further cutting inadequate income support for people most in need. .

The Bill makes it more difficult for people to access payments by tightening up claim requirements and introduces drug testing of people who are unemployed even though there is no evidence this is of any benefit to people with a drug dependency. The Bill limits exemptions from mutual obligation for people with drug or alcohol dependency and substantially tightens compliance arrangements for people who are unemployed despite Australia having some of the strictest job search obligations in the OECD.

While the Bill simplifies the social security system in some parts (for instance, the payment structure for some working-age payments is simplified, which is welcome), this simplification could make some people much worse off.

We echo concerns raised by the National Social Security Rights Network and the Human Rights Law Centre about the creation of section 28C in this Bill. 28C would give broad powers to the Secretary to carve out selected income support recipients as 'declared program participants' and determine how social security law applies to them by legislative instrument. In this Bill, this allows for people under the Community Development Programme (CDP) to be exempt from certain schedules. While this is positive in the short term because these schedules are punitive and inappropriate, it sets a dangerous precedent that allows governments to determine who is covered by social security rights and protections and who is not, without legislation. We strongly oppose this proposal.

The Bill cuts \$478m from social security payments over the forward estimates, with most losses incurred by people who are unemployed and single parents. Considering that these groups are at greatest risk of living in poverty, with more than 50% living in poverty,⁴ we advocate that the focus should be on increasing these payments rather than cutting them.

Recommendation regarding the Welfare Reform Bill

We recommend that the Committee reject the Bill.

Summary of recommendations:

Section 28C

The Committee must oppose the introduction of section 28C.

Schedules 1-7: Creation of Jobseeker Payment and cessation of other payments

We call on the Committee to recommend that:

- a. The transitional payment for Wife and Widow B Pensioners be indexed.
- b. The 200 Wife Pension recipients living overseas continue to receive a pension payment.
- c. The Bereavement Allowance be retained as a separate payment, paid at its current rate with current indexation, and not rolled into the Jobseeker Payment.

Schedule 9: Change in activity test requirements for people aged 55-59

The Committee must oppose this measure

Schedule 10: Start day for some participation payments

The Committee must oppose this measure.

Schedule 11: Removal of intent to claim provisions

The Committee must oppose this measure.

Schedule 12 – Establishment of a drug testing trial

The Committee must oppose this measure.

Schedule 13 – Removal of exemptions for drug or alcohol dependence

The Committee must oppose this measure.

⁴ ACROSS & SPRC (2017) 'Poverty in Australia 2016' <http://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf> p.13

Schedule 14 – Changes to reasonable excuses

The Committee must oppose this measure.

Schedule 15 – Targeted compliance framework

We call on the Committee to recommend that:

- a. There be an independent public review into the compliance system for people who are unemployed before any reform of the existing compliance framework occurs.

If this Schedule proceeds, there should be:

- a. Discretion granted to employment service providers when recommending breaches, with decisions on the imposition of a breach left to Centrelink and timely appeal rights maintained;
- b. Provision for people to avoid loss of payment through intensive re-engagement with their employment service provider;
- c. Waivers for people experiencing financial hardship or other extenuating circumstances; and
- d. A cap on the number of weeks an individual can lose payments during the 'intensive' phase, and a clear path to transition out of that phase.

Analysis of key schedules

Schedules 1-7: Creation of Jobseeker Payment and cessation of other payments

We call on the Committee to recommend that:

- a. The transitional payment for Wife and Widow B Pensioners be indexed
- b. The 200 Wife Pension recipients living overseas be grandfathered
- c. The Bereavement Allowance be retained as a separate payment, paid at its current rate with current indexation, and not rolled into the Jobseeker Payment.

ACOSS supports simplification of the social security system so that there is one base rate of working-age payment, with appropriate supplementation. However, some schedules need amendment because they leave people on low incomes worse off.

Schedules 1-7 combine a suite of allowances and pensions into one payment – the Jobseeker Payment. The Jobseeker Payment will be paid at an allowance rate for most recipients. Currently, allowances are paid at a much lower rate than pensions, and are also subject to a lower indexation rate. Pensions are indexed to wages.

