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Dear Minister

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Thank you for the opportunity to provide you with our views on how employment services can be improved so that more Australians can participate in the nation's economic and social life. We currently find that too many vulnerable people are facing major social isolation, are becoming increasingly marginalised from the labour force and are being punished by the Social Security system for the disadvantage they face.

The National Welfare Rights Network believes that the "work first" agenda has become very unbalanced, is not world's best practice and is not appropriate to the current employment climate in Australia. Further, the system is characterised by an unwarranted and counter-productive reliance on a compliance-based system that excessively monitors both unemployed people and those who provide services to them. This is not only damaging to the individuals involved and comes at a huge financial cost in terms of inefficient use of Government and Job Network resources.

In our view Australia is long overdue for a shift to an alternative approach that places the notion of enabling individuals to become "work ready" at the centre. Such an approach should underpin a vibrant, flexible and resourceful network of employment services and supports for unemployed people. It is time for a less punitive approach which focuses on flexible and individually tailored services that help to build skills and resilience in participants.

NWRN's submission touches briefly on a range of important areas which we believe will result in:

- a more efficient, responsive and flexible set of services for unemployed people which would enable more unemployed people, and especially very long term unemployed people, a much better chance to take part in the social and economic life of the country, and
- a more efficient, effective, purpose-driven set of Job Network arrangements, with the focus being on engagement and individual capacity building, as opposed to a narrow, "one-size fits all" approach that relies too heavily on a punishment and compliance framework, rather than providing assistance and support.

Finally, we would also like to indicate that the NWRN endorses the analysis, conclusions and recommendations contained in the ACOSS submission to which we have also contributed as an ACOSS member.

Please do not hesitate to contact me if you wish to discuss any aspect of this submission in greater detail.

Yours sincerely,

Michael Raper  
President

The NWRN is a network of services throughout Australia that provide free and independent information, advice and representation to individuals about Social Security law and its administration through Centrelink. For member details, services and information visit:  
[www.welfarerights.org.au](http://www.welfarerights.org.au)

# From “work first” to “work ready”: reform options for employment services

## 1. Introduction

*There is an urgent need for a change in the mind-set of both Centrelink and DEEWR, when they consider the circumstances and position of unemployed people in Australia. For too many years the Government have put in place policies which have sought to demonise unemployed people, single and low income parents and people with disabilities. The focus has been to blame individuals for their predicament and treat them with little or no respect, and major problems of a lack of a skills and mismatch with the demands of labour have been ignored. In addition, little account has been paid to the pervasive impacts of normal human factors on a person’s ability to find and keep employment - such as lack of money, education, skills, confidence and language, cultural barriers, ongoing and episodic health concerns, the need to care for family members and the need to recover from crises.*

Real progress in addressing low levels of participation and social exclusion will only be achieved by moving beyond the narrow, single-mindedness of “work first” to a “work ready” approach, which would include a mix of training, skills development, education, wage subsidies /work experience and other tailored programs through Job Network, DEN, PSP, JPET and others, depending on the needs and circumstances of the individual.

As the labour market becomes increasingly tight, there are great opportunities for long-term unemployed people and very long-term unemployed people. Despite this, employers still look for recent workforce experience and / or recent training and skill development. These are the two issues that need to be addressed by the Job Network whilst at the same time making far better efforts to understand and meet the needs of the unemployed person they are meant to be working with.

## 2. Better support for engagement in training, education and work

Below is a range of options which, if implemented in the short to medium term, would undoubtedly pay significant dividends. Options for consideration include:

- Revamp “Wage Assist”. Subsidised substantial paid work experience should be seen as a valuable part of assisting people into the labour market. However, only one third of the available places allocated under the “Wage Assist” scheme were utilised in the first year of operation, mainly because the scheme’s design did not meet the needs of employers, jobseekers, or Job Network Providers. These funds should be used to provide practical, tailored assistance to jobseekers who require work experience.
- Allowing access to JET Child Care funding for up to four years for parents who undertake longer-term education and training opportunities.
- Allowing longer term education courses and training to be included in activity agreements, instead of the current focus on short courses which generally do not involve the acquisition of transferable skills, nor the depth or breadth of knowledge and skills that the labour market requires.
- Providing sufficient places to eliminate waiting periods for the Personal Support Program. This increase in places must be accompanied by additional funding to purchase relevant programs and assistance to help overcome barriers to employment and social participation. There should not be participation requirements for those on PSP waiting lists, as a consequence of the level of

disadvantage experienced by people eligible for this program, and their inherent risk of being penalised for being unable to meet other activity test requirements.

