

# The future of Parents Next

## Submission to Senate Community Affairs Committee

8 February 2019



### About ACOSS

The Australian Council of Social Service (ACOSS) is a national advocate for action to reduce poverty and inequality and the peak body for the community services sector in Australia. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

### Parents Next

Parents Next is a prevocational and social support program for single parents with preschool-age children.<sup>1</sup> From July 2018, it was extended and made compulsory for 70,000 parents. The Targeted Compliance Framework (TCF) for people using jobactive services was extended to Parents Next at the same time.

### Four basic weaknesses

While prevocational support for parents with young children is welcome and can lift their future employment prospects, the program has four basic weaknesses.

**First**, it lacks clear, evidence-based objectives. Its origins - as a response to concerns about 'intergenerational welfare dependency' - have muddied its purpose and confused prevocational assistance for parents who will soon face requirements to undertake paid work with parenting support for families and children 'at risk'. This reinforces the stereotyping of parents with young children receiving income support (and in the program's first iteration 'young parents'). It leads to reluctance to participate in prevocational support programs (especially among Aboriginal and Torres Strait Islander people, who often have negative experiences of child welfare systems).

**Second**, there is no justification or evidence on which to base the requirement that parents prepare for employment when their youngest child is as young as six months.

**Third**, there is no justification or evidence base on which to require parents receiving income support payments (as distinct from families assessed 'at-risk' by child welfare agencies) to participate in programs and activities relating to parenting, and to link this with a prevocational program.

**Fourth**, the TCF has altered the character of Parents Next, elevating its social security compliance function, raising anxiety levels among participants, and increasing the time providers must devote to compliance administration.

ACOSS is deeply concerned about the widespread payment suspensions and penalties to parents with young children, to whom the government has a duty of care. As well as undermining trust in service providers and the ability of parents to plan for the future, this can have severe and immediate impacts, including homelessness or the inability of parents to feed their children.

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<sup>1</sup> Eligibility for Parents Next, and the origins of the program are detailed in the Attachments

The TCF is punitive. The automation of payment suspensions has generated widespread financial hardship, even before substantial numbers of parents have reached the 'intensive' phase (when penalties of up to a four-week loss of payments apply). Media reports indicate that between July and December 2018, over 16,000 parents had their payments suspended (21% of the 75,000 participants, and in the case of Aboriginal and Torres Strait Islander parents 27% of participants).<sup>2</sup>

## The strengths of a strengths-based approach

Where a strengths-based approach is adopted, the program (or an alternative prevocational scheme) has the potential to enhance choice, control and opportunities for parents in their careers. This in turn improves their prospects of secure employment and reduces their need for income support in future. Key features of this approach include:

- Informing and facilitating choices rather than imposing pre-determined requirements;
- Career counselling and planning rather than a pre-determined path to employment;
- A clear understanding of the circumstances and constraints facing parents with young children (especially those raising young children alone and those who have experienced domestic violence) and support to overcome them;
- Cultural appropriateness, especially for Aboriginal and Torres Strait Islander communities;
- Support to negotiate (and where necessary, subsidise) child care, education and training, and other essential assistance;
- High quality services, with appropriately skilled staff and realistic caseloads;
- An emphasis on strengths and capabilities, rather than stereotypical assumptions that parents receiving income support have limited aspirations or cannot manage their affairs.

Since the application of the TCF to Parents Next, these elements of Parents Next have diminished and a compliance-based approach is now prominent.

It is significant that 95% of participants in the program are women with caring responsibilities for young children. Rather than devaluing the vital work of parenting, a prevocational program for sole parents with young children should acknowledge the time and other pressures these parents face. It should offer practical help to parents so they can combine parenting with preparation for paid employment; including with child care, training, and flexibility around the frequency and timing of appointments.

## Specific problems

Some parents have benefited from Parents Next. However, in addition to the four basic weaknesses identified above, the following specific problems must be resolved:

- Complex and confusing eligibility requirements;
- Inappropriate referrals to the program and a cumbersome process to leave it;
- Activities imposed in the absence of proper career counselling and planning;
- The treatment of domestic violence survivors (having to explain their circumstances repeatedly, and those circumstances not always taken fully into account);
- Excessive income reporting requirements, on pain of payment suspension;
- The sudden-death, automated nature of payment suspensions and 'demerit points' under the TCF;
- Limited flexibility over the timing of provider appointments and lack of a second opportunity to engage before payments are suspended;
- Elevated risk of payment suspension for people unable to use online platforms;

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<sup>2</sup> Henriques-Gomes, L (2019): 'One in five parents had payments cut in first six months of new welfare program' The Guardian, 7 February 2019.