Rolling pensions and allowances into the Jobseeker Payment will leave pension recipients worse off unless they are transferred to another pension. We identify below how this will occur in schedules 2, 3 and 4.

Although we support simplification of the system, the rate of allowances (which will be the rate of the Jobseeker Payment) is totally inadequate to meet the cost of living.

We strongly oppose any measure that would move a person needing income support onto the much lower rate payment under the guise of 'simplification.' It is well established that the rates of allowances (Newstart and Youth Allowance) are far too low for people to live with dignity and meet essential costs of living. Any reforms should be designed to increase the adequacy of income support for people on allowances, not to cut the payment rates for people who are currently on the higher pension rates.

We urge the Committee to recommend that the Jobseeker Payment rate be increased to an adequate level before any other person currently on a higher pension rate is moved onto the new Jobseeker Payment (set at the allowance rate).

Schedules 2 & 3: Cessation of Wife and Widow B pensions

Schedule 2 and 3 will leave people worse off.

Schedules 2 and 3 freeze current payment rates for Widow B Pensioners and Wife Pensioners, rather than move them onto the new Jobseeker Payment. This means people currently receiving these pensions will continue to get the same dollar amount without any dollar increase at all, until it reaches the same level as the Jobseeker Payment (which would take a long period of time). Whilst the current rate of these pensions is higher than the rate of the new Jobseeker Payment, without indexation, the adequacy of these pensions will decline over time.

We strongly oppose freezing payment rates for Widow B Pensioners and Wife Pensioners and call for these payments to be indexed at least twice per year.

Wife Pension recipients will lose their payment entirely if they remain living overseas. These recipients currently have unlimited portability, whereas the Jobseeker Payment will have very restricted portability. In our view, the 200 or so women affected should be grandfathered so they can continue to receive income support. Unless these payments are grandfathered, the 200 women affected will immediately lose access to any income support whatsoever, placing them in severe financial deprivation.

Schedule 4: Bereavement Allowance

Schedule 4 will leave people worse off.

This schedule triples the rate of payment for the first instalment of the Bereavement Allowance, then leaves people worse off because transitioning recipients to Jobseeker Payment will mean people receive far less than they are currently being paid.

ACOSS opposes the proposal to roll the Bereavement Allowance. The purpose of the Bereavement Allowance is to provide income support to people during a period of bereavement. It is not appropriate to place people on the Jobseeker Payment, which is a payment designed for people searching for paid work.

The Bereavement Allowance is currently paid at a higher rate than other allowances. It is \$808.30 per fortnight and recipients can also qualify for the Pension Supplement and Energy Supplement. Recipients may receive the Bereavement Allowance for up to 14 weeks. If you are pregnant and your partner dies during the pregnancy, you may be able to receive the allowance for the remaining time you are pregnant.

The single rate of Newstart is currently \$535 per fortnight. Recipients can receive the Energy Supplement but not the Pension Supplement.

Under this schedule, the first instalment of the new Bereavement Allowance will be \$801 (under March 2017 allowance rates). Over 14 weeks however, someone who is bereaved will be at least \$1300 worse off. This is a substantial cut.

Under this schedule, a pregnant woman who loses their partner and accesses the Bereavement Allowance could lose far more. Currently, if a pregnant woman's partner dies, she may be able to access the Bereavement Allowance from when her partner died over the course of the pregnancy or 14 weeks, whichever is longer. While this rule will remain, the rate of payment will be much lower, meaning that a pregnant woman whose partner dies could lose up to around \$5,500.

The Bereavement Allowance is subject to a more reasonable means test than allowances.

It is also the only payment of the seven to be rolled into the Jobseeker Payment, which means it will be paid at a different rate to allowances that are open to new applicants.

The Bereavement Allowance is a time-limited payment, unlike other payments listed to be rolled into the Jobseeker Payment. If it becomes a Jobseeker Payment, it is unlikely people will even be aware that a payment to provide support after a bereavement is available.

