

Chapter 2

Provisions of the bill

Background to the bill

2.1 The Youth Jobs Prepare-Hire-Trial program (PaTH program) was announced in the 2016-17 Budget as part of the government's commitment to 'get more than 100 000 vulnerable young people into jobs in the growing Australian economy by giving them real work experience with real employers that leads to real jobs.'¹

2.2 The 2016-17 Budget allocated \$850 million to the Youth Employment Package, which is made up of initiatives that focus particularly on youth and employability skills.² The largest element of the Youth Employment Package is the PaTH program, which focusses on job seekers under the age of 25 and a Budget allocation of \$752 million over the forward estimates. This allocation is divided between the Department of Human Services, the Department of Social Services, and the Department of Employment.³

2.3 The Department of Employment noted in its consultation paper on the PaTH program that 'the Business Council of Australia, the Australian Chamber of Commerce and Industry and employers more generally have consistently indicated that young people need to improve their employability skills and their level of work experience.'⁴

2.4 The PaTH program comprises three stages which create a pathway towards employment:

- Prepare – employability skills training;
- Trial – an internship placement of up to 12 weeks with financial incentives to participate for both businesses and job seekers; and
- Hire – more accessible and increased wage subsidies for youth.⁵

2.5 These three stages involve the following arrangements:

- **Employability skills training:** this will be conducted across six weeks in two training blocks. The first block of training includes basic skills such as teamwork and communication, while the second block focuses on job

1 Commonwealth of Australia, *2016-17 Budget, Budget Overview, Budget Paper No.1*, 3 May 2016, p. 1.

2 Department of Employment, *Employability Skills Training – Consultation Paper*, 18 August 2016, p. 2.

3 Commonwealth of Australia, *2016-17 Budget, Budget Paper No. 2*, 3 May 2016, p. 85.

4 Department of Employment, *Employability Skills Training – Consultation Paper*, 18 August 2016, p. 3.

5 Department of Employment, *Employability Skills Training – Consultation Paper*, 18 August 2016, p. 2.

preparation. The training will be provided by training providers from an Employability Skills Training Panel.

- **Internship placements:** in this part of the program a job seeker will work for 15 to 25 hours per week for between four and twelve weeks. This work is deemed to be voluntary and the internship arrangement is between the job seeker and the host business. While participating in the internship placement, the job seeker will receive a fortnightly payment of \$200 in addition to their income support payments. Businesses which take on a job seeker receive an up-front payment of \$1000.
- **Youth Bonus Wage Subsidies:** if the host business offers job seekers in the PaTH Program an employment position, that business receives a Youth Bonus Wage Subsidy of up to \$6500. The subsidy is increased to \$10 000 for more disadvantaged job seekers. The subsidies are paid on a flexible basis over 6 months.⁶

2.6 In developing the PaTH program, the Department of Employment released a discussion paper on 18 August 2016 which sought feedback on the first stage of the program: employability skills training. Feedback was sought from industry groups and advocacy organisations by 31 August 2016. The Department notes on its website that over 70 submissions were received in response to the consultation paper and that as a result the Department is 'adjusting the design of the program.'⁷

2.7 The Department has opened applications for training organisations to apply to conduct the skills part of the PaTH program. The internship placement part of the program is scheduled to start from 1 April 2017.⁸

2.8 The details of the PaTH program itself have been publicised through the Budget 2016-17, consultation undertaken by the Department of Employment, and via the Department of Employment's website.

Purpose and overview of the bill

2.9 The Social Security Legislation Amendment (Youth Jobs Path: Prepare, Trial, Hire) Bill 2016 (the bill) will implement aspects of the payments and entitlements relating to the second and third components of the PaTH program).

2.10 As part of an internship under the PaTH program, job seekers will be paid a fortnightly incentive payment of \$200 in addition to their social security payments. As discussed below, should interns be offered a job after their internship period, as part of the PaTH program these interns will have their income support payments temporarily suspended rather than cancelled.⁹

6 Department of Employment, *Submission 14*, pp. 4–5.

7 www.employment.gov.au/youth-jobs-path (accessed 20 November 2016).

8 www.employment.gov.au/youth-jobs-path (accessed 20 November 2016).

9 Explanatory Memorandum, pp. 1–2.

2.11 The bill provides amendments to existing legislation¹⁰ so that the incentive payments of young job seekers in the PaTH program can be implemented without adversely impacting eligible job seekers' existing income support payments. The bill itself does not implement the additional payments to eligible job seekers nor payments to participating businesses.

Internship payments

2.12 Schedule 1 of the bill amends the *Social Security Act 1991* and the *Veterans' Entitlements Act 1986* to allow additional fortnightly incentive payments of \$200 to be made to those participating in the internships component of the PaTH program without affecting their income support payments.¹¹

2.13 The amendments describe the payment as being made under the Commonwealth program Youth Jobs PaTH and the recipients as individuals placed in an internship in that program.¹²

2.14 The bill does not contain a definition of the term 'internship', however the Explanatory Memorandum states the criteria for eligibility in the PaTH program:

To be eligible to participate, a person must:

- be 17 to 24 years old;
- have been in jobactive, Transition to Work or Disability Employment Services for 6 months or more; and
- be on income support payments...

Participants [in the PaTH program] will attend host businesses for 15 to 25 hours a week. They will undertake unpaid work experience and will not be employees of their host businesses.¹³

Youth Bonus wage subsidy

2.15 The PaTH program also includes financial incentives for businesses to take on job seeker placements. These include an up-front payment of \$1000 for businesses that taken on an intern, and a Youth Bonus wage subsidy of up to \$6500 (or \$10 000 for disadvantaged job seekers) for offering employment to an eligible young job seeker.¹⁴ However these payments are not implemented under the bill.

10 The bill amends the *Social Security Act 1991*, the *Social Security (Administration) Act 1999*, and the *Veterans' Entitlements Act 1986*.

11 See Item 1 and Item 2 of Schedule 1, which respectively ensure that internship payments made to participants in the PaTH program are not treated as income under the *Social Security Act 1991* and the *Veterans' Entitlements Act 1986*.

12 Items 1 and 2, Schedule 1.

13 Explanatory Memorandum, p. 4.

14 Parliamentary Library, *Bills Digest no. 37 of 2016-17*, 10 November 2016, p. 3.

2.16 Instead, the Youth Bonus wage subsidy schedule of the bill simply allows a job seeker's income support payments to be suspended rather than cancelled once they have taken up paid employment.

2.17 Schedule 2 amends the *Social Security (Administration) Act 1999* (Administration Act) to allow a job seeker's income support payments to be temporarily suspended rather than cancelled once they take up paid employment. Should the job seeker lose their employment within six months through no fault of their own, their income support payments can then be reactivated without the need to reapply.¹⁵

2.18 Item 3 of Schedule 2 amends the Administration Act to provide for the suspension (instead of cancellation) of a person's social security payments by creating a new section 95C. The Secretary will have the power to determine the suspension of payments provided the Secretary is satisfied that the person has ceased to be qualified for payments due to employment by a Youth Bonus wage subsidy employer.¹⁶

2.19 The new subsection 95C(4) defines a Youth Bonus wage subsidy employer as an employer eligible to receive the subsidy in respect of a person under the Youth Jobs PaTH.

15 Proposed section 95C of the *Social Security (Administration) Act 1999*.

16 Proposed subsection 