

Reform of employment services and mutual obligations

House of Representatives Select Committee
on Workforce Australia

13 March 2023

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.

ACOSS consists of a network of approximately 4,000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Contents

Summary	3
A. Reform of employment services	3
B. Reform of mutual obligations and compliance	5
Recommendations	7
A. Reform of employment services	7
B. Reform of mutual obligations and compliance	11
A. Reform of employment services	14
1. Getting the basics right: Full employment and decent incomes for people out of paid work	14
2. Reducing prolonged unemployment is the main challenge for employment services.....	16
3. What people unemployed long-term need	19
4. Key strengths and weaknesses of Workforce Australia	20
5. Proposed short-term changes to employment services	22
6. The mix of services	27
7. Governance of employment services	31
8. Provider resourcing	36
B. Reform of mutual obligations and compliance	39
1. Immediate changes to the most punitive and harmful elements of the mutual obligation regime	39
2. Mutual obligation should aim to assist people to obtain suitable employment..	40
3. Activity requirements should be reasonable and relevant	41
4. The obligations of people on unemployment payments and Government should be mutual and even-handed	42
5. Provide the tools and supports people need to negotiate the employment services system with confidence	43
6. Different mutual obligation requirements should apply for people with barriers to employment or who experience discrimination	44
7. Financial penalties are harmful and should only be used as a last resort	44
8. Develop stronger evidence about the relationship between obligations and achievement of sustainable employment outcomes	45
9. Build a more supportive engagement framework in consultation with people directly affected and experts	46
Acknowledgements	47
Contacts	47

Summary

Workforce Australia incorporates improvements to the previous jobactive program recommended by the *Employment Services Expert Panel*, but it retains many of the flaws of that system that rendered it ineffective to reduce long-term unemployment. Further, employment services are dominated by the *Targeted Compliance System* (which was not reviewed by the Expert Panel) so that their primary function is benefit compliance rather than help to secure employment.

We advocate immediate changes to remove the most punitive and counterproductive elements of employment services and compliance systems, and medium-term reforms to redesign them so that they are effective, especially to reduce prolonged unemployment.

The Federal Government has a choice: continue with an employment service and benefit compliance model that keeps people in a state of anxiety and stress for as long as they rely on unemployment payments or, invest in positive help that actually improves their employment prospects. We encourage the Committee to support the latter and recommend a clear path for reform to redesign the employment services system.

A. Reform of employment services

ACOSS reiterates its call in our position paper for last year's *Jobs and Skills Summit* for the Government and Reserve Bank to commit to a full employment target and give it equal weight to the inflation target. Without this commitment, an historic opportunity to restore and sustain full employment will be lost.

In addition to adequate job opportunities, people who are unemployed need income support that's adequate to cover their basic living costs as well as the costs of searching for employment. The present income support payments fail to do so.

Further, those who face disadvantage in the labour market due to prolonged unemployment, age or racial discrimination, disability and other barriers to employment need employment services that invest in their capabilities and connect them with the right employer.

The 'Job Network model' of employment services has failed

Since it was introduced in the 1990s, the competitive model of outcomes-based procurement of employment services (the '*Job Network model*') has failed to deliver the services people unemployed long-term need. This is one of the main reasons that two thirds of people on unemployment payments (over 600,000 people) still rely on income support for more than a year despite a tightening labour market.

There are three major gaps between theory and practice in this procurement model.¹

¹ For a more detailed discussion of the strengths and weaknesses of individualised outcomes-based procurement models, see Considine M et al (2020), *Locked-in or Locked-out: Can a Public Services Market Really Change?* Journal of Social Policy Vol 49 No4, pp850–871; Considine M

- First, instead of promoting innovation and personalisation of support, the system reinforces the ‘herding’ of providers around a lowest common denominator service – the cheapest path to a short-term outcome for those who are easiest to place in employment.
- Second, over the last three decades there has been a steady loss of provider diversity. There are now only 37 providers nationally and two thirds of the funding goes to (mostly large) for-profit providers, whose business model is generally one of cost minimisation. This raises serious questions around the claimed benefits of ‘competition’ and the contribution of for-profit providers to service improvement.
- Third, in an effort to improve ‘cost efficiency’ on a narrow set of metrics, successive governments have reduced public investment in employment services to one of the lowest levels in the OECD. Yet a quality service that makes a difference for people unemployed long-term cannot be provided with under-qualified staff with high caseloads, nor by under-investing in effective interventions such as wage subsidies and quality vocational training.

First step: abolish punitive programs such as Work for the Dole and reduce reliance on ineffective ones

In the short-term, we advocate abolition of punitive programs such as *Work for the Dole* and less reliance on ineffective ones like *Employability Skills Training*. These should be replaced by investments that are likely to make a difference including in wage subsidies, demand-led programs such as *Launch into Work* and quality vocational and foundational skills training. This is vital to take full advantage of a tight labour market to connect people with the right jobs.

Second step: redesign the employment services model

Workforce Australia improves on the jobactive model in the following ways, and those improvements should be maintained:

- By separating assistance for people closer to employment and those unemployed long-term so that providers focus on the most disadvantaged;
- By providing more funding in advance so that providers (especially smaller organisations) can invest in the core resources they need to assist people disadvantaged in the labour market, while keeping outcome payments so that they focus on results;
- A fixed fee structure that helps avoid a ‘race to the bottom’ that would occur if providers were asked to compete on price;
- A *Local Jobs Program* to improve collaboration among providers, TAFEs and community colleges, employers and other community services at the local level.

The following fundamental weaknesses remain:

(2022), *The Careless State*. Melbourne University Press and Davidson P (2020), *Is this the end of the Job Network model?* Australian Journal of Social Issues.

- The overbearing influence of the unemployment payment compliance system on the work of providers and unemployed people (discussed below);
- A fee structure that provides inadequate core funding to support employment of suitably qualified staff and gives insufficient weight to outcomes achieved for the most disadvantaged;
- Insufficient investment *on the scale required* in 'complementary' programs (such as wage subsidies and quality vocational and foundation training) to help overcome barriers to employment;
- Failure to separate purchasing and licensing functions and set core service standards (such as suitably-qualified staff and reasonable caseloads);
- Lack of provider diversity, especially the loss of smaller, locally based and specialist not-for-profit organisations;
- Lack of infrastructure (notwithstanding the Local Jobs Program) to support and sustain locally-led 'bottom up' partnerships between employment service providers and other stakeholders to connect the right person with the right job, training and support services, and enable them to work together to overcome entrenched disadvantage.

We recommend below fundamental changes to the model regarding the mix of services, national and local governance (including licensing), and fee structures.

B. Reform of mutual obligations and compliance

ACOSS has grave concerns about the Mutual Obligation system which has for too long been premised on punitive requirements and threats that have undermined the self-confidence and agency of people required to use employment services, with severe adverse impacts on their mental health and financial security.² Income support payments are often automatically suspended for minor infringements:

My provider notified me of a suspension at 4pm the day before my payday, when I pay my bills, because I failed to attend an interview that I was not made aware of. I received no notification of the appointment causing needless stress and anxiety (ACOSS, Voices 2 survey of users of jobactive services. Sydney).

Payment suspensions have been imposed on a massive scale. In May 2021, around 100,000 payment suspensions were imposed each month for non-attendance at provider appointments and another 100,000 were imposed for not meeting other requirements such as reporting job search.³

² See for example research on the impact of increases in large-scale benefit sanctions on the incidence of depression in the UK (Williams E 2019, *Unemployment, sanctions and mental health: the relationship between benefit sanctions and antidepressant prescribing*. Journal of Social Policy doi:10.1017/S0047279419000783).

³ This was the last time mutual obligations were fully in place over an extended period (not impacted by natural disasters, COVID19, or the introduction of new programs. In May 2021, 105,000 suspensions were applied for non-attendance at provider appointments, 88,000 for not reporting completion of job search requirements, 7,000 for non-participation in compulsory activities and 5,000 for not agreeing to a Job Plan. Some of these suspensions were applied to the same people, and most did not result in missed payments, but people still faced the threat that their next payment would not arrive on time.

In its report on reform of employment services in 2019, the former Coalition Government's Employment Services Expert Panel recommended to:

Change system culture to be less punitive. Recognise job seekers' circumstances and combine positive behaviour reinforcement with penalties for the very few who do the wrong thing.⁴

Yet the *Targeted Compliance System* introduced in 2018, which imposes these large-scale payment suspensions, remains largely in place in Workforce Australia. The harshest elements of the system should be urgently removed, especially the widespread use of threats to suspend or remove payments. Beyond that, the system must be redesigned so that it focusses on positive support and compliance sits in the background.

'Mutual obligation' is one-sided

'*Mutual obligation*' was introduced as a social contract which places expectations on government to provide income support to people experiencing unemployment and on services to improve their employability, and in return expects people to take reasonable steps to secure paid work when able to do so. Over time this social contract has been eroded because unemployment payments are inadequate, employment services have failed, and expectations to meet activity requirements have been dialled up to a punitive extent. They are punitive due to the constant threat of penalties, and because requirements are designed to pressure people to move off income support quickly and into the first available job, rather than invest in the help people need to get the right job.

The root cause of the problem: employment services are dominated by their benefit compliance function

The Select Committee has been weighing up the costs, harms and benefits of compulsion in employment services. This is a complex question that has practical, ethical and rights-based dimensions and getting the balance right is not simply a matter of tweaking the present system. It requires new approaches and an innovative mindset. At the core of these issues are two major flaws of the present system. Employment services for people recently unemployed and those unemployed longer term are:

- perfunctory, standardised and generally of poor quality; and
- dominated by an inflexible and punitive income support compliance system.

These two problems are closely related.

The solution: remove the harshest elements of the compliance system immediately, then systematically redesign it

The government must find better ways to engage with people looking for employment. A good starting point is to ensure that employment services provide positive support and activities that benefit people. The present mutual obligation system has been harming people for too long, and urgent action is required to remove its harshest elements and reduce the unacceptable level of payment suspensions: *The short-term recommendations below take this crucial first step.*

⁴ Employment Services Expert Panel (2019), *I want to work*. Australian government.

Over the medium term, the Government should explore new ways of motivating and engaging people who are unemployed to obtain the support they need quickly. Redesigning the mutual obligation system to support people across the spectrum of their needs and life course will be no simple task. This requires investment of resources in review processes beyond the present Inquiry, and an advisory body to assess the evidence and weigh up the policy options: *We put forward recommendations to progress principles and evidence-based reform over the medium-term.*

We make specific recommendations to improve protections for people whose compliance with activity requirements is managed online. Above all, it is vital that decisions affecting income support payments are not automated and that the government heed the lessons of the *Online Compliance Initiative* referred to as 'Robodebt', currently subject to a Royal Commission investigation.⁵

Recommendations

Recommendation 1: Commit to full employment

- (1) The Government and Reserve Bank should commit to a full employment target and it should be given equal weight to the Bank's inflation target.
- (2) Governments should play a more active role in sustaining growth in jobs and incomes in downturns and containing inflation in booms.

Recommendation 2: Lift the base rate of unemployment payments

- (1) Rates of payment for people of working age should be lifted to the same level as the single pension (\$513 per week, including pension supplement) and all working-age payments should be indexed twice a year in line with Consumer Price Index (CPI) and wage movements.
- (2) Payment supplements must be adequate to meet additional living costs, including by lifting the maximum threshold for Commonwealth Rent Assistance (CRA) by 50%, and establishing a Disability and Illness Supplement and a Single Parent Supplement (to replace Family Tax Benefit Part B).

A. Reform of employment services

Short term changes

Recommendation 3: Abolish punitive programs and reduce reliance on ineffective ones

- (1) The government should as soon as possible abolish *Work for the Dole*, reduce reliance on less effective activities such as *Employability Skills Training*, and replace them with more effective work experience and training programs including wage subsidies, demand-led programs (such as *Launch into Work*) and

⁵ ACOSS (2023) [Submission to Robodebt Royal Commission](#). Sydney.

quality education, vocational and foundation skills training offered by TAFEs and community-based training providers.