We support the proposal to pay a higher upfront payment of the Bereavement Allowance. However, the Bereavement Allowance should not be rolled into the Jobseeker Payment.

Schedule 9: Change in activity test requirements for people aged 55-59

The Committee must oppose this measure

Schedule 9 could increase the breaching of people over 55 for non-compliance increasing the level of financial and associated hardship. This measure fails to recognise that people over 55 face significant barriers to finding paid work in the labour market.

Currently, people aged 55-59 must carry out 30 hours of activity per fortnight to meet their mutual obligation requirements. The person may fulfil this requirement by doing 30 hours of volunteering alone.

Schedule 9 mandates that 15 of the 30 hours must be devoted to job search or some other job-related activity, like Work for the Dole.

It is well established that people over 55 are particularly disadvantaged in the labour market. One third of people receiving Newstart payments are aged 50 and over. In 2017, people aged 55-64 who are long-term unemployed spend more than two years looking for paid work.⁵

Forcing people to complete 15 hours per fortnight of job-related activity will do little to improve their job prospects. It could force people into the failed Work for the Dole program, which only improves job prospects by 2%.

The Career Transition Assistance Program announced in the Federal Budget, which aims to help older people find paid work, will only commence in full by 2020. The tighter activity test requirements, on the other hand, will take effect in September 2018. Therefore, older people, who should have access to sufficiently resourced, tailored employment programs, will be subjected to stricter compliance requirements almost two years before the completed expansion the program designed to help them find paid work.

We do not see the benefit in potentially making people give up voluntary work to undertake job-related activities that fail to improve their job prospects.

Schedule 10: Start day for some participation payments

The Committee must oppose this measure.

Schedule 10 will mean people who apply for income support will wait longer to receive their first payment, and receive less income support by way of back-pay.

⁵ ABS [2017] 'Table 14d. Median duration of job search by Age and Duration of job search' 6291.0.55.001 - Labour Force, Australia, Detailed, June, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.001Jun%202017?OpenDocument>

Currently, a person's start day for payment is the day they make their claim or the first day after the end of any waiting period they must serve. This means that the start day for receiving income support is normally before their first interview with their job service provider.

Schedule 10 amends the start day to delay commencement until the date of a person's first interview with a job service provider.

In effect, this schedule imposes increased waiting times for payment even if the person complies with the RapidConnect requirements. It also means people will receive less income support by way of any back-pay.

ACOSS is concerned this measure could impose substantial waiting times for people who are otherwise eligible for a payment, simply because of the time it takes the Department of Human Services (DHS) to process a payment. Latest data shows that DHS processes 82.9% of Newstart claims within 16 days.⁶ Processing times for Youth Allowance (Other) are longer, with 81.1% processed within 21 days.⁷

As such, this schedule could see people lose a number of weeks' payment because of the time it takes DHS to process a payment claim.

This measure comprises the second largest spending cut in the Bill, saving \$198 million over the forward estimates. This suggests that many people will have payments delayed and receive less income support when they need it.

It is important to note that most people affected by this schedule will need to serve an ordinary one-week waiting period. They could also be affected by the Liquid Assets Waiting Period, which, if legislation currently before the Parliament is passed, could impose a waiting time of up to 26 weeks.

The start day should continue to be the date on which a claim is made.

Schedule 11: Removal of intent to claim provisions

The Committee must oppose this measure.

Schedule 11 removes the intent to claim provisions. This will leave people worse off.

Deemed claim provisions allow some people in certain circumstances to be paid from a date earlier than when they lodged their completed claim, providing they were eligible for the

⁶ DHS (2016) 'National & Service Zone Level Processing Performance Outcomes 2014-15, 2015-16 and 2016-2017' response to question on notice (30)

⁷ Ibid.

payment. This generally happens when the person contacts DHS about claiming a payment. If the person lodges the claim within 14 days of the first contact, DHS will record the date of contact as the start day for payment (and payments are backpaid until then). If the person has a medical condition, they may be able to lodge the completed claim up to 13 weeks after the first contact and the start day is considered to be the date they first contacted DHS.