- Taking into account privacy concerns, DEEWR should investigate and consult with client's and key stakeholders on improved methods of sharing of relevant information between Centrelink and Job Network Providers and others, so that, with consent, JNP's, DEN and providers of other support services can be better informed of the circumstances of individual job seekers and the specific barriers that they face, so their services can be tailored to address barriers to employment.
- Introducing some flexibility to facilitate unemployed people having the right to exercise real choice of providers, including in rural and remote areas, and the right to change providers if they are unhappy with the services and support provided, or if they would prefer to deal with a specialist service.
- Putting in safeguards to ensure that PAGES are accountable for the treatment of their clients by introducing an independent appeals process for people who are concerned, confused, frustrated or angry with the treatment, services and decisions being made by these service providers. The current system of the "hotline" followed by the poorly promoted appeals to the Ombudsman is completely inadequate.
- Increasing the range of services that can be provided to people, irrespective of their payment type, access to a particular employment service, or employment assessment eg. JSCI. People should be able to obtain the service or program they need from the service that is most accessible to them, or from the service they prefer to attend.
- Introducing flexibility to enable deferral of Job Capacity Assessments where people have experienced a recent crisis (such as recent admission to hospital or psychiatric facility). DEEWR should also provide breathing space for refugees facing difficult circumstances, by not requiring them to undertake a Job Capacity Assessment within the first 13 weeks of arrival in Australia. In some circumstances, it may be appropriate for a refugee to undertake a JCA, but this will not be the case for every person.
- Uncapping places in the Disability Employment Network for people in receipt of the Disability Support Pension (DSP).
- Removing the requirement that people receiving Disability Support Pension have a DSP entitlement review as a prerequisite to /condition of receiving employment assistance.
- Earmarking 50 per cent of skills assistance places to be made available for income support recipients.

### **3. Activity testing and compliance**

We currently find that vulnerable people are facing major social isolation, are becoming increasingly marginalised from the labour force and are too often being punished by the Social Security system for the disadvantage they face.

The National Welfare Rights Network believes that the "work first" agenda is no appropriate to the current employment climate in Australia, and that reliance on a punishment-based model that excessively monitors both unemployed people and those who provide services to them, is damaging and comes at a huge financial cost in terms of inefficient use of Government and Job Network resources. A less punitive approach which focuses on flexible and tailored services, that builds skills and resilience should be at the heart of any reforms to the Job Network and other assistance for jobseekers.

In light of the above, NWRN urges that DEEWR:

- reform the assessment of people's ability to comply with the activity test and the determination of requirements that are suitable for the person;

- reform the establishment of activity agreements, with a focus on proper negotiation in good faith, and on choice; and
- reform activity testing law, policy and administration, so that meaningful and appropriate compliance is achieved, and penalties are minimised. This would involve an examination of activity test and participation requirements, and an acknowledgment of the following:
  - that people generally want to participate at the level they feel capable of
  - that it is harder for people to participate the longer they have been unemployed
  - that participation is not static over time, nor is it always predictable
  - that the unemployed person should consider the participation to be beneficial and meaningful
  - that participation requirements should not be unrelenting, and devoid of choice
  - that participation should not be harmful to health, dignity, financial viability or family life
  - that the level of participation will be different for different people depending on circumstances
  - that, at least from time to time, some unemployed people cannot participate in employment-related activities at all
  - that normal human factors, such as lack of money, education, skills, confidence and language, cultural barriers, ongoing and episodic health concerns, the need to care for family members and recover from crises, are at the core of limiting a person's capacity to work to the best of their ability.

## 4. Suspensions and eight week no payment penalties

### Background

The severity of the “eight week no payment penalty” as both a first strike and third strike penalty necessitates a very detailed and expensive (as well as cumbersome and slow) investigation process by Centrelink. It imposes enormous, disproportionate, and counter-productive financial pain on over 15,000 unemployed people each year.

There is a significant flow-on impact on charities throughout Australia, as they are forced to deal with the fallout with insufficient funds, and/or compromise their focus by refusing aid.

The relationship between this penalty and major dislocation, including homelessness, relationship breakdown, increased mental stress, illness, violence and crime is both categorical and direct. The penalty clearly runs counter to other Government policies and programs which support pathways for social inclusion for all Australians.

Further, it prevents participation both by removing any financial capacity to comply on the part of the client, and by the necessary consequential removal of activity test requirements for the duration of the penalty.