- (2) These more effective programs should form the basis for an annual *Jobs and Training Offer* for people unemployed long-term.⁶

Structural reforms

Recommendation 4: The mix of services

There should be five strands of employment services:

- (1) People who are relatively close to securing employment should be offered *online employment services* backed by specialised employment staff in Centrelink offices and/or a government contact centre. These services should only be offered to people capable of using them, and people should have the option to choose provider services if they prefer.
- (2) People unemployed long-term and those facing a high risk of long-term unemployment should receive *a more intensive core employment service* operated by non-government employment service providers (an improved *Workforce Australia* service).
- (3) *Professional career counselling and support services* should be targeted towards groups who need them (including young people who left school early, parents and carers returning to the paid workforce, and older workers refreshing their careers).
- (4) *Specialised local partnership services for people facing entrenched disadvantage* (e.g. people who are homeless or have chronic and severe mental illness and regions with persistently high unemployment) should be established. These would operate on a lead agency or consortium model, based on local partnerships rather than competition. In regions with very high unemployment, these services could promote employment development and replace mainstream employment services.
- (5) Complementary programs that provide core and specialised employment services with the *tools required to help people overcome people's barriers to employment* should be available, such as wage subsidies and vocational and foundation skills training.

Recommendation 5: Separate licensing from commissioning

Licensing of employment services should be separated from contracting, and undertaken by an independent statutory licensing authority with responsibility to:

- assure service quality (including adequately qualified frontline staff), provider governance, ethics, accessibility, cultural safety, and financial capability meet new national standards developed in consultation with service users;
- provide robust internal and external mechanisms for feedback, complaints and dispute settlement (including a complaints line and independent monitoring of user satisfaction);

⁶ This proposal is detailed in ACOSS (2023), *Budget Priorities Submission*. Sydney (forthcoming).

- encourage a commitment to service evaluation and improvement, including through open sharing of information on best practice;
- work with providers that do not meet the standards to improve their services, and ultimately amend or cancel licences of non-complying providers.⁷

Recommendation 6: Local employment and skills networks

Local employment and skills networks should be established to embed the work of all strands of employment services in local communities and improve coordination between employment and other service providers, employers, unions and local governments so that the right people are connected to the right jobs and training opportunities.

The local networks would:

- improve and replace the *Local Jobs Program*;
- include local service users (employers, unions, and a mechanism to incorporate the views and experiences of people who are unemployed), service providers (such as Workforce Australia, Transition to Work and local TAFEs and not-for-profit community education providers); and local, state and territory government representation as appropriate;
- be integrated with existing State or Local government-based employment or regional development bodies where appropriate, to prevent duplication of effort;
- develop local employment/skills agreements or plans in consultation with the community (but not provide services directly);
- support the development of work experience and training opportunities under the *Jobs and Training Offer* for people unemployed long-term;
- share up to date data (from Jobs and Skills Australia and other sources) on current and future employment and skills opportunities and needs;
- be auspiced by a local government, a local community agency (not an employment or training provider) or a local employer, union or business chamber;
- be supported by a national advisory body to the Minister (or Jobs and Skills Australia) and working groups reporting to that body that share best practice in local facilitation and labour market and skills information and provide timely feedback to national policy makers on labour market developments at the local level.⁸

Recommendation 7: Promote provider diversity

The balance of providers should be shifted back towards *community-based or specialised not-for profit services* that are embedded in and accountable to local communities or groups with special needs by:

⁷ For policy detail see: ACOSS (2021), [New employment services licensing](#).

⁸ For policy detail see: ACOSS (2020), [Local employment and skills development partnerships](#).

- purchasing employment services at the *Employment Services Area* rather than regional level;
- providing more resources up-front to assist with establishment costs for organisations lacking access to capital;
- reviewing the role of for-profit providers in the employment services system;
- giving preference in licensing of services to organisations that are responsive and accountable to local communities or people who need specialised support.

Recommendation 8: Provider payment model

Provider payments should vary among the different strands of employment programs described above, as follows:

- (1) The *intensive 'core' service* would have a hybrid funding model combining establishment, service and outcome payments and access to an investment fund in respect of each individual assisted.
Within this funding stream, service payments would be increased to support an adequate number of suitably qualified front-line workers; progress payments would be abolished, and higher outcome fees would be paid in respect of people assessed with greater labour market disadvantage.
- (2) Providers would have access to places in *national paid work experience and training programs* (wage subsidies, demand-led programs, vocational and foundation skills training through TAFE and community providers) to assist people with barriers to employment, including through the annual *Jobs and Training Offer*.
- (3) *Professional career counselling and support services* would receive fixed fees per person assisted based on their needs. While this stream would have common funding arrangements, services on the ground would specialise in assisting specific groups needing career support (e.g. parents and carers, older people, young people).
- (4) *Local partnership services for people with complex needs* would be funded on a grants model, with funding provided to a lead agency or consortium to oversee partnerships among services to deliver services based on individual case plans. Modest employment outcome payments would also apply.
- (5) - The *Local employment and skills networks* would be funded on a grants model. The auspicing agency (for example a local government, community service or chamber of commerce) would be funded to develop the network, and then to sustain it by employing facilitators, conducting regular meetings, and sharing information.⁹

⁹ For policy detail see: ACOSS (2028), [Submission on future employment services](#). and ACOSS (2021), [Submission on new employment services payment model](#).

B. Reform of mutual obligations and compliance

Immediate changes to remove the harshest elements of the system

Recommendation 9: Reduce threats to suspend or remove income support payments

(1) Reduce the prevalence of payment suspensions and threats of suspensions and penalties and the harm they cause to people, to make room for strengths-based engagement and positive communication.

(2) Review and update notification requirements so that consequences of non-compliance are not communicated as threats.

Recommendation 10: No automation of decisions adversely affecting payments

Replace immediate suspension of payments after two days with a system based on the following principles: no automated suspensions, opportunity for human review before a payment suspension is applied and discretion to be exercised by a delegate of the Employment Secretary¹⁰.

Recommendation 11: Legislate the Digital Protections Framework

Legislate a robust human-rights based *Digital Protections Framework*, including protections against automated suspension of payments and intrusive surveillance of people to monitor compliance. This could be done via the proposed Legislative Instrument currently being developed and/or amendments to Primary Legislation.

Short term reforms, for implementation during 2022

Recommendation 12: Review activity requirements

Update guidelines in consultation with people directly affected, to ensure that activity requirements are reasonable, do not compromise existing necessary and beneficial activities such as caring and voluntary work, and do not displace existing paid employment or training (including participation in longer education courses).

Recommendation 13: Points Based Activation System

Ensure that:

- (1) Points or job search targets are not onerous and are genuinely customised to the labour market and personal circumstances;
- (2) The points model is truly flexible by reviewing range of activities and evidence to be provided; and
- (3) Reconnection requirements are reasonable, can be completed quickly and do not result in cancellation of payments unless the person no longer needs income support.

¹⁰ See for example proposal outlined in ACROSS (2023), [Immediate Action to reduce payment suspensions](#).

Recommendation 14: Job Plans

- (1) People should have more choice and control over their Job Plans and only be required to participate in programs that increase their employment prospects.
- (2) Remove social requirements from Social Security legislation including any relating to parenting or drug and alcohol treatments.
- (3) To ensure the Job Plans are genuinely negotiated, the first payment should not be contingent on signing a Plan, and people should be given sufficient time and access to support as needed (including external support or advocacy) to consider the options available and make their own proposals.

Recommendation 15: Clarify the legal basis for activity requirements

Define key terms in Social Security Law relating to activity requirements including Reasonable, Beneficial, Unreasonable, Fair, Customised, and Onerous.

Recommendation 16: Strengthen the role of Services Australia

Strengthen the role of Services Australia in administering the compliance system for activity-tested payments.

Recommendation 17: Operationalise the Digital Protections Framework

Ensure that people have ready access to complaints and review through the Digital Protections Framework.

Recommendation 18: Advocacy and complaints

- (1) Establish and adequately resource an independent complaints service until the proposed independent licensing/quality assurance body is established.
- (2) Adequately fund independent and problem-solving advocacy services to support users of employment services.

Recommendation 19: Transparent process to determine requirements

Restrict the powers of the Employment Secretary to determine requirements through guidelines without public scrutiny of the appropriateness of those requirements.

Recommendation 20: Human Rights protections

- (1) Adopt a human rights-based view on the suitability of activity requirements, including for people with disability and people who care for children or others (e.g. older people or people with disability).
- (2) Adopt a discrimination-aware view of mutual obligations for people who are mature aged, unemployed long-term or who face other forms of discrimination in employment.

Recommendation 21: Penalties and vulnerability

- (1) Steps should be taken to prevent the disproportionate application and impact of financial penalties on people who experience marginalisation and exclusion including First Nations people, people who are homeless and people with mental illness, and people who have left the justice system.

(2) Previous exemptions from payment penalties and cancellations where people face financial hardship should be restored, and any penalties should be accompanied by welfare checks.

Principles and evidence-based reform over the medium-term (completed by 2024)

In order to develop a principles and evidence-based approach to activity requirements and compliance systems, the Committee should recommend the Government engage and resource the following processes.

Recommendation 22: Advisory body on mutual obligations

Establish a body to advise government on employment services, activity requirements and conditionality that includes people directly affected, community organisations, labour market and welfare conditionality experts. That body should:

- (1) Undertake a systematic, principles-based review to redesign Mutual Obligations so that activities are beneficial and to remove the punitive dynamic from the employment service relationship.
- (2) Redesign the compliance framework in consultation with experts in human motivation, psychology, human rights, the labour market and people with lived experience to focus on strengths-based engagement

Recommendation 23: An evidence base for policy on conditionality

Commission independent research in consultation with welfare conditionality and labour market experts to evaluate the causal relationships between motivation, conditionality and labour market outcomes, including the quality of employment and long-term outcomes.

A. Reform of employment services

Employment services have a challenging task – to improve the employment prospects of people who are unemployed, especially those facing disadvantage in the labour market. As the overall level of employment is determined mainly by macroeconomic policy settings, these goals must largely be achieved by reordering the employment queue – by increasing the effectiveness of job search, lifting the skills and capabilities of people who are unemployed, referring them to suitable jobs, and encouraging and supporting employers to consider people they would not ordinarily hire.¹¹

1. Getting the basics right: Full employment and decent incomes for people out of paid work

Unless reform of employment services is underpinned by robust and consistent full employment policies, services are being set up to fail. In last year's *Jobs and Skills Summit* and our submission to the *Reserve Bank Review*, ACOSS has advocated a shared commitment to a clearly defined full employment goal.¹²

Over the past year, unemployment and underemployment have fallen to historically low levels, though we do not believe full employment has been achieved yet. Together with lower levels of temporary migration (which increases competition for entry level jobs in sectors such as retail and hospitality), this provides a rare opportunity for us to reduce long-term unemployment and entrenched labour market disadvantage.

At the time of writing, high levels of inflation and aggressive interest rate increases to reduce them are putting progress in reducing unemployment at risk. Unemployment has risen since the beginning of 2023 and the Reserve Bank estimates that, largely due to higher interest rates, it will rise to 4.5% by mid- 2025.¹³ If so, 150,000 more people will face unemployment and Australia will again miss the opportunity to restore the conditions of full employment that prevailed until the early 1970s (Figure 1).

¹¹ For example, if there are 12 applications for each entry level job – six currently employed, one recently unemployed, two unemployed long-term and three entering the labour market – the goal of employment services is to improve the chances of those who are unemployed, especially those unemployed for a long time. As well as improving equity in the labour market (since people would be out of paid work for shorter periods), this would eventually lift the overall level of employment by bringing more people into the labour market who are otherwise excluded.