- Limited support with education and training costs and referrals;
- Limited support with child care costs and referrals (including a lack of child care at provider sites);
- Weak quality control (for example, regarding caseloads, the skills and capabilities of front-line workers, and handling of complaints);
- Requirements to reveal and share sensitive personal information with providers.

## The solution: replace Parents Next with a broader prevocational program

These problems cannot be resolved within the present program design. The solution is not to abandon prevocational support for parents. Instead, Parents Next should be replaced by a more broadly-based non-discriminatory prevocational program designed in cooperation with parents, advocates and service providers.

Parents with preschool-age children are not the only group of income support recipients who need career counselling and prevocational support. Carers of people with disabilities returning to paid employment and older workers needing to renew their careers would also benefit from these services. A broad-based program would be more efficient than running several similar schemes for different groups. This would also reduce the stigma often associated with programs that 'target' parents receiving income support, especially those classified as 'vulnerable'.

There is an opportunity to introduce such a prevocational support program alongside the next employment services system, from July 2020. Planning and consultation should begin now. Evidence suggests that such a program could significantly improve employment outcomes at modest cost.<sup>3</sup>

## Appropriate and inappropriate activity requirements for parents

On a broader note, the targeting and appropriateness of activity requirements for people receiving income support who face major barriers to employment (including the principal carers of children), is overdue for review. Activity requirements for parents and older workers were last reviewed in 2008.<sup>4</sup>

Examples of inappropriate and unhelpful requirements affecting *parents with school-age children* include inflexible requirements to undertake activities during school holidays, a default requirement to seek 20 jobs each month (previously 12 days), referrals to jobs with night shifts, limited access to domestic violence exemptions, and unhelpful restrictions on participation in education and training.

In addition, many people with *severe disabilities* (who for this reason do not qualify for Disability Employment Services) are required to join the jobactive program. Further, the role of voluntary work in activity requirements for *older people* is unresolved, and those with job search requirements face a default requirement to seek 20 jobs a month despite widespread discrimination against older workers and repeated knock-backs.

These and other arrangements should be independently reviewed before the new employment services system is introduced in July 2020. The review should consider the targeting and appropriateness of any requirements to participate in the proposed prevocational program.

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<sup>3</sup> See Attachment 2.

<sup>4</sup> Participation Task Force (2008), Report, Department of Education, Employment and Workplace Relations, Canberra.

## Recommendations

In the short term (before the end of 2019):

1. Parents Next should *immediately* be removed from the targeted compliance framework, and:
  - (1) No penalties should apply for breaches of Parents Next requirements;
  - (2) Parents should be given at least a second opportunity to attend an appointment before payments are suspended, and payments should be restored immediately once they agree to do so;
  - (3) Payments should not be suspended on Fridays;
  - (4) Existing demerit points should be clean-slatted.
2. *As soon as possible*, participation in Parents Next should be made voluntary:
  - (1) Legislation should be presented to Parliament to remove requirements for parents to participate in the program, attend meetings with providers, and participate in activities.
  - (2) Once this passes, payments would no longer be suspended for non-attendance at interviews, and no penalties would apply for failure to agree or undertake activities.
3. Activities and requirements relating to parenting should be removed from Parents Next, and parents who need parenting support should be referred to suitable local services outside the program.
4. The target groups for participation in the program should be altered as follows:
  - (1) All Parenting Payment recipients should be *eligible* to volunteer;
  - (2) All Parenting Payment participants whose youngest child is 4 years or over should be *invited* to volunteer.
5. A public review led by an independent panel of experts should be conducted over a six month period to assess the targeting, appropriateness and impacts of employment-related and prevocational activity requirements tied to income support on the well-being and future employment prospects of parents (and their children), people with a disability, and people aged 55 years and over, including:
  - (1) primary carers of children, receiving Newstart Allowance, Youth Allowance or Parenting Payment, taking account of their parenting role, any other barriers to employment, and the extent and nature of employment opportunities available to them;
  - (2) people with disabilities receiving Newstart Allowance or Youth Allowance, taking account of their barriers to employment, and the extent and nature of employment opportunities available to them;
  - (3) carers of people with disabilities (and former carers), receiving Newstart Allowance or Youth Allowance, taking account of their caring role and any other barriers to employment, and the extent and nature of employment opportunities available to them;
  - (4) people aged 50 years and over receiving Newstart Allowance, taking account of their barriers to employment and the extent and nature of employment opportunities available to them.