Removing the intent to claim (or deemed claim) provisions will place people who are already in difficult circumstances in an even worse position by denying them income support for which they are eligible.

The deemed claim provisions are essential for people who are not in a position to submit all the required information for a claim in a timely fashion because of extenuating circumstances. This includes being hospitalised or undergoing treatment, being made homeless or having to find alternative accommodation, going through a separation or divorce, or having acquired a disability or serious health condition.

These kinds of major life changes often precede receipt of income support and can make gathering all relevant documentation and information required for a claim extremely difficult.

People may not be aware they are entitled to income support when going through extenuating circumstances, such as those mentioned above. It may be several weeks before they contact Centrelink and lodge an intent to claim, despite having been eligible for a period of time. Therefore, they have already endured substantial periods of time without accessing income support payments to which they would otherwise be entitled.

The Committee should be aware that many claimants affected by this schedule would be required to serve ordinary waiting periods, which delays their payments.

Schedule 12 – Establishment of a drug testing trial

The Committee must oppose this measure.

Drug testing people who receive unemployment payments demonises people who are unemployed and represents an extraordinary and alarming departure from the key aim of our social security system, which is to provide a safety net for people in need.

Schedule 12 would see 5,000 people being tested for selected illicit substances as a condition of receipt of their unemployment payment. If the person tests positive once for an illicit substance, they would be placed under income management for two years. They would also be tested again 25 working days later. If they tested positive on the second occasion, they would be forced to undertake treatment or agree to repeated drug tests.

Under this schedule, if someone refuses to take a drug test when they claim a payment, their claim will be denied. If they refuse a test, they will have their payment cancelled.

ACOSS is unaware of any evidence that shows drug testing of income support recipients is of any benefit to the person affected. ACOSS is unaware of any evidence to show that enforced treatment or drug testing of someone found to have used an illicit substance on as few as two occasions is of any benefit to the individual or society. The available evidence is that mandatory drug testing may have adverse effects, both for people who may have an addiction, and for people who do not.

The Australian Government's own Australian National Council on Drugs looked into the evidence around drug testing and recommended that income support recipients not be drug tested. In 2013, it found:

"There is no evidence that drug testing welfare beneficiaries will have any positive effects for those individuals or for society, and some evidence indicating such a practice could have high social and economic costs. In addition, there would be serious ethical and legal problems in implementing such a program in Australia. Drug testing of welfare beneficiaries ought not be considered."⁸

Drug testing income support recipients has been rejected by a broad range of health professionals and addiction specialists who argue that such an approach is ineffective and could threaten the health and wellbeing of people affected.

The Victorian Alcohol and Drug Association (VAADA) stated "this proposal does not have an evidence base and is likely to engender greater harm to the community".⁹

VAADA also argued that drug testing could compel users to shift to drugs that cannot be detected, which could lead to unknown consequences.¹⁰

The Rural Doctors Association of Australia stated that:

"...people who are looking for a job do not generally have any higher incidence of drug use than those in the general population, even if they are receiving government assistance. Those that do have problems will not be helped by measures that feel punitive, such as switching them to a cashless debit card, rather than payments. Tough love is rarely successful in treating substance abuse – particularly when it's from the Government."¹¹

⁸ Australian National Council on Drugs (2013) 'Drug Testing' Position Paper http://www.drugsandalcohol.ie/20368/1/ANCD_paper_DrugTesting.pdf p.2

⁹ VAADA (2017) 'Drug testing welfare recipients a false positive' Media Release 10 May http://www.vaada.org.au/wp-content/uploads/2017/05/MS_drug-testing-welfare-recipients_10052017.pdf

¹⁰ Ibid.

¹¹ Rural Doctors Association of Australia (2017) 'Drug testing welfare recipients an unproven policy' Media Release, 12 May,

It is grossly unacceptable to force someone who receives an unemployment payment to undergo a drug test. It is an invasion of privacy that harks back to the early 20th century where pension payments were only paid to people of ‘good character’.