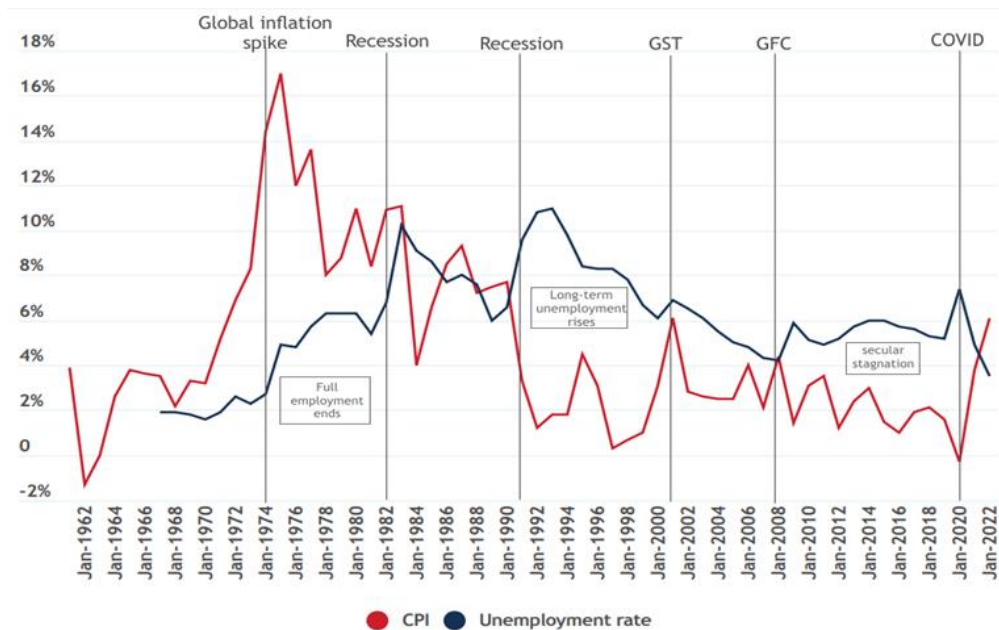
¹² We advocate a full employment target consisting of:

- A combined unemployment and underemployment rate equivalent to levels achieved in the pre-1974 full employment era;
- A ratio of unemployed people to job vacancies close to one.

(ACOSS 2022, [Jobs and Skills Summit position paper](#) ; ACOSS 2022, [Submission to the RBA Review](#)). Under these conditions, effective employment services and training programs would be needed to prevent chronic labour and skills shortages.

¹³ Reserve Bank of Australia (2023), *Statement on Monetary Policy*, February 2023. Sydney.

Figure 1: Since the mid-1970s, high unemployment has been used to curb inflation



SOURCE: Australian Bureau of Statistics (various years), *Labour Force Australia* and *Consumer Price Index, Australia*.

Sustained full employment would lift the incomes and living standards of those with the least by keeping unemployment low and boosting real wages. However, it is not sufficient of itself to prevent poverty among people out of paid work. For this reason, the full employment policies introduced after World War II were complemented by an unemployment benefit safety net.

That safety net no longer protects people from poverty. Unemployment payments are \$175 a week less than the frugal pension rate, and they continue to fall further behind community living standards since they are only indexed to consumer price inflation, not wage movements.

People cannot cover their basic living costs and search for employment on an income support payment of \$43 a day.

Recommendation 1: Commit to full employment

- (1) The Government and Reserve Bank should commit to a full employment target and it should be given equal weight to the Bank’s inflation target.
- (2) Governments should play a more active role in sustaining growth in jobs and incomes in downturns and containing inflation in booms.

Recommendation 2: Lift the base rate of unemployment payments

- (1) Rates of payment for people of working age should be lifted to the same level as the single pension (\$513 per week, including pension supplement) and all working-age payments should be indexed twice a year in line with Consumer Price Index (CPI) and wage movements.

(2) Payment supplements must be adequate to meet additional living costs, including by lifting the maximum threshold for Commonwealth Rent Assistance (CRA) by 50%, and establishing a Disability and Illness Supplement and a Single Parent Supplement (to replace Family Tax Benefit Part B).

2. Reducing prolonged unemployment is the main challenge for employment services

Quality employment services can make a small but significant difference to the employment prospects of people who have been unemployed for a short time (and don't face major barriers to employment). By improving the effectiveness of job search and putting people in contact with the right employers, they typically improve the probability of employment in the medium term (around 6-12 months) by around 5 percentage points.¹⁴

However, the greatest contribution quality employment services can make is to the employment prospects of people unemployed long-term. Due to prolonged unemployment and the barriers to employment that many faced from the outset, people unemployed for more than a year struggle to find suitable paid work. In 2016, 55% of people on unemployment payments for less than three months were still off income support in a year's time, compared with just 30% of those on payments for 12 months.¹⁵

Quality employment services can improve the probability of employment for people unemployed long-term 6 to 12 months later by around 10 percentage points. Given limited employment prospects without such help, this is a worthwhile investment, even though effective employment services for people unemployed long-term are not cheap.¹⁶

ACOSS supports a key innovation in the Workforce Australia model: that employment services specialise in assisting the most disadvantaged in the labour market rather than attempting to help all. This helps prevent 'cream-skimming' and 'parking' behaviours by providers, who can no longer rely on a stream of funds from 'easy wins' where people already close to employment secure a job.

Moreover, not everyone benefits from enrolment with an employment service provider. Many find it more convenient to search for employment online. Nevertheless, as we discuss later there are risks for people in automated servicing, and people should be able to choose to receive employment services from a provider rather than online.

¹⁴ Card D et al (2015), *What works? A meta analysis of recent active labor market program evaluations*. NBER Working Paper No 21431.

¹⁵ McGurk E (2016), *Analysis of long-term unemployed income support recipients*, Long-Term Unemployed Conference, Brisbane December 2016

¹⁶ Wage subsidies to encourage employers to trial people in regular employment for 3-6 months - a relatively effective intervention - typically cost around \$3,500 each (see Table 1 below). Governments should have an eye to both the short-term savings (in unemployment payments and higher tax revenues) and long-term benefits of such investments.

The 'Job Network model' has failed to reduce prolonged unemployment

People unemployed long term are unlikely to secure employment simply through pressure to search harder for jobs, or low-level help such as training in job search and 'employability skills'.¹⁷ Yet this is what people were typically offered, or compelled to do, in various iterations of the 'Job Network model' of employment services since 1998.¹⁸ Consequently, those programs have consistently failed to make a serious impact on long-term unemployment.

Figure 2 shows trends in short and long-term reliance on unemployment payments since the early 1990s. This is of course influenced by labour market conditions: unemployment was on a downward trend through this period. The trends that stand out in Figure 2 are the responsiveness of short-term unemployment to changes in economic conditions, and the lack of responsiveness (or very slow response) of *very long-term unemployment* (people on unemployment payments for two years or more).

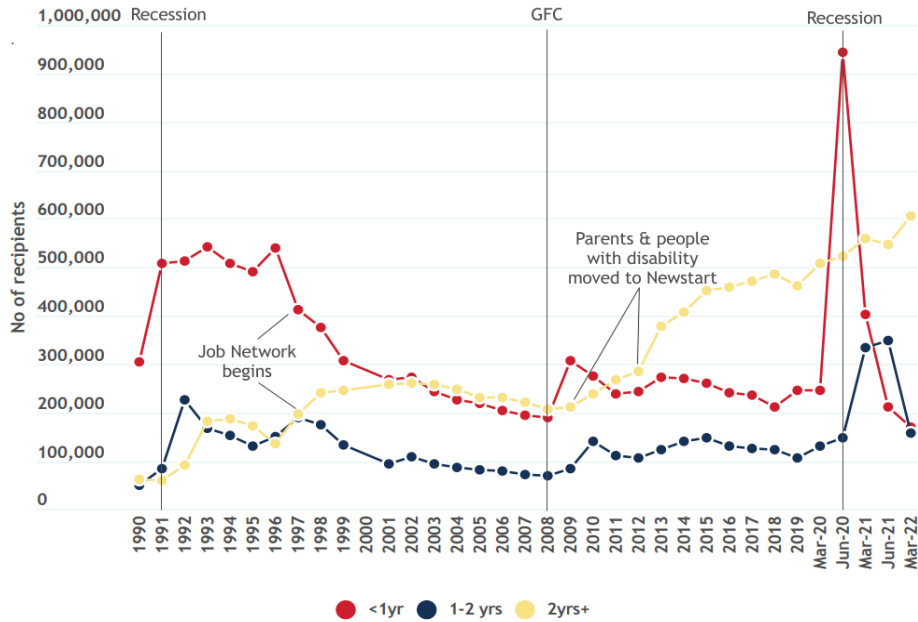
Short-term unemployment fell sharply in the benign economic conditions prevailing when the Job Network commenced in 1998 but prolonged unemployment continued to rise. Very long-term unemployment rose sharply when so-called 'Welfare to Work' policies diverted people with disability and sole parents from pensions to unemployment payments from 2007 and it has not fallen since, despite the tighter labour market conditions since 2021.

This indicates either that many people on unemployment payments have little or no prospect of finding employment and/or that the employment services system has failed them.

¹⁷ Generally speaking, the best way to learn 'employability skills' is not in a course; it is through work experience in regular employment.

¹⁸ This refers to the former *Job Network* program introduced in 1998, which was characterised by procurement of employment services from competing non-government providers funded substantially to employment outcomes, where the government (at least in theory) leaves it to them to develop their own employment service 'business models'. This procurement model has essentially remained in place, under different names, since then.

Figure 2: Trends in short and long-term reliance on unemployment payments



Source: Department of Social Services (various years), *Social security payment statistics*.

The profile of people on unemployment payments is disadvantaged

Figure 3 helps explain why it is hard for most people on unemployment payments to secure employment. In 2022, approximately:

- Two-thirds (65%) had received income support for more than a year;
- 40% had a partial work capacity (assessed disability);
- Half (47%) were 45 years or older;
- 20% were from culturally and linguistically diverse backgrounds;
- 13% were from First Nations communities;
- 12% were caring for a child alone.

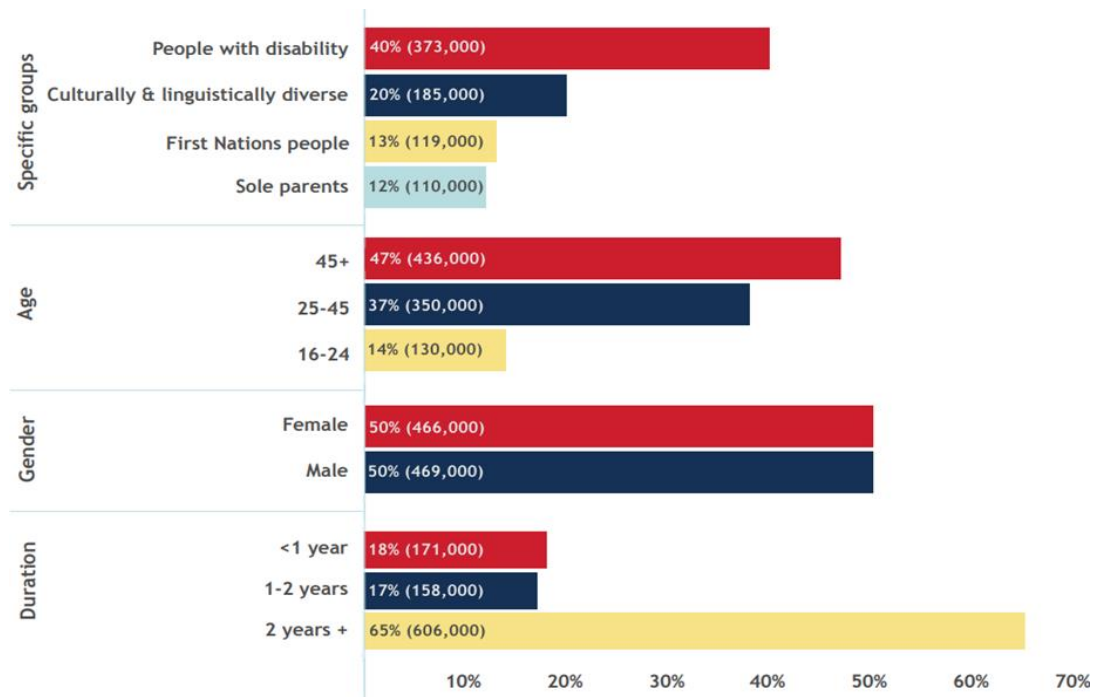
Further, 57% of participants in jobactive lacked qualifications above Year 12 schooling.¹⁹

People in these circumstances are often overlooked by employers, or cannot find jobs with family-friendly hours, even in the tight labour market conditions prevailing over the past year. Official evaluations of employment programs repeatedly show that simply forcing people unemployed long-term to search harder will not have much impact on their employment prospects.²⁰

¹⁹ ACOSS (2021), *Faces of unemployment*. Sydney.