Additional savings would be achieved if the number of penalties imposed were reduced, leading to reduced demand for Financial Case Management, and enabling this task to be undertaken completely within Centrelink.

Correspondence<sup>1</sup> from Centrelink CEO Jeff Whalen to the Commonwealth Ombudsman in November 2007 indicates that Centrelink received 12,000 “participation failure” notifications from Job Network Providers for investigation every week in the 06 -07 financial year – a total of 525,654! These investigations resulted in less than half of the submitted failures being applied by Centrelink.

By improving the quality of Job Capacity Assessments (which are resulting in tens of thousands of inaccurate and inappropriate Activity Agreements) and rewriting the contractual and performance guidelines of PAGES so as to remove unwarranted and unsustainable “participation failure” reports, a massive wasteful burden could be removed from Centrelink. By also removing unnecessary DEEWR daily scrutiny of Participation Reports, large savings could also be found in its budget.

<sup>1</sup> Commonwealth Ombudsman, *Application of penalties under Welfare to Work*, Report No. 16, Appendix 4 – Centrelink Response, p. 20, December 2007.

In light of the above, NWRN urges that DEEWR:

- take steps to reduce both time and money spent by Job Network Members on submitting “Participation Reports” to Centrelink. This is a waste of time and money and sours relationships between Job Network members and their clients. JNM staff would have more time to address barriers to work and improved referrals. This action would lead to better outcomes, improved job satisfaction for JNP staff, and reduce the high levels of staff turnover in JNP’s.
- direct Centrelink to consult on, develop and implement a strategy to reduce Indigenous penalties.
- direct Centrelink to consult on and develop a strategy around penalties and homeless people.
- amend Social Security legislation and eligibility criteria for Financial Case Management to adopt the definition of homelessness that is used in the SAAP Act (1994). This would reflect the focus on homelessness and employment as a pathway to inclusion in all aspects of social and economic life.
- provide alternatives to eight week no payment penalty and a general approach to compliance which allows restoration of payments upon compliance.
- introduce a fairer system of “clean slating” to reduce the increasing number of third and subsequent participation failures;
- ensure that activity agreements are appropriate, taking into account a wide range of factors, including caring responsibilities.
- expand eligibility criteria for Financial Case Management to include risk of homelessness or actual homelessness.
- remove the unfair 10% “financial penalty” that applies to some working age payments when it is considered that a person is deliberately not declaring income from employment. A person who has a debt to Centrelink must generally re-pay the debt, and risks criminal prosecution, both of which are sufficient deterrents.

## **5. Reporting requirements and exemptions from activity testing**

Parents with caring responsibilities who are principle carers and people with partial capacity should generally not be required to report each fortnight to a Centrelink office in person.

- People with part-time activity requirements should only have to report to a Centrelink office in person on a monthly basis, providing systems are in place for the individual to report earnings each fortnight to Centrelink by other means (such as self service, over the phone or internet).

The exemptions to activity requirements that arose as a result of the 2006 Senate inquiry into “Welfare to Work” for some parents of children with disabilities, are not widely promoted by Centrelink and little information is available to parents about what they should do should their circumstances change (such as when their hours are reduced). An additional problem that was overlooked when these exemptions were introduced was that there was no account given to the caring relationships which exist in many Indigenous communities, where distant relatives may provide informal care for children. Similarly, the circumstances of relatives such as uncles, aunts or grandparents who undertake caring roles for younger children is not adequately catered for under the existing suite of exemptions.

- Centrelink needs to provide timely and relevant information to parents about how policies may affect them.
- Activity test exemptions should recognise extended kinship arrangements that are common in many Indigenous communities.

## 6. “Financial gain” test and making work pay

There is little awareness amongst parents (or in our experience, amongst Centrelink staff) of the \$25 a week “better off” guarantee that was introduced with the range of changes to the Social Security system in July 2006. Centrelink needs to make it easier for parents and people with disabilities to determine how much better off they will be financially if they take up employment or were to increase their hours of work.

- Centrelink should take the lead from the UK in introducing welfare to work “benefit calculators” to assist individuals make informed choices about their options; and
- The \$25 “financial benefit” test amount should be indexed annually to the Consumer Price Index.

Many parents who have contacted NWRN tell us that under the tougher Newstart Allowance income test it is hardly worth their financial while to work part-time, or to increase their hours of work.

- Over the longer term, the Newstart Allowance income free area and the withdrawal rate for earnings about this amount, should be increased to pension levels.