Drug addiction is a health issue. It should not be treated as a social security compliance issue.

Under this schedule, someone who tests positive for a selected illicit drug on a single occasion will be subjected to income management for two years (if they receive income support for that long) regardless of whether they have an addiction. This is punitive and unwarranted.

Expanding the use of income management without conclusive evidence that this policy reduces the incidence of drug addiction or social implications related to addiction cannot be justified.¹²

We also note that although government stated that Community Development Programme areas will be exempt from the trial, this is not specified in the Bill. Therefore, people who are already subjected to a punitive and harmful program (CDP) could be demonised further by a drug testing trial.

There is a large number of other substantial concerns with this trial, including the accuracy of drug tests, the legality of drug testing income support recipients, privacy concerns, and the risk of people who take medications testing positive. This measure must be opposed.

Schedule 13 – Removal of exemptions for drug or alcohol dependence

The Committee must oppose this measure.

Schedule 13 removes temporary exemptions from mutual obligations because of the person’s drug or alcohol dependence. It also removes exemptions for crises ‘related to’ or ‘due to’ drug or alcohol use, and any illness that may be ‘wholly or predominantly’ attributable to a person’s dependence on alcohol or another drug.

<http://www.rdaa.com.au/sites/default/files/public/Drug%20testing%20welfare%20recipients%20an%20unproven%20policy%20--%20May%202017.pdf>

¹² J Rob Bray, Matthew Gray, Kelly Hand and Ilan Katz (2014) ‘Evaluating New Income Management in the Northern Territory: Final Evaluation Report’, p. xxi

Dependence on drugs or alcohol should not be treated by our social security system as a compliance issue. It should be treated as a health issue, as recommended by the Australian Medical Association.¹³

Further, exemptions should be based on the fitness (or lack thereof) of the person to fulfil mutual obligations. This schedule fails this test.

Currently people with activity requirements may receive an exemption from mutual obligation of up to 13 weeks because of issues related to drug or alcohol dependency.

If someone has an alcohol or drug dependency, this will affect their ability to meet mutual obligations. It is likely that people will be breached for non-compliance and risk losing essential income support, leading to further negative effects on their health and wellbeing.

It is unclear how decision makers will determine whether a crisis, injury or illness was attributable to drug or alcohol use. However, it seems that someone who has had a car accident whilst under the influence of drugs or alcohol could be barred from getting an exemption from job search or Work for the Dole activity. Equally, someone in hospital because of an illness related to drug or alcohol use could be expected to complete mutual obligations.

This substantial narrowing of exemptions will obviously see many people breach their compliance requirements, simply because they are totally unfit or physically unable to fulfil them.

It is difficult to see what purpose this tightening of exemptions is intended to serve other than to punish people for the crisis or health issue they face, which arose after drug or alcohol use. This is unconscionable and cruel.

It appears that people may be able to engage in treatment to satisfy part or all of their mutual obligations. However it is unclear how this will operate, particularly if treatment is unnecessary or already being undertaken.

Schedule 14 – Changes to reasonable excuses

The Committee must oppose this measure.

Schedule 14 limits reasonable excuse provisions for people who fail to meet mutual obligation requirements because of drug or alcohol dependency.

¹³ Australian Medical Association (2017) <https://ama.com.au/ausmed/treat-addiction-health-issue-not-crime-%E2%80%93-experts>

This is another measure likely to negatively impact upon people who are dealing with a drug or alcohol dependency.

Using a legislative instrument, this schedule would limit the use of drug or alcohol dependency as a reasonable excuse for missing an appointment or other mutual obligation requirements to one occasion only. Thereafter, drug or alcohol dependency could not be used as a reasonable excuse for failing to comply.

On the first occasion someone uses drug or alcohol dependency as a reasonable excuse, the employment service provider must suggest the person undergo treatment for drug or alcohol dependency.

If the person chooses to undergo treatment (which is not defined) they could satisfy all or part of their mutual obligation requirements.

If a person seeks treatment and relapses before the treatment is completed, it seems they could be breached for failing to meet their mutual obligations.