²⁰ Department of Education Employment & Workplace Relations (2007), *APM evaluation*; Department of Employment, Skills, Small and Family Business (2017), *The Evaluation of Job Services Australia 2012 - 2015*.

Figure 3: Profile of people on unemployment payments (March 2022)



Source: Department of Social Services (2022), [DSS payment demographic data](#), March 2022.

3. What people unemployed long-term need

In addition to a labour market with adequate job opportunities and a social security system that provides adequate income support, people unemployed long-term (and those most at risk) need an employment service that is aware of their strengths and barriers to employment, works with them in a positive way to plan a pathway to employment, invests in the intensive support they need to build their employment capacity, and connects them with the right employer. Effective employment services work as intensively with employers and other community services as they do with people who are unemployed.

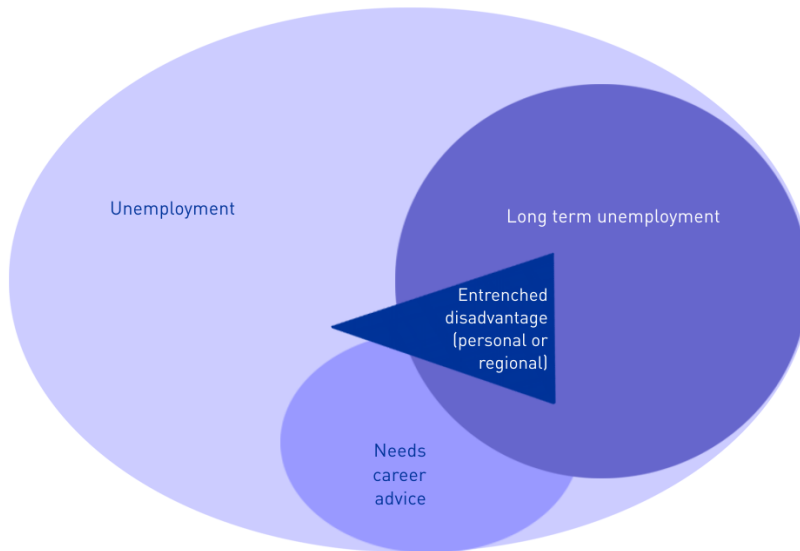
The circumstances and needs of people unemployed long-term are diverse and it is important that policy makers avoid stereotypes (Figure 4):²¹

- Some people simply need to be connected with the right employer;
- Some simply require training to upgrade their qualifications and skills;
- Others face discrimination in the labour market and require the provider to work closely with employers to give them a chance;
- A minority have more complex needs such as severe mental illness or chronic homelessness, or have experienced trauma such as domestic violence;
- Some are unlikely to obtain employment even if the best efforts are made. They should receive alternative income support such as Disability Support Pension

²¹ For example, that all people unemployed long-term have 'complex needs' or are 'unemployable'. These stereotypes promote defeatism.

but have been denied those payments by recent policies. Access to Disability Support Pension should be broadened.²²

Figure 4: A simplified profile of labour market disadvantage



Since these circumstances are hard to judge from a single assessment interview or survey and people’s circumstances can quickly change, providers must have the *flexibility, resources* and *skill* to continuously reassess need and negotiate the best plan for each person. While the Workforce Australia system combines these three elements in theory, it is not well designed to deliver them in practice. The program is seriously under-powered to deal with the challenges people face.

4. Key strengths and weaknesses of Workforce Australia

On the positive side, *Workforce Australia* implements beneficial recommendations of the *Employment Services Expert Panel* including:²³

- Separating assistance for people closer to employment and those unemployed long-term;
- More up-front funding so that providers (especially smaller organisations) can invest in the core resources they will need to assist people disadvantaged in the

²² ACOSS (2021), [Purpose, intent and adequacy of the Disability Support Pension](#). Submission to Senate Standing Committees on Community Affairs. Sydney.

²³ Employment Services Expert Advisory Panel (2019), [I want to work](#). Department of Education Skills and Employment, Canberra.

labour market (especially lower caseloads than in jobactive), while keeping outcome payments so that they focus on results;

- In theory, a less compliance-heavy system, with more flexibility for people to choose a range of activities to meet their activity requirements;
- A *Local Jobs Program* to improve collaboration among providers, TAFEs and community colleges, employers and other community services at the local level.

Not all of these apparent strengths on paper have been realised in practice. The key weaknesses of the new model include:

- The ongoing, overbearing impact of the unemployment payment compliance system on the work of providers and unemployed people;²⁴
- Core funding that is still inadequate to support employment of sufficient skilled consultants;
- Insufficient investment in 'complementary' programs that provide the tools to assist people disadvantaged in the labour market (such as wage subsidies and quality vocational and foundation training) *on the scale required*;
- Continuation of punitive or ineffective programs (such as Work for the Dole and Employability Skills Training) as cheaper alternatives to meet rigid activity requirements;
- Failure to separate purchasing and licensing functions and set core service standards (such as suitably qualified staff and caseloads), weakening quality assurance;
- Continuation of a competitive model of employment service purchasing that drives providers towards lowest-common-denominator models of service;
- A lack of provider diversity, together with increasing dominance of large for-profit providers (whose business model is often based on cost minimisation);
- A lack of infrastructure (despite the Local Jobs Program) to support and sustain locally-led 'bottom up' partnerships between employment service providers and other stakeholders to connect the right person with the right job, training and support services and ensure they work together to help people overcome more entrenched forms of disadvantage.

²⁴ A good example of the way in which the compliance 'cart' is parked in front of the employment service 'horse' is the requirement for people to rapidly agree to a Job Plan so that they can receive their first unemployment payment and the provider can receive service fees to support the person. This means that the important process of assessing a person's strengths and needs is rushed in their first meeting with a new provider, and they are deprived of agency. The previous Government introduced legislation (the *Streamlined Participation Requirements Bill*) to facilitate the development of Job Plans online for people not using provider services. Had the Bill not passed, it had a contingency plan to spend over \$200 million on provider interviews to develop Job Plans, simply to enrol people in the employment services system. In the absence of a formal Job Plan (whether useful or not), people are not recognised as belonging to the employment services system.

5. Proposed short-term changes to employment services

Changes should be urgently made to the mix of complementary programs to lift the weight of punitive requirements from people using employment services and take advantage of favourable labour market conditions to assist people unemployed long-term into employment.

Work for the Dole doesn't work

Unusually for a long-standing program funded by the Employment Department, *Work for the Dole* does not have a formal employment objective. It is a punitive scheme designed to appeal to a minority view in the community that people who are unemployed get 'something for nothing' from government (unemployment payments), despite Australia having among the strictest activity requirements in the OECD.²⁵

Work for the Dole is ineffective and wasteful. The work experience provided is mostly in 'make work' activities that are far removed from regular employment (for example, removing weeds from cemeteries), in which case participation in the scheme does not help convince prospective employers to hire them in 'real' (paid) jobs. To the extent that the work *is* the same as regular employment (for example, sorting goods in thrift shops), it is seriously underpaid and undermines workplace relations standards. The 'fulltime' variant of Work for the Dole (for people under 30 years) requires 25 hours of 'work' per week. This is equivalent to payment of \$14 per hour, just two thirds of the minimum wage (\$21 per hour).

An official evaluation of Work for the Dole in 2015 found that referral to the program increased the probability of employment in the short term (six months after referral) by less than two percentage points.²⁶ Any short-term employment impacts from the program generally come from the so-called 'threat effects' of referral (where people search for jobs faster to avoid joining it) rather than actual participation in the scheme. Evidence from official evaluations of similar programs in the United Kingdom (which have since been abolished) suggests that even these 'threat effects' may be reversed when people return to income support after losing the job (often a casual position) they accepted when under pressure to leave benefits quickly.²⁷

Given an average unit cost of around \$900 per participant and its very limited impact on the probability of employment, Work for the Dole is a waste of public resources, even where participants report a positive experience of the program.²⁸ Moreover, ACOSS is often told by people directly affected that participation in the program is

²⁵ Immervol H et al (2020), [Activity related eligibility conditions for receiving unemployment benefits](#). OECD Paris.

²⁶ Social Research Centre (2015), *Evaluation of Work for the Dole 2014-15*. Canberra.

²⁷ Department of Work and Pensions (2013), *Early impacts of Mandatory Work Activity*. Leeds; Department of Work and Pensions, (2013), *Support for the very long-term unemployed trailblazer longer term analysis of benefit impacts*. Leeds. See also: <https://www.independent.co.uk/news/uk/politics/dwp-scraps-mandatory-work-for-your-benefits-scheme-without-fanfare-a6750041.html>

²⁸ Senate Standing Committee on Education and Employment (2019), Supplementary Budget Estimates, *Response to question No SQ19-001227*.

demeaning, that they are undertake work that is not properly paid, and that it has no meaningful impact on their employment prospects.²⁹

In its response to the harsh 2014 Federal Budget, the Parliament appeared to agree with our assessment of Work for the Dole. It rejected a proposal to force people up to 30 years old to participate in the program for six months of every year of unemployment (and deny them income support for the remaining six months).³⁰ The Bill went far beyond community expectations of what people should be required to do to obtain unemployment payments.

The Turnbull government reportedly considered abolishing the program.³¹ In the 2017 Budget it announced \$128 million from cuts to the scheme by removing funding for *Work for the Dole Coordinators* and reducing its priority as a compulsory activity in regular mutual obligation activities.³²

It is time to move on from the punitive policies of the past and invest in programs that make a real difference to people's employment prospects, so that rather than working for the 'dole', more people can work for wages.

Work experience in regular jobs and quality training can make a difference

We should also move on from policies which require people to undertake standardised activities such as job-search or employability-skills 'training' in order to tick a box that regular activity requirements (such as the 'Six Monthly Activity Requirement') have been met. They may not be punitive, and may help some people, but large-scale compulsory referrals to these programs is likely to undermine people's confidence that the new model offers them support tailored to their needs.

Properly paid work experience in a regular job or good quality vocational or foundation skills training may be more costly than short courses in 'employability skills' but they have demonstrated positive impacts on people's employment prospects.³³ Examples of effective paid work experience and training programs include the following.

²⁹ ACOSS (2022), [Voices of jobactive 2](#). Sydney.

³⁰ Senate Community Affairs Committee (2014) [Social Services and Other Legislation Amendment \(2014 Budget Measures No. 1\) Bill](#).

³¹ Views differed among Coalition back-benchers with some reportedly defending it as 'red meat for the base'. Massola J (2017), [May budget: Axe hovers over government's \\$648.5 million work-for-the-dole program](#). Canberra Times.