In the medium term (from July 2020):

6. Parents Next should be replaced by a prevocational and career counselling program for parents returning to paid work, along with carers and people aged 50 years and over who are unemployed and need support to renew their careers. This program would include:
  - (1) career counselling;
  - (2) advice and referral to child care and other alternative care services;
  - (3) advice on the financial impacts of taking on paid work while receiving income support

payments;

(4) access to a fund to support vocational training and further education and referrals to education providers.

7. The proposed prevocational and career counselling program would be offered by:
  - (1) specialist career support providers funded on a grants basis (as with the current Parents Next and Transition to Work programs) rather than a tender; or
  - (2) mainstream employment service providers (subject to implementation of our reform proposals in that area);<sup>5</sup> and
  - (3) Aboriginal and Torres Strait Islander community-based organisations to assist First Nations peoples who would prefer services offered by their own communities.

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<sup>5</sup> ACOSS (2018); 'Submission on Future Employment Services' Available: [https://www.acoss.org.au/wp-content/uploads/2018/08/ACOSS\\_submission-on-future-employment-services\\_FINAL.pdf](https://www.acoss.org.au/wp-content/uploads/2018/08/ACOSS_submission-on-future-employment-services_FINAL.pdf)

## Attachment 1:

### Eligibility for Parents Next

The eligibility requirements for ParentsNext are very complex. The following people receiving Parenting Payment are required to participate:<sup>6</sup>

#### Intensive stream

- resides in one of 30 specified “disadvantaged” local government areas (many of which have high Aboriginal and Torres Strait Islander populations);
- has been in receipt of Parenting Payment (PP) (partnered or single) for at least six months continuously;
- has a youngest child aged between six months and under six years;
- has not received Pensioner Education Supplement (for full-time students) in the previous three months;
- has no reported earnings from employment in the previous six months; AND
- is an early school leaver - aged under 22 years and has not completed the final year of secondary school, or an equivalent level of education, and not undertaking full time study (an equivalent level of education includes a Certificate III qualification but does not include a Certificate II qualification) OR
- is eligible for ParentsNext based on a Job Seeker Classification Instrument (JSCI) assessment (a measure of disadvantage in the paid workforce); OR
- has a youngest child aged five years

The 30 Intensive Stream locations are:

- NSW: Bankstown, Wyong, Shellharbour, Dubbo, Sydney-Central, Mid Coast, Orange, North Coast, Tamworth,
- NT: Darwin-Palmerston, Alice Springs,
- SA: Playford, Port Adelaide, Port Augusta & Whyalla,
- QLD: Cairns, Logan, Rockhampton, Toowoomba, Mackay, Townsville,
- WA: Kwinana, Perth-South, Perth-East, Geraldton and Broome,
- TAS: Burnie and Brighton,
- VIC: Greater Shepparton, Hume and Mildura.

#### Targeted stream

- resides in other non-remote LGAs AND
- has been in receipt of Parenting Payment (PP) (partnered or single) for at least six months continuously;
- has a youngest child aged five years OR
- is eligible for ParentsNext based on a Job Seeker Classification Instrument (JSCI) assessment (a measure of disadvantage in the paid workforce) and the youngest child is at least 3 years old.

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<sup>6</sup> Unless specifically exempted.

## Attachment 2: The origins of Parents Next

### Jobs Education and Training

Prior to 2003, primary carers of children aged under 16 years and receiving Parenting Payment were not required to undertake activities such as job search or employment preparation. A voluntary prevocational program, Jobs Education and Training (JET) was offered to Parenting Payment recipients, especially those whose youngest child was approaching 16 years of age (many of whom would then transfer to Unemployment Benefit and be required to seek paid employment). Under this program, specialist advisors in the Department of Social Security gave career advice, and assisted parents with access to child care and vocational training. A special child care subsidy (JET Child Care Assistance) was available, which effectively reduced the cost of child care to zero while parents participated in program activities. At its peak, there were approximately 60,000 new entrants to the program each year, a significant minority of Parenting Payment recipients.<sup>7</sup>

### Australians Working Together

In 2003, under the 'Australian Working Together' policy of the Howard Government, parents whose youngest child was 13 to 15 years old were subject to participation requirements of up to 150 hours of approved activities for each 26 weeks. Approved activities could include paid work, looking for paid work, participation in the Job Network, education or training, volunteering and other activities designed to overcome an identified barrier to employment. At the same time, parents whose youngest child was aged between six and 12 years were required to attend a participation planning interview but participation in activities was voluntary for this group.