Experts in addiction recognise that relapse is a part of treatment. Conversely, our government through the social security system would penalise people for relapsing if treatment formed part of their mutual obligations, or if the person's addiction led to them failing other obligations.

In the UK, stronger sanctions on income support recipients who had a drug dependency resulted in greater disengagement and actually harmed efforts to address drug dependency. It was also found that increased use of sanctions was likely to fail in improving employment rates of people with drug dependency, in the absence of intensive support and demand-side interventions.¹⁴

This schedule attempts to treat addiction via social security law without any consideration of the realities of treating addiction. Drug and alcohol dependency requires a health response. Parliament must oppose this measure.

Schedule 15 – Targeted compliance framework

We call on the Committee to recommend that:

- a. There be an independent public review into the compliance system for people who are unemployed before any reform of the existing compliance framework.**

If this schedule proceeds, there should be:

¹⁴ Bauld, L., McKell, J., Carroll, C., Hay, G. and Smith, K. (2012). 'Benefits and Employment: How Problem Drug Users Experience Welfare and Routes into Work', *Journal of Social Policy* 41, 751-768

- a. Discretion granted to employment service providers when recommending breaches, with decisions on the imposition of a breach left to Centrelink and timely appeal rights maintained,
- b. Provision for people to avoid loss of payment through intensive re-engagement with their employment service provider,
- c. Waivers for people experiencing financial hardship or other extenuating circumstances, and
- d. A cap on the number of weeks an individual can lose payments during the 'intensive' phase, and a clear path to transition out of that phase.

This schedule installs a new compliance framework for people who are unemployed, using a demerit point system.

ACOSS does not support the proposed framework.

Under the proposed framework, people who are activity tested will have **seven** 'demerit points' which can be lost if they fail to meet their mutual obligations. The framework financially penalises people who fail to meet their obligations five or more times over a six month period.

In the current system, employment service providers have discretion over whether to recommend that a person be breached. It is essential that providers have discretion in order to take into account the real impacts upon a person of losing income support including the impact on their health and wellbeing and their capacity to seek paid work.

In the proposed new system, employment service providers would be responsible for imposing the loss of the first **three** points. The loss of these points would result in payment suspension until the person complies or re-engages.

Employment service providers would not have discretion when applying the loss of the first three points, which could result in people who are trying to do the right thing ending up in the 'intensive compliance' phase (following the loss of four points).

The proposed schedule is a departure from the current system where providers have discretion over whether to recommend that someone be breached.

We believe employer service provider discretion should be permitted to avoid moving people into the second phase when there is no need for strict compliance.

If a person loses **four** points, they would meet with DHS to determine whether their obligations are appropriate. If DHS determines there are no vulnerabilities affecting the person's capacity to comply with mutual obligations, they would be moved into the 'intensive compliance' phase where continued failure to comply would result in a loss of payment.

The loss of **five** points would result in the loss of one week's payment.

The loss of **six** points would result in the loss of two weeks' payment.

If the person loses **seven** points, they would have their payment cancelled for four weeks.

If this schedule goes ahead, it is expected up to 80,000 people would lose at least one week's payment.

The proposed system relies very heavily on drawing a clear distinction between people who are willing to comply but face difficulties, and people who wilfully and repeatedly avoid activity requirements. Our years of experience with many different compliance systems has taught us that distinctions are in fact more blurred, people's circumstances do change, and many vulnerabilities go unreported. Discretion to tailor responses to non-compliance is essential to ensure that any compliance system remains humane. It is required to maintain relationships between the person receiving income support and their employment service provider, and prevent harsh and detrimental effects on a person's health and wellbeing.

While the proposed framework has some positive elements such as removing No Show No Pay penalties and graduating the severity of penalties, opportunities for people to re-engage in order to avoid payment penalties in the so-called 'intensive' phase are non-existent.¹⁵

Waiver and hardship provisions are also missing, which means that families and other individuals who have undisclosed vulnerabilities will lose payments if they repeatedly fail to comply.