³² Senate Additional Estimates (2017), *Department of Jobs and Small Business Question No. EMSQ19-000136*. Funding for the program declined from \$135m in 2016-17 to \$85m in 2017-18 and \$35m in 2018-19 (Senate Additional Estimates, *Department of Jobs and Small Business Question No. EMSQ19-000148*).

³³ Well designed and targeted wage subsidies typically increase the probability of employment in the short term (after the subsidy) by 10-20 percentage points, even though they may not increase the overall number of jobs available. For example, wage subsidies offered in the *Job Services Australia* program increased the probability of leaving income support one year later by 14 percentage points (Department of Education Employment and Workplace Relations 2012, *Employment Pathway Fund evaluation - Wage subsidies*).

- *Wage subsidies* for employers trialling a person they may hire permanently.

These paid work experience placements typically last for 3 to 6 months, during which the person undertakes regular work and is paid regular wages but the employer is not under an obligation to hire them permanently. The subsidy, typically around half the wage, is designed to encourage the employer to trial a worker they would not otherwise consider (such as a person unemployed long-term). There are protections against substitution of existing workers and recurrent use of wage subsidies for the same position. The main impact of wage subsidies comes through ongoing work with the same employer, while in other cases the work experience improves people's chances of securing another job.

- Vocational training in TAFE and community-based colleges

This includes training funded by the government's 'fee free TAFE' scheme. Longer courses (over 6 months) can reduce people's short-term employment prospects as they are not immediately available for work, but make a greater difference to their longer-term employment prospects by lifting their skills and qualifications and increasing the range of jobs for which they can apply. Shorter courses connected to skills currently in demand locally can also improve people's employment prospects.

- Combinations of paid work experience and training.

Apprentice or traineeship-style combinations of work experience and related training can boost people's chances of securing the job permanently, or other jobs in the same occupation.

- Demand led schemes

Programs such as *Launch into Work* begin with employer demand for labour in an occupation (such as aged care workers) and work backwards from there to identify suitable candidates among employment service participants, and offer them work experience and training on the job.

- Foundation skills

Demand-led schemes (such as *Launch into Work*) that start with the needs of the employer and connect them with a suitable applicant who is trained and supported in the job can have similar impacts.

Vocational and foundation skills training can reduce transitions to employment in the short term while people are training, but the pay-off is improved employment prospects and more stable jobs in the medium to long term. See Card D et al (2015), op cit; Borland (2016), *Wage Subsidy Programs: A Primer*. Australian Journal of Labour Economics, Vol 19, No 3; Hasluck P & Green A (2006), *What works for whom? A review of evidence and meta-analysis*. Research Report No 407, Department for Work and Pensions. Leeds.

Schemes such as the *Foundation Skills for your Future* program offer basic education and training courses to improve literacy (English language, reading and writing skills, and/or numeracy). This can open up employment opportunities not currently available to people who missed on a decent school education along with migrants from countries where English is not the main language.

Programs such as these should form the core of an annual *Jobs and Training Offer* for people unemployed long-term genuinely negotiated between providers and service users.³⁴ Our purpose in advocating this is not to promote activity for its own sake. People unemployed long-term usually need more than low-level support with job search to overcome hurdles to employment, and (for reasons outlined below) experience indicates that providers are unlikely to invest in effective assistance on the scale required unless this is built into the employment services model.

In the previous *jobactive* program, employment assistance for people unemployed long-term that was above and beyond the core service (e.g. work experience and training) was seriously 'underpowered' to overcome their barriers to employment. Table 1 below shows the number of people who participated in various activities (beyond the core *jobactive* service) as part of their *Annual Activity Requirement*, and the average cost of a place in one of these programs to government. These figures suggest there were yawning gaps between people's need for assistance and the scale and intensity of the help on offer.³⁵

The largest category of activities (one third of participants) was part time or casual employment which participants in *jobactive* (likely the least disadvantaged) mostly found of their own accord. Another quarter of participants obtained vocational training, but its low average cost (\$969) suggests this was mostly confined to short courses. Around one in eight joined *Work for the Dole*, which was the default activity for those who didn't choose another option (which suggests that many the most disadvantaged ended up in that program). Only one in 40 obtained paid employment with a wage subsidy despite evidence (discussed above) this is one of the most effective programs.

³⁴ ACOSS (2023) *Budget Priorities Submission*. Sydney (forthcoming).

³⁵ It is too early to assess whether the investment in assistance for people unemployed long-term in Workforce Australia will be more substantial than this, as the program is new and COVID19, floods and other 'contingencies' have disrupted services. The first major period of compulsory activity under Workforce Australia, the *Six Month Activity Requirement*, only recently commenced for most people. The continued policy emphasis on cheaper interventions like Employability Skills Training suggests that the picture will not change all that much from that shown in Table 1.

Table 1: Activities undertaken by people unemployed long-term in the jobactive program in 2019

Activity	Participants	Average unit cost	% employed 3 months after commencement in activity **
Part Time/Casual Paid Employment (found by the person)	31,948		
Work for the Dole	14,208	\$917	25%
Vocational Training	19,552	\$969*	34%
Wage Subsidy	2,295	\$3,453	87%
Voluntary Work	519		24%
PaTH - Employability Skills Training (typically 2 weeks)	123	\$897	
PaTH - Internships	58	\$1,713	70%
Other activity	14,052		20%
None	14,453		
Total	88,623		

Source: Senate Standing Committee on Education and Employment (2019), Supplementary Budget Estimates - *Department of Employment, Skills, Small and Family Business Question No. EMSQ19-001227*.

Note: Compulsory activities pursuant to the *Annual Activity Requirement*. Some people participated in more than one activity.

* Average amount paid from Employment Fund, noting that providers also draw from training subsidised through other programs. However, these vocational training courses were typically short (under 6 months).

** These outcomes are not necessarily attributable to participation in the activity.

Recommendation 3: Abolish punitive programs and reduce reliance on ineffective ones

- (1) The government should as soon as possible abolish *Work for the Dole*, reduce reliance on less effective activities such as *Employability Skills Training*, and replace them with more effective work experience and training programs including wage subsidies, demand-led programs (such as *Launch into Work*) and quality education, vocational and foundation skills training offered by TAFEs and community-based training providers.

- (2) These more effective programs should form the basis for an annual *Jobs and Training Offer* for people unemployed long-term, as proposed in our Budget submission.³⁶

6. The mix of services

Employment service policies oscillate between periods of consolidation (where specialised programs are 'mainstreamed' into the core program – for example the folding of the *Personal Support Program* into *Job Services Australia* in 2009) and specialisation (where perceived gaps in the mainstream service prompt the introduction of so-called 'complementary programs' for groups with particular needs, such as *Transition to Work* for young people who left school early). State governments have established their own employment programs to fill perceived gaps in Commonwealth programs, even though employment is constitutionally recognised as a Commonwealth responsibility.³⁷ The Commonwealth also runs the *Disability Employment Services Program* for people with disability.

To avoid the proliferation and duplication of programs and ensure that resources are distributed equitably according to need, the government should rebuild the system of employment programs on firmer foundations. On the one hand, this means we should abandon the naïve assumption that virtually all employment assistance can be folded into a single program that is flexible enough to meet diverse needs. On the other hand, we should recognise that it would be unduly complex, inefficient and, potentially inequitable to craft a new funding program to meet every specific need or target group – though local services should be able to specialise in serving a particular group.

Five strands of employment assistance

Employment assistance can sensibly be consolidated into five main strands of service outlined in *Recommendation 4* below:

- (1) An online service;
- (2) A core provider service;
- (3) Professional career counselling and support services;
- (4) Specialised local partnership services for people facing entrenched disadvantage;
- (5) Complementary programs that provide core and specialised employment services with the tools required to help people overcome barriers to employment.

These are types or 'layers' of assistance rather than mutually exclusive services. For example, some people would need both the intensive core service described below *and* career guidance and support *and* complementary programs such as vocational training, either together or in sequence.

The typology does not imply that services for different groups should be mainstreamed. For example, each type of service could be delivered on the ground by providers who specialise in assisting a particular group – such as career and prevocational support for parents and carers. On the other hand, a program

³⁶ For policy detail see: ACOSS (2022), [Budget priorities submission](#).

³⁷ See for example O'Neil M (2019), [Review and Evaluation: Jobs Victoria Employment Network \(JVEN\)](#) South Australian Centre for Economic Studies, Adelaide.

infrastructure based on this typology would assist policy makers to scale up each type of assistance to meet newly identified needs and ensure that support is distributed equitably among different groups according to their needs.

All of these elements exist in the present program infrastructure. However, strands (3) to (5) – career guidance and support, local partnerships to support people with complex needs, and complementary work experience and training programs - are either under-developed or only offered on a small scale to very specific groups. We focus on these three types of assistance in the following discussion.

One way to fundamentally reform Workforce Australia would be to end the program and replace it with a new system. That would require the government to terminate existing contracts and commence a fresh national tender for employment services. An alternative approach is to adjust the 'core' system of provider contracts and unemployment payment activity requirements and build new layers of service on top of it by scaling up services in strands (3) to (5) below. Either way, fundamental change is needed.

Career guidance and support

Commonwealth-funded career guidance and support services are patchy and under-resourced. Career guidance is not a single training course or a single interview. Ideally, those who need this would be supported by professionally qualified career counsellors to clarify their career goals, assess their strengths and skills and qualification gaps, enrol in suitable education or training, and deal with barriers to training such as access to childcare.

This strand of services could be offered within the core employment service or people assessed as likely to benefit could be invited to join a separate program which funds specialist employment and training services (such as TAFEs and community-based training organisations) to provide career guidance and support.

A local partnership service for people with complex needs

A minority of people using employment services have complex needs (such as severe mental illness or chronic homelessness) that cannot be met by the core employment service offer. To the extent that they have realistic prospects of employment, they need employment assistance that is integrated with other social and health supports.³⁸ Ideally, local employment, community, health and other services would work in partnership to help them reach their employment and other goals, rather than – for example - simply adding psychologists to the employment services workforce or employment consultants to the mental health workforce.

Often, these local services share the same clients. The knowledge and trust they have built up while assisting people with different aspects of their lives could be harnessed to support their transition to employment, provided the person expressly agrees and any sharing of sensitive personal information is voluntarily authorised and carefully managed. Local community services sometimes do work together in this way but in the absence of formal partnership arrangements and additional resources (since

³⁸ As discussed previously, an unknown proportion of people on unemployment payments have little or no prospect of employment and should instead receive an alternative payment such as Disability Support Pension.

partnership work is more resource intensive), this depends on personal relationships among local practitioners and is rarely sustained at scale.

Formal service partnerships and collaborations exist in a range of settings including treatment plans and case conferences in health settings and case management plans in community services. Programs to embed partnerships across disciplines and local support services have been developed for people with severe mental illness (*Pathways to Recovery*) and chronic homelessness (as part of *Housing First* models).³⁹ To formalise and sustain such partnerships in employment assistance, a separate program or strand of service is required.

We propose that lead agencies or consortia (who may or may not be employment services) be invited to submit funding proposals for services for people in specified national target groups who are unlikely to secure employment through mainstream employment services and need a more joined-up service in which local service providers (for example employment and mental health services) work together to help them meet their employment and other needs at the same time. As this form of assistance is more expensive than regular employment services, it should be clearly targeted towards the minority of people on unemployment payments likely to need it. Since collaboration rather than competition is the essence of this form of assistance, there would generally be only one contract offered for each target group in each region. Applicants would need to demonstrate the ability to work collaboratively in partnership with other local services, with consortia approaches preferred.