### Welfare to Work

In 2006, the Howard Government's 'Welfare to Work' policy required primary carers of children of school age (six years and over) receiving income support to seek paid employment of at least 15 hours a week. Sole parents whose youngest child was eight years or over could no longer receive Parenting Payment Single (PPS), and were generally diverted to the much lower Newstart or Youth Allowances (with existing PPS recipients 'grandfathered' so they retained PPS - if still eligible - until their youngest child reached 16 years).<sup>8</sup>

A new compulsory prevocational support program, 'Employment Preparation' effectively replaced JET at this time. This program assisted parents who had limited recent paid employment experience. Under the program, Job Network providers gave career advice, assisted parents with access to child care, and used a modest fund to support training in areas such as literacy, child care, and information technology.

In 2012 and 2013, the previous 'grandfathering' arrangements for PPS were removed by the Gillard Government, and most PPS recipients whose youngest child was eight years or more were transferred to the much lower Newstart or Youth Allowance payments. While their payments were reduced, their activity requirements did not change as the 'grandfathered' group were already required to seek part-time employment and participate in employment services.

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<sup>7</sup> Parliamentary Library (2005): 'The jobs, education and training program (JET), performance and funding'

<sup>8</sup> Baxter J & Renda L (2011): 'Lone and couple mothers in the Australian labour market: Exploring differences in employment transitions', AIFS Research Paper 48. Australian Institute of Family Studies, 2011

## From teen parents to young parents

The precursor to Parents Next was a small prevocational and parental support program for 'teen parents' receiving income support in certain 'disadvantaged' regions, introduced by the Gillard Government in 2012.<sup>9</sup> A key goal of this program was to reduce 'welfare dependency', especially across generations, despite a lack of hard evidence that parents' reliance on income support *of itself* led to prolonged 'dependency' on these payments or reduced the wellbeing and future paid employment prospects of their children.<sup>10</sup>

The program was based on a set of assumptions that, in the absence of support, teenage parents receiving income support were vulnerable to labour market exclusion, and that they needed help to develop parenting skills. These assumptions were the source of the unusual combination of prevocational assistance (such as career counselling) and parenting support (such as requirements to enrol children in playgroups or attend medical checks) in the subsequent 'Parents Next' program. That is, parents classified as 'disadvantaged' (by virtue of their age when the child was born, their location, and/or their formal qualifications and labour force history) were assumed to lack confidence or competence in both parenting and paid employment.

Also in 2012, a 'Family Centred Employment Project' offered prevocational assistance and social support to families out of paid work in the same 'disadvantaged' regions. This was voluntary.

The teen parents program was the first to extend activity requirements to parents in receipt of Parenting Payment whose youngest child was less than six years old. Participants were required to attend interviews with a service provider once their youngest child reached six months, and to engage in activities once the child reached one year of age.

It was subsequently broadened in scope and re-badged 'Helping Young Parents', when it was realised that young parents took the well-being of their children and their own future employment prospects very seriously and resented the stereotyping and 'moral panic' surrounding 'teen parenthood'. Program participants were required to attend appointments with their service provider and participate in activities relating to parenting and preparation for paid employment. Income support payments could be suspended (with reinstatement on compliance) where they did not meet these requirements.

## Parents Next

In 2016, the two programs described above (for 'young parents' and 'jobless families') were merged and re-named 'Parents Next'. Eligibility for the new program was broadened to Parenting Payment recipients with preschool age children within the designated 'disadvantaged regions' who were deemed at risk of exclusion from the labour market on the basis that they received income support for at least six months, were not engaged in fulltime education and did not report earnings, together with a range of other indicators. Participation was compulsory for parents in these target groups.

From July 2018, Parents Next was extended to approximately 70,000 parents who fall within the much broader eligibility categories listed in Attachment 1. Significantly, it was extended beyond parents in 'disadvantaged regions' to parents in all non-remote regions assessed as personally 'disadvantaged'. At the same time, the 'Targeted Compliance Framework' associated with the jobactive program was applied to breaches of activity requirements in the extended program. This

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<sup>9</sup> Prime Minister (2012): 'Helping teenage parents to finish school and support their children'. Press Release. ,

<sup>10</sup> The evidence points in the other direction: that payments that ease poverty among children improve their future career prospects. Shildrick T et al (2012): 'Are 'cultures of worklessness' passed down the generations?', Joseph Rowntree Foundation; Aizer A (2016): 'The Long-Run Impact of Cash Transfers to Poor Families', *American Economic Review* 2016, 106(4): pp 935–971.

greatly reduced the ability for service providers and Centrelink to use positive engagement strategies rather than suspensions and penalties to secure participation in the program.

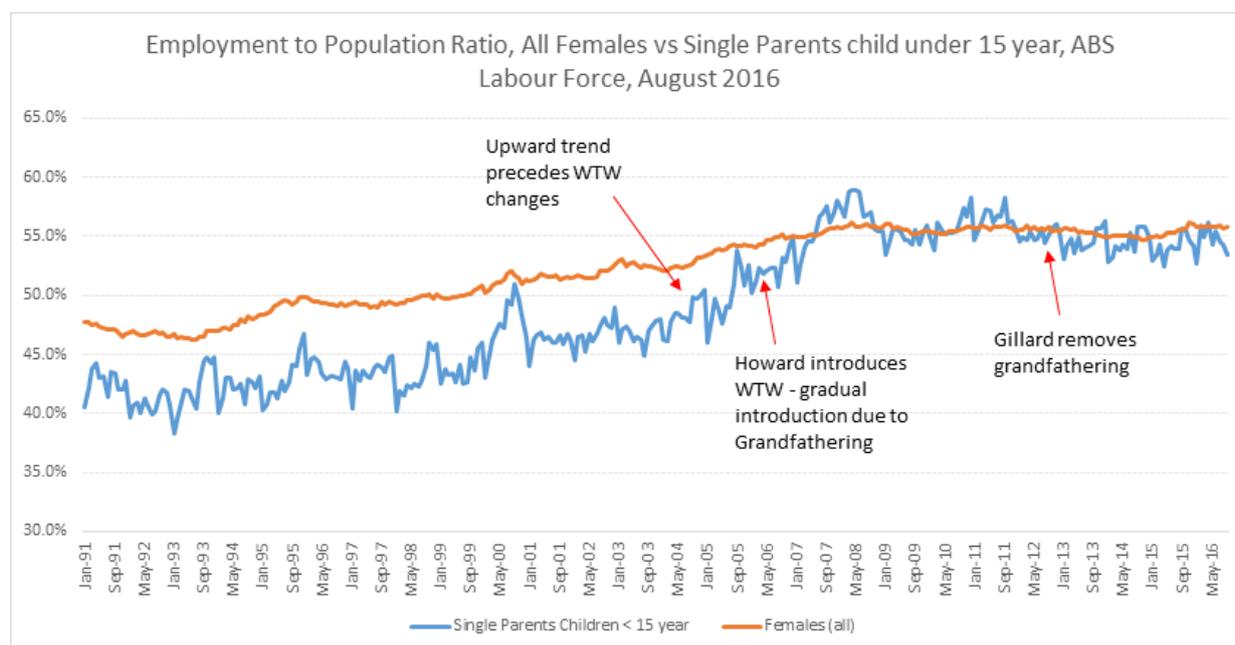
### Impacts on paid employment among sole parents

The graph below compares paid employment rates among all women of working age and sole parents over the period the above changes were implemented. Along with the official evaluation of the 2006 'Welfare to Work' policy, this suggests that job search and prevocational assistance (including the abovementioned Employment Preparation program) had a modest positive impact on their chances of securing paid employment.<sup>11</sup>

The security and quality of the jobs obtained was not examined by the Welfare to Work evaluation, yet there were indications that jobs obtained by sole parents were less secure than those obtained by partnered parents.<sup>12</sup> The poor quality and unfavourable working hours (for parents of young children) of many of the jobs available to parents receiving income support remains a key barrier to paid workforce participation. This underscores the importance of career advice and prevocational support and training, which can improve the quality of future jobs available to parents.

The graph below also suggests that the removal of 'grandfathering' in 2012 and 2013 had no significant impact on the likelihood of paid employment, though it did greatly reduce the incomes of those sole parents who continued to rely on income support.

The authors of the presentation from which the graph was drawn concluded that the main cause of increased employment among sole parents over the period was the rate of growth in employment overall, and that the weaker labour market in the post GFC period was the main reason for the levelling off of the employment rate of sole parents after 2008.



Source: Gray M & Stanton D (2016): 'The impact of policy change and macro-economic conditions on Australian single mothers', Australian National University, Canberra.

<sup>11</sup> Department of Education, Employment and Workplace Relations (2009): 'Welfare to Work evaluation'. An official evaluation found that Employment Preparation increased the probability of paid employment by 17%, the highest outcome for the various employment programs assessed (Department of Education, Employment and Workplace Relations (2008): 'Employment services, a net impact study').

<sup>12</sup> Baxter J & Renda J (2011): Op. Cit.