This new framework would cut \$204 million from the social security budget. This is a significant amount. The majority of this is derived from cutting large numbers of people off payments.¹⁶ The source of this predicted saving in dollars flies in the face of the suggestion that the new compliance system would improve people's employment prospects. It demonstrates that the purpose and effect of the new framework will be to cut more people off from income support more often for potentially long periods of time. For instance, if someone loses seven demerit points over six months, they will lose seven weeks' payment in total. There will be no ability to exercise discretion. It is not clear how people could transition out of the 'intensive' phase and whether the loss of income within any six month period would be capped.

¹⁵ We would particularly welcome the proposed halving of the eight week maximum non-payment period, which ACOSS has argued for many years was unreasonable and excessive.

¹⁶ Education and Employment Legislation Committee (2017) 'Senate Estimates' 29 May http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/226e32f8-e170-4bef-81ea-7fe8a4ecfe84/toc_pdf/Education%20and%20Employment%20Legislation%20Committee%202017%2005%2029%205125.pdf;fileType=application%2Fpdf p.22

Noting its current absence, we believe modelling should be completed to determine the impact of this proposed new system of moving people into paid work.

Research from other jurisdictions shows that tough sanctions have mixed effects.

In the UK, tough sanctions were found to increase the risk of participants becoming homeless and had negative outcomes for mental and physical health, self-esteem, relationships and engagement with the labour market.¹⁷ Further, strict sanction regimes harm psychological wellbeing and disrupts people's efforts to secure work in unintended ways (such as fulfilling compliance requirements rather than searching efficiently for the best job available).¹⁸

Significant in the model proposed by the Australian government, penalties in the 'intensive' phase are very likely to result in people becoming homeless and destitute, including families. This would strain already stressed emergency relief and accommodation services and further reduce the person's chances of finding employment.

The tightening of reasonable excuse and mutual obligation settings elsewhere in this Bill would result in more vulnerable people being penalised under the proposed framework because they expressly prohibit certain illnesses and crises from being considered when determining whether or not someone should be breached. In short, this tightening would make it impossible for some people affected to meet compliance requirements.

We do not support punishing people for the sake of punishment.

We strongly assert that the compliance system should be fair and should aim to engage people with the labour market and transition them into sustainable paid work. It should seek to uncover underlying issues the person may have and develop ways of addressing those. Our concern with the proposed system is the lack of discretion could see people with vulnerabilities subjected to non-payment periods, greatly increasing hardship and deprivation

If the government believes the current system of compliance is failing or flawed, it should undertake a public review of the system and release all relevant data so that community agencies, peak bodies, experts, and most importantly unemployed people, can identify the problems that need to be fixed and how this can be achieved. The last public inquiry into the system was the Disney Review in 2010. ACOSS would welcome such a review.

Reform in this complex and important area appears to have been designed within the secrecy of the budget process, based on highly selective release of information. This

¹⁷ McCarthy, L., Batty, E., Beatty, C., Casey, R., Foden, M. and Reeve, K. (2015). Homeless people's experiences of welfare conditionality and benefit sanctions, Project Report, London

¹⁸ Raffass, T. (2017) 'Demanding Activation', Journal of Social Policy 46, 349-365

includes, for example, the recent release to media of provocative and misleading pseudo-data on the numbers of people allegedly 'abusing' the system in each region, with little or no information provided as to how these figures were derived.

One of the major benefits of the Disney Review (2010)¹⁹ was that the quality and transparency of the compliance data was improved and they were released in greater detail so that all stakeholders could objectively assess whether there were problems with the system, and the source of those problems.

Reform of the compliance system has obvious repercussions for people who are unemployed. We need to get the system right to avoid unintended consequences.

¹⁹ Buduls, A., Disney, J., Grant, P. (2010) 'Independent Review of the Job Seeker Compliance Framework' Report to the Parliament of Australia, September, https://docs.employment.gov.au/system/files/doc/other/impacts_of_the_new_job_seeker_compliance_framework_report_of_the_independent_review.pdf