People belonging to the program's national target groups would be interviewed by the local partners operating the service and, if they are assessed as likely to benefit and agree to participate, invited to join the scheme.⁴⁰ They would then leave the core employment service.⁴¹ Lead agencies or consortia would oversee collaboration among local services pursuant to a case management plan for each person, comprising a combination of employment and other service elements. The plans would have clear, pre-eminent employment objectives and sustained employment outcomes would be rewarded, though this would comprise a smaller share of the funding package than in

³⁹ Department of Health and Aged Care (2012), *Pathways to Recovery: Coordinated support and flexible funding for people with severe, persistent mental illness and complex needs initiative, Program Guidelines*. Canberra; AHURI (2018), *What is the Housing First model and how does it help those experiencing homelessness?* AHURI Brief, Melbourne; Wood L et al (2017), *50 Lives 50 Homes: First evaluation report*. Centre for Social Impact, the University of Western Australia; McKenzie K & Smith-Merry J (2022), *Responding to Complexity in the Context of the National Disability Insurance Scheme*. Social Policy and Society, November 2022. For international examples, see OECD (2015), *Integrating Social Services for Vulnerable Groups*. Paris; and Wilson T & McCallum A (2023), *Developing a Jobs-Plus model for the UK*. Learning and Work Institute. London.

⁴⁰ In the former *Local Connections to Work* program, people who had been unemployed for over two years were jointly interviewed by Centrelink and relevant local service providers to assess their need for additional support beyond mainstream employment services. However, the program did not fund that support, relying instead on the existing services available locally. This, together with its early abolition, limited the program's impact on people's employment prospects. See ANAO (2013), *Trials of Intensive Service Delivery: Department of Human Services*, Canberra.

⁴¹ Alternately, those assessed as unlikely to secure employment even with more intensive help could be assisted to apply for Disability Support Pension or other payment.

the core employment service program.⁴²

Ideally, the Commonwealth and States would jointly fund these service partnerships, since many of the people assisted would be clients of State government funded programs as well as national employment services.

Complementary work experience and training programs

Employment service providers are often reluctant to risk their own resources in investments in more substantial (and therefore more costly) work experience and training for people disadvantaged in the labour market. For this reason, Workforce Australia and previous employment programs had an *Employment Fund* that providers could use to finance such investments, above and beyond their core contracted employment services. Unfortunately, these funds were often under-spent, either due to overly prescriptive guidelines or because consultants lacked the time, skills and autonomy to make effective use of them.

The *Employment Fund* should continue to be a part of the reformed system. It is a useful resource to fund modest assistance to overcome people's barriers to employment, without detailed prescription as to how that help should be provided.

However, the Fund does not solve the problem of provider underinvestment in more substantial work experience and training. The best way to overcome that problem is to run complementary programs for that purpose and expand them so that they are much more widely available, especially for people unemployed long-term:

A good example of an effective complementary program was the new *wage subsidy scheme* introduced in 2017, which (based on careful research on employer incentives) lifted the number of placements on offer for people unemployed long-term from 9,000 in 2015-16 to 17,000 two years later (though this was still a very small proportion of people unemployed long-term).⁴³ Employer demand was so strong that the scheme was over-subscribed.

- To contain the growing cost of this new wage subsidy program, the then government decided that from January 2019, most new wage subsidies would be funded from provider's Employment Fund credits rather than a dedicated wage subsidy program. The number of placements fell rapidly from 17,000 in 2017-18 to 7,000 two years year later.

Other national programs that can potentially be tapped by employment service providers include *fee-free TAFE* and community colleges, the *Foundation Skills for Your Future* program, and the *Launch into Work* program (which connects people using

⁴² The lack of a clear employment objective was a weakness of the former *Personal Support Program*, which often duplicated or filled gaps in other social support services (Department of Employment and Workplace Relations 2008, *APM evaluation*).

⁴³ See Department of Jobs and Small Business (2016), *Applying behavioural economics to Increase the Take-up of Wage Subsidies*; Australian National Audit Office (2021), *Use and administration of wage subsidies*. The new wage subsidy scheme did have weaknesses, including a lack of flexibility to fund shorter or part time placements, and an inefficient bonus payment. These problems could have been resolved without removing funding for the scheme. Another problem with the present suite of wage subsidies is that there are separate schemes for different target groups. A single scheme for people unemployed long-term would be fairer and simpler for providers and employers to administer.

employment services with employers offering paid work experience and training in occupations with a shortage of labour, such as aged care).

Providers often lack the resources and expertise to develop these programs themselves, though this is not always the case. Many providers are *Registered Training Organisations* and as such offer their own in-house training services. The challenge for policy makers here is to ensure that any public funding used by providers to invest in their own services is cost-effective, and that the training is of good quality.

Recommendation 4:

There should be five strands of employment services:

(1) People who are relatively close to securing employment should be offered *online employment services* backed by specialised employment staff in Centrelink offices and/or a government contact centre. These services should only be offered to people capable of using them, and people should have the option to choose provider services if they prefer.

(2) People unemployed long-term and those facing a high risk of long-term unemployment should receive *a more intensive core employment service* operated by non-government employment service providers (an improved *Workforce Australia* service).

(3) *Professional career counselling and support services* should be targeted towards groups who need them (including young people who left school early, parents and carers returning to the paid workforce, and older workers refreshing their careers).

(4) *Specialised local partnership services for people facing entrenched disadvantage* (e.g. people who are homeless or have chronic and severe mental illness and regions with persistently high unemployment) should be established. These would operate on a lead agency or consortium model, based on local partnerships rather than competition. In regions with very high unemployment, these services could promote employment development and replace mainstream employment services.

(5) Complementary programs that provide core and specialised employment services with the *tools required to help people overcome people's barriers to employment* should be available, such as wage subsidies and vocational and foundation skills training.

7. Governance of employment services

Separate licensing and commissioning of employment services

Workforce Australia is governed by the service contracts managed by the Employment Department as monopsony purchaser.⁴⁴ Unlike other human services, there are few legislative protections, and no independent licensing body to assure quality of services. Since its participants are 'captive consumers', there is a fundamental power imbalance between service providers and users that is not overcome by users' ability to choose

⁴⁴ That is, the sole purchaser of services.

another provider. In any event, for the reasons discussed previously the services available are standardised and 'choice' is superficial.

These features of the program undermine service quality. As sole purchaser of employment services under pressure from central agencies to minimise costs, the Employment Department writes contracts that specify in detail how unemployment payment requirements should be administered but lack key guarantees of service quality such as minimum qualifications for consultants and effective systems for feedback and redress for service users.

An innovation of the Workforce Australia model is a new licensing system, intended to make it easier for the Department to 'exit' poorly performing providers and replace them with others. As in previous iterations of the Job Network model, the quick 'recycling' of providers has a mixed impact on service quality. On the positive side, providers of poor-quality services come under pressure to improve and can ultimately be removed from the system. On the negative side, the lack of security of funding inhibits provider investment and the frequent closure of services is disruptive for participants and makes work in employment services unattractive for the skilled staff that are needed.⁴⁵

There is a more fundamental problem with the new licensing system. In other human service programs (for example child care and vocational education and training) licensing is undertaken by an independent body that promotes and regulates quality assurance according to minimum legislated standards. In Workforce Australia, licensing is subordinated to the purchasing (commissioning) process and both are undertaken by the Employment Department. In a very early iteration of the Job Network model (*Contracted Case Management* which was replaced by the Job Network), the Keating government established an *Employment Services Regulatory Authority* (ESRA) separate from the Employment Department to manage competition among employment service providers and work with providers proactively to promote service quality.⁴⁶

Unlike other human services, there are no minimum qualifications required for employment consultants. Many lack qualifications relevant to their work with people facing social and labour market disadvantage and connecting them with employers, and we often hear complaints from service users of their consultants' lack of skills and expertise.⁴⁷ It would be possible to mandate, and progressively introduce, minimum qualification requirements without excluding experienced workers from the sector, by applying *recognition of prior learning* principles.

⁴⁵ On the other hand, where the Department has access to regional panels of licensed providers it can avoid recourse to frequent national tenders, which are disruptive on the larger scale. It is best to restrict national across-the-board tenders to circumstances in which the character of the program is fundamentally changed.

⁴⁶ Struyven L (2014), [Varieties of Market Competition in Public Employment Services - A Comparison of the Emergence and Evolution of the New System in Australia, the Netherlands and Belgium](#). Social Policy & Administration, Vol 48 No2 pp149-168.

⁴⁷ ACOSS (2022), [Voices of jobactive 2](#). Sydney. Certificate IV courses in Employment Services offering a very basic set of competencies, are recognised by State training authorities. See <https://training.gov.au/Training/Details/CHC41115>

Recommendation 5: Separate licensing and quality assurance from commissioning

Licensing of employment services should be separated from contracting, and undertaken by an independent statutory licensing authority with responsibility to:

- assure service quality (including adequately qualified frontline staff), provider governance, ethics, accessibility, cultural safety, and financial capability meet new national standards;
- provide robust internal and external mechanisms for feedback, complaints and dispute settlement (including a complaints line and independent monitoring of user satisfaction);
- encourage a commitment to service evaluation and improvement, including through sharing of information on best practice;
- work with providers that do not meet the quality standards to improve their services, and ultimately amend or cancel licences of non-complying providers.⁴⁸

Forge local employment and skills networks

Whether or not they assist people with complex needs (as discussed above), effective employment services collaborate closely with local employers, community organisations, TAFEs and community-based training organisations to connect the right person with the right jobs and training opportunities. Establishing and sustaining these *local employment and skills networks* is resource intensive, yet this is rarely acknowledged in employment services procurement models, or those for other human services.⁴⁹

The competitive model of employment service purchasing with its emphasis on short-term outcomes works against local collaboration. In addition, it is strictly focussed on assisting *individuals* rather than strengthening community or service infrastructure.

The *Local Jobs Program*, which employs facilitators, establishes local employment 'task forces' and funds 'projects' such as jobs fairs narrows this gap in employment services commissioning, but does not close it. Effective local networks require more than a facilitator and the sharing of labour market data. They are built from the ground up, based on clear set of shared objectives – to reduce unemployment, ease labour and skills shortages and strengthen skills.⁵⁰

Ideally, *local employment* and *skills development* initiatives would be integrated rather than operating separating under the auspices of the *Employment Department* and *Jobs and Skills Australia* respectively.

⁴⁸ For policy detail see: ACOSS (2021), [New employment services licensing](#).

⁴⁹ For a well-informed discussion of these issues see Considine M (2023), *The Careless State* (Melbourne University Press).

⁵⁰ ACOSS (2021), [Local employment and skills development partnerships](#). Sydney; Kania J & Kramer M (2011), [Collective Impact](#). Stanford Social Innovation review, Winter 2011; Lindsay C et al (2008), *Inter-agency Cooperation and New Approaches to Employability*. Social Policy and Administration, Vol 42 No 7. Local Government Association (2022), [Work Local: Unlocking talent to level up](#). London.

We propose that *the Local Jobs Program be extended and deepened*, by investing in a community development process that brings local leaders and services together to identify the main challenges facing people who are out of paid work and local employers, and how they can work together to resolve them. Where communities have already reached that stage of planning (whether through the Local Jobs Program or other Local or State Government initiatives) those networks should be used rather than establishing new ones.

Once these *local employment and skills networks* agree on a plan to improve the employment prospects and skills of people who are unemployed and meet the current and emerging labour force needs of local employers, they should be supported to meet regularly, share information (including data provided from Jobs and Skills Australia that is tailored to local needs), and collaborate to connect the right people with the right jobs and training opportunities.

Their local knowledge, experience and skills should be shared with others across the country through a national advisory body to government on local employment development and specialised working groups reporting to that body. For example, conferences and training sessions could be held regularly to share best practice in local employment development initiatives.⁵¹

Unlike the *local partnership services for people with complex needs* discussed above, these wider networks would not administer employment programs or services for individuals. Instead, their purpose would be to build and sustain a *local infrastructure for collaboration* among community leaders, employers, unions and other organisations representing people directly affected and employment, training and community services. A modest investment of public funds in these local networks could significantly increase the reach and impact of employment services.

Recommendation 6: Local employment and skills networks

Local employment and skills networks should be established to embed the work of all strands of employment services in local communities and improve coordination between employment and other service providers, employers, unions and local governments so that the right people are connected to the right jobs and training opportunities.

The local networks would:

- improve and replace the *Local Jobs Program*;
- include local service users (employers, unions, and a mechanism to incorporate the views and experiences of people who are unemployed), service providers (such as Workforce Australia, Transition to Work and local TAFEs and not-for-profit community education providers); and local, state and territory government representation as appropriate;
- be integrated with existing State or Local government-based employment or regional development bodies where appropriate, to prevent duplication of effort;

⁵¹ An example of this model of national information sharing and collaboration is the [National Youth Employment Body](#) established under the auspices of the Brotherhood of St Laurence.

- develop local employment/skills agreements or plans in consultation with the community (but not provide services directly);
- support the development of work experience and training opportunities under the *Jobs and Training Offer* for people unemployed long-term;
- share up to date data (from *Jobs and Skills Australia* and other sources) on current and future employment and skills opportunities and needs;
- be auspiced by a local government, a local community agency (not an employment or training provider) or a local employer, union or business chamber;
- be supported by a national advisory body to the Minister (or *Jobs and Skills Australia*) and working groups reporting to that body that share best practice in local facilitation and labour market and skills information and provide timely feedback to national policy makers on labour market developments at the local level.⁵²

Promote provider diversity

One of the goals of the *Employment Service Expert Panel* was to strengthen provider diversity, to broaden and deepen the range of services offered to people who are unemployed. We strongly support this goal but do not believe it has been achieved.

The number of providers funded under successive iterations of the main employment service program had progressively diminished from 141 in Job Services Australia to 42 in jobactive and 37 in Workforce Australia.⁵³ This loss of diversity is due to the tendency for human services pseudo-markets to become more concentrated over time through amalgamations, uneven access to capital and economies of scale, and aspects of the purchasing system. For example, the decision to require jobactive providers to service all people eligible for assistance across the larger employment regions rather than the smaller Employment Services Areas, led directly to the demise of many smaller local and specialist providers.

Large for-profit providers with ready access to capital play a dominant role in Workforce Australia, assisting two thirds of all program participants.⁵⁴ This effectively narrows the range of services for participants, given the tendency of many of these providers to prioritise cost containment in their business models. It makes systemic change more difficult, to the extent that providers are 'too big to fail'.

The following recommendation aims to improve provider diversity by strengthening the role of smaller, locally-based or specialist providers in the system. To support those providers, the government should also consider establishment grants to assist with core expenses such as offices and administrative support.

⁵² For policy detail see: ACOSS (2020), [Local employment and skills development partnerships](#).

⁵³ ACOSS (2022), [Workforce Australia provider snapshot](#).

⁵⁴ Senate Education and Employment Committee (2023), *Transcript of Estimates hearing on Wednesday 15 February 2023*. Canberra.

Recommendation 7: Promote provider diversity

The balance of providers should be shifted back towards local community based or specialised not-for profit services that are embedded in and accountable to local communities or groups with specific needs by:

- purchasing employment services at the *Employment Service Area* rather than regional level;
- providing more resources up-front to assist with establishment costs for organisations lacking access to capital;
- reviewing the role of for-profit providers in the employment services system;
- giving preference in licensing of services to organisations that are responsive and accountable to local communities or people who need specialised support.⁵⁵

8. Provider resourcing

Consistent with the Job Network model, Workforce Australia services are funded through a fixed national fee schedule tied to individual commencements, services and employment outcomes. This has advantages over traditional models of grants-based funding. Funding is demand-driven (so there should be no 'queuing' for the core service), there is no 'race to the bottom' through competitive fee structures (this was attempted then quickly abandoned in the first iteration of the Job Network model), and employment outcome fees help keep providers focussed on the main objective of the program.

The main problems with the Workforce Australia fee structure are:

- inadequate upfront investment in core service infrastructure (especially sufficient well-qualified consultants);
- inadequate investment in complementary programs (discussed previously);
- an unnecessary new tier of 'progress payments' which adds to complexity without necessarily rewarding positive outcomes for people disadvantaged in the labour market;⁵⁶
- a lack of granularity in outcome payments for people more or less disadvantaged in the labour market.⁵⁷

⁵⁵ For policy detail see: ACOSS (2021), [Submission on new employment services payment model](#) and ACOSS (2021) [New employment services licensing model](#).

⁵⁶ 'Progress towards employment' is inherently difficult to measure. It is likely that these payments will reward successful completion of activities that may or may not improve people's employment prospects. It would be simpler to fund service inputs directly, along with measurable employment and training outcomes.

⁵⁷ We advocate a two-tier system of outcome payments for providers, with a larger 'reward' for assisting the most disadvantaged into sustained employment. Although Workforce Australia restricts scope for 'creaming' and 'parking' by diverting people closest to employment to online services, there is still a risk that providers will under-invest in the most disadvantaged. While the review of the New Employment Services Trials found that providers saw little point in two distinct

Recommendation 8: Provider payment model

Provider payments should vary among the different strands of employment programs described above, as follows:

- (1) The *intensive 'core' service* would have a hybrid funding model combining establishment, service and outcome payments and access to an investment fund in respect of each individual assisted.

Within this funding stream, service payments would be increased to support an adequate number of suitably qualified front-line workers; progress payments would be abolished, and higher outcome fees would be paid in respect of people assessed as having greater labour market disadvantage.

- (2) Providers would have access to places in separately funded *national paid work experience and training programs* (wage subsidies, demand-led programs, vocational and foundation skills training through TAFE and community providers) to assist people with barriers to employment, including through the annual *Jobs and Training Offer*. These would offer fixed rates of funding per program place and local employment and skills networks would provide regular advice on the number and type of places required in each region.
- (3) *Professional career counselling and support services* would receive fixed fees per person assisted based on their needs. While this stream would have a standardised funding schedule, services on the ground could specialise in assisting specific groups needing career support (e.g. parents and carers, older people, young people).
- (4) *Local partnership services for people with complex needs* would be funded on a grants model, with funding provided to a lead agency or consortium to oversee partnerships among services to deliver services based on individual case plans. Modest employment outcome payments would also apply.
- (5) - The *Local employment and skills networks* would be funded on a grants model. The auspicing agency (for example a local government, community service or chamber of commerce) would be funded to develop the network, and then to sustain it by employing facilitators, conducting regular meetings, and information sharing.⁵⁸

'levels' of disadvantage, this was likely because the more disadvantaged group did not attract additional funding in the trials (Department of Education Skills & Employment 2021, *Online Employment Services Trial Evaluation Report*. Canberra).

Consideration should be given to limiting outcome payments in regard to employment to those achieved above a minimum benchmark based on the profile of people using a service in a given region and local labour market conditions. Payments for employment outcomes could then be increased at no extra cost to government by reducing the 'deadweight cost' of paying for results that would have been achieved without the service.

⁵⁸ For policy detail see: ACOSS (2028), [Submission on future employment services](#), and ACOSS (2021), [Submission on new employment services payment model](#).

B. Reform of mutual obligations and compliance

1. Immediate changes to the most punitive and harmful elements of the mutual obligation regime

The OECD has described the Australian mutual obligation regime of activity requirements and compliance penalties as both onerous and strict: onerous due to activities that take considerable time to complete such as Work for the Dole and high job search targets; and strict because of the tight monitoring and enforcement.

The onerous nature of requirements and the pervasiveness of threats to remove the income supports on which people rely to meet their basic needs contribute to negative experiences of employment services, psychological harm, and waste of public resources on administration on elaborate compliance systems.

To facilitate strengths-based engagement it is vital that the government reduce the pervasiveness of threats beginning with the first contacts people have with employment services at initial appointments and when negotiating Job Plan requirements. We note that removing threats from people's initial encounters with providers will necessitate changes to 'rapid connect' arrangements (which were designed to deter people from proceeding with claims for income support) and social security notification requirements.

ACOSS's research with people required to use employment services shows that employment service providers too often use payment suspensions as threats to coerce people into signing job plans and participating in activities, rather than seeking to engage with people in a positive way.

Although most payment suspensions do not result in payments actually being withheld, ACOSS is concerned about the impact they have on psychological well-being particularly while people are already experiencing poverty. Further, when they do impact payments, they interfere with income security such that people's welfare, health and housing are affected.

It is not possible for people to search and upskill themselves effectively for employment when they are constantly worried about how to pay for their next meal and keep their home. The evidence strongly indicates that chronic 'scarcity' reduces people's mental bandwidth and capacity to undertake complex and stressful tasks such as job search and performing in job interviews.⁵⁹ Income support payments of \$43 a day are grossly inadequate to cover basic living costs, let alone the direct costs of job search such as travel, phone and internet services.

⁵⁹ Mullainathan M & Shafir E (2013), *Scarcity: Why Having Too Little Means So Much*. Times Books.

ACOSS proposes immediate action to reduce the incidence of threats and payment suspensions and their automation (see Attachment A), remove punitive and wasteful programs and replace them with programs that help people secure employment, and to lift the level of unemployment payments.

Recommendation 9: Reduce threats to suspend or remove income support payments

- (1) Reduce the prevalence of threats of suspensions and penalties and the harm they cause to people, to make room for strengths-based engagement and positive communication.
- (2) Review and update notification requirements so that consequences of non-compliance are not communicated as threats.

Recommendation 10: No automation of decisions adversely affecting payments

Replace immediate suspension of payments after two days with a system based on the following principles: no automated suspensions, opportunity for human review before a payment suspension is applied and discretion to be exercised by a delegate of the Employment Secretary’.

Recommendation 11: Legislate the Digital Protections Framework

Legislate a robust human-rights based Digital Protections Framework including protections against automated suspension of payments and intrusive surveillance of people to monitor compliance. This could be achieved via the proposed Legislative Instrument currently being developed and/or amendments to Primary Legislation.

2. Mutual obligation should aim to assist people to obtain suitable employment

The Australian Constitution⁶⁰ gives the government beneficial powers to make payments and provide services to people who are unemployed. Therefore, the primary purpose of employment services funded by the Commonwealth should be to assist people to secure suitable employment and reduce overall unemployment, especially prolonged unemployment.

Any compliance and enforcement systems in employment services should directly reflect these powers by connecting people to services that are useful to them while they are looking for paid employment. They should not be harmful in ways that abrogate the intent of the constitutional powers, for example by undermining people’s economic security, health or safety.

⁶⁰ Section XiiiA the provision... of unemployment... benefits ...(but not so as to authorize any form of civil conscription),
https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter1/Part_V_-_Powers_of_the_Parliament

3. Activity requirements should be reasonable and relevant

The OECD defines 'activation' as a range of requirements from Job Search and case management to onerous mandatory 'Workfare' activities like Work for the Dole. It is important to distinguish the purposes of different activity requirements, and also the manner in which they improve employability (if at all). Some programs are designed to be onerous, to trigger 'referral effects' (where people leave benefits early) while others are designed to provide support that helps people secure employment.

The logic of onerous activity requirements like Work for the Dole is to discourage people from remaining on benefits when there are jobs available, rather than positively help those who participate in the program to secure employment. As discussed, Work for the Dole does not have a formal employment objective and any employment impacts are achieved by pressuring people to search for jobs faster (often to take up unsuitable jobs) to avoid participation in the program.

This 'disutility logic' is not only ethically flawed but, as discussed above, also ineffective in improving the employment prospects of people who are unemployed long term. Forcing people to participate in programs that don't help them secure employment is harmful for people's mental health.

When people unemployed short term are referred to onerous programs, this may push them to take up the first available job, rather than receiving support that will contribute to their longer-term employability and job security. The long-term employment impacts of these pressures are often negative.⁶¹

A more nuanced approach is required to setting requirements for people with different durations of unemployment, that strengthen 'intrinsic motivation' (discussed below), rather than relying on 'disutility effects'. The best way to ensure they tap into intrinsic motivation is to ensure that requirements are personalised and meet individual needs.

ACOSS recognises there have been changes to Mutual Obligation requirements in Workforce Australia. There have been changes to the frequency and length of activities like Work for the Dole. However, requirements remain inflexible and lack personalisation, with inflexible rules resulting in cookie-cutter requirements that do not improve employability and are based on a punitive approach rather than evidence.

Recommendation 12: Review activity requirements

Update guidelines in consultation with people directly affected, to ensure that activity requirements are reasonable, do not compromise existing necessary and beneficial activities such as caring and voluntary work, and do not displace existing paid employment or training (including participation in longer education courses).

⁶¹ Griggs J et al (2010), *Sanctions and conditional benefit systems: A review of evidence*. Joseph Rowntree Foundation; Taulbut M (2019), *Job Seeker's Allowance (JSA) benefit sanctions and labour market outcomes in Britain, (2001–2014)*. Cambridge Journal of Economics 2018.

Recommendation 13: Points Based Activation System

Ensure that:

- (1) Points or job search targets are not onerous and are genuinely customised to labour market and personal circumstances;
- (2) The points model is truly flexible by reviewing range of activities and evidence to be provided; and
- (3) Ensure that reconnection requirements are reasonable, can be completed quickly and do not result in cancellation of payments unless the person no longer needs income support.

4. The obligations of people on unemployment payments and Government should be mutual and even-handed

The social contract of mutual obligation was based on an expectation that people would take reasonable steps to secure paid work if they were able to, while government would provide them with sufficient income to maintain basic living expenses while they were without paid work. Over time this social contract has been eroded because social assistance is inadequate, employment services have failed, and expectations to meet activity requirements have been dialled up to a punitive extent. They are punitive because requirements are designed to direct people into the first available job, rather than invest in the help people need to get the right job that will lead to a job that is a better fit and more sustainable; and because the consequences of non-compliance are severe.

Under current policy conditions, where social security payments are not set at a liveable rate and service quality is often poor, there is a strong view amongst ACOSS constituents that the government is not meeting its obligations either to pay people a liveable income or to provide genuine help into employment.

A first step to ensure mutuality in employment services is to set unemployment payments at a rate that is liveable and enables people to participate in the economy and wider society.

The second step is to introduce a higher level of personalisation and choice into the mutual obligation framework – a key goal of the *Employment Services Expert Panel* which cannot be realised without further reform of activity requirements and compliance systems.

The third step (discussed later in this submission) is to ensure that employment services are delivered by agencies and workers who are both dedicated and skilled at supporting people looking for jobs (as discussed later in this submission). Providers should not be able to use threats to coerce people to participate in activities that are not reasonable or beneficial to them.

Recommendation 14: Job plans

- (1) People should have more choice and control over their Job Plans and only be required to participate in programs that increase their employment prospects.

(2) Remove social requirements from the Acts including any relating to parenting or drug and alcohol treatments.

(3) To ensure the Job Plans are genuinely negotiated, the first payment should not be contingent on signing a Plan, and people should be given sufficient time and access to support as needed (including external support or advocacy) to consider the options available and make their own proposals.

5. Provide the tools and supports people need to negotiate the employment services system with confidence

People who use employment services experience a power imbalance and do not have access to sufficient processes of complaint or review. More resources should be available to improve the accessibility of independent advocacy and problem-solving services that support people who use employment services.

Further, there is a wide degree of subjectivity and discretion in both the Employment Department's and employment service providers' application of activity requirements, which are not principles-based. Key terms in the relevant Social Security Law are not defined. This ambiguity leaves room for harmful exercise of discretionary power. It can also limit choice and agency for service users, and their access to review and appeal processes.

One option to reduce the level of threats and change the character of employment services – from compliance administration agencies to services that help people find employment - is to shift the administration of jobseeker compliance systems to Services Australia. This would also help to ensure that social security law is administered consistently and with integrity.

Recommendation 15: Strengthen the role of Services Australia

Strengthen the role of Services Australia in administering the compliance system for activity-tested payments.

Recommendation 16: Clarify the legal basis for activity requirements

Define key terms in Social Security Law relating to activity requirements including 'Reasonable', 'Beneficial', 'Unreasonable', 'Fair', 'Customised', and 'Onerous'.

Recommendation 17: Operationalise the Digital Protections Framework

Ensure that people have ready access to complaints and review through the Digital Protections Framework.

Recommendation 18: Advocacy and complaints

(1) Establish and adequately resource an independent complaints service until the proposed independent licensing/quality assurance body is established.

(2) Adequately fund independent and problem-solving advocacy services to support users of employment services.

Recommendation 19: Transparent process to determine activity requirements

Restrict the powers of the Employment Secretary to determine requirements through guidelines without public scrutiny of the appropriateness of those requirements.

6. Different mutual obligation requirements should apply for people with barriers to employment or who experience discrimination

Activity requirements should be consistent with Australia's human rights obligations.

Australia's international human rights obligations confer additional responsibilities for ensuring that requirements are appropriate throughout different stages of people's lives, and for people who have particular responsibilities for the care of others, or vulnerabilities such as illness or disability.

Further, activity requirements should reflect the difficulty faced by people who are unemployed long term to sustain the high activity levels required under current policy settings, often for many years. Many face discrimination, health issues and psychological impacts from prolonged unemployment.

Recommendation 20: Human rights protections

(1) Adopt a human rights-based view on the suitability of activity requirements, including for people with disability and people who care for children or others (e.g. older people or people with disability).

(2) Adopt a discrimination-aware view of mutual obligations for people who are mature aged, unemployed long-term or who face other forms of discrimination in employment.

7. Financial penalties are harmful and should only be used as a last resort

Payment penalties are a contested public policy lever because they are premised on threats to financial security, when the main purpose of the social security system is supposed to be to prevent financial hardship and the main purpose of employment services is supposed to be to enable economic participation.

In behavioural economics financial penalties are 'sticks' intended to alter behaviours by creating disincentives (influencing 'extrinsic motivation'). However, the behaviours they aim to promote, such as active job search and engagement with providers, require intrinsic motivation (that people value the activity in its own right).⁶² The constant threat of financial penalties may alter people's immediate behaviour in a superficial way (for example by attending provider appointments and applying for the first available job), but this comes at the expense of agency, choice, and the quality of

⁶² Homel J & Ryan C (2010), *Incentives, rewards, motivation and the receipt of income support*. Families, Housing, Community Services and Indigenous Affairs Occasional paper No34. Canberra.

longer-term employment outcomes.⁶³ The constant threat of financial penalties also causes financial hardship and undermines mental health and self-efficacy.

It is not ethical to rely on the constant threat of loss of payments to keep people engaged with poor quality services when they are already experiencing poverty. Our analysis shows that people with complex psychosocial barriers to employment, such as homelessness, are overrepresented in the strike rates for financial penalties. This is indicative of the deeply flawed premise of financial penalties as they currently operate.

Any sanctions should be determined by Services Australia, accompanied by an assessment of financial impact (and where appropriate welfare checks), and must not cause or worsen poverty, or undermine people's health.

We note that in the compliance system in place prior to the Targeted Compliance Framework, financial penalties were not imposed in cases where financial hardship was demonstrated.

Recommendation 21: Financial penalties and vulnerability

(1) Steps should be taken to prevent the disproportionate application and impact of financial penalties on people who experience marginalisation and exclusion including First Nations people, people who are homeless, people with mental illness and people who have left the justice system.

(2) Previous exemptions from payment penalties and cancellations where people face financial hardship should be restored, and any penalties should be accompanied by welfare checks.

8. Develop stronger evidence about the relationship between obligations and achievement of sustainable employment outcomes

The evidence about direct causal relationships between the setting of obligations, forms of activity, compliance and employment outcomes is patchy. While there have been studies that have assessed the net impact of different activation models or specific requirements such as attendance at appointments, there have been no systematic studies into the causal effects that explore the impact of requirements on motivation, and the longer-term employment outcomes.

There are quantitative studies into the impact of the different labour market programs and activity requirements since the *Active Participation Model* was introduced in the late 1990s, and the *Welfare to Work* measures were introduced in 2007. In each of these cases modest improvements in labour market outcomes for specifically targeted groups of people were noted, but short-term outcomes were weaker for people more disadvantaged in the labour market and long-term outcomes were not examined. It also been difficult to control for variations in labour market conditions which in themselves were the main predictors of employment outcomes, along with employer incentives such as wage subsidies.

⁶³ Griggs J et al (2010), op cit; Taulbut M (2019) op cit.

There is evidence to suggest that beyond a certain point, increasing the frequency or intensity of requirements (for example, increasing job search requirements in the Active Participation Model or increasing Work for the Dole hours) has little or no impact on employment outcomes. To the extent that more intensive obligations reduce time for job search, or its quality they are likely to diminish employment outcomes.

Successive changes to sanctions for non-attendance at appointments have not had major impacts on attendance. Over the last 20 years appointment attendance increased from approximately 60% to 70%.⁶⁴ This casts doubt on the benefits of the considerable investment in time and money in successive reforms of compliance systems, and whether the 'benefits' outweigh the harms to people affected and their cost to government. We appreciate that people need to engage with employment services to benefit from them, but the 'benefits' of such a modest increase in participation in appointments are not clear. Rather than constantly tightening the compliance system, the Government should reform employment services so that people want to use them.

It is noteworthy that less punitive models to encourage engagement with employment services such as the Transition to Work program for young people, which have fewer mandatory requirements, have comparable outcomes to mainstream employment services, with less harmful impacts on participants.

In summary, punitive or badly designed obligations and compliance systems can be harmful for the most vulnerable, while the impact on attendance and motivation is often modest or non-existent.

9. Build a more supportive engagement framework in consultation with people directly affected and experts

We need a better understanding of the true impact of activity requirements, compliance systems and sanctions on the well-being of people looking for employment as well as short-and long-term employment outcomes. There has been too much emphasis on the application of behavioural discipline rather than personal agency and intrinsic motivation.

The *Targeted Compliance Framework* (TCF), which preceded Workforce Australia and was not reviewed by the Employment Services Expert Panel, is built on behavioural assumptions that are not appropriate for people experiencing poverty. The compliance framework that preceded the TCF was also flawed because of the inefficiency of the reporting system, and the complexity and severity of separate 'no-show no-pay' penalties.

Research should be undertaken to absorb knowledge from a range of disciplines that are relevant to understanding these issues including such as the psychological efficacy

⁶⁴ It would be unrealistic to expect 100% attendance, as there are many good reasons that people miss appointments. See O'Halloran, D et al (2020), [Australian employment services: Help or hindrance in the achievement of mutual obligation?](#) The Australian Journal of Social Issues, Vol 55 No4, pp492–508.

and the relational context as well as labour market impacts. This knowledge should be applied to develop an employment services system that engages with people on the basis of positive benefits rather than threats.

Recommendation 22: Advisory body on mutual obligations

Establish a body to advise government on activity requirements and conditionality that includes people directly affected, community organisations, labour market and welfare conditionality experts. That body should:

- (1) Undertake a systematic, principles-based review to redesign Mutual Obligations so that activities are beneficial and the punitive dynamic is removed from the employment service relationship.
- (2) Redesign the compliance framework in consultation with experts in human motivation, psychology, human rights, the labour market and people with lived experience.

Recommendation 23: An evidence base for policy on conditionality

Commission independent research in consultation with welfare conditionality and labour market experts to evaluate the causal relationships between motivation, conditionality and labour market outcomes, including quality of employment.

Acknowledgements

These recommendations have been developed over a number of years, commencing with our policy development work for the Employment Services Expert Panel in 2018.

New policy proposals developed more recently, especially those relating to activity requirements and the compliance system, have benefited from discussion with our Income Support and Employment Policy Member's Network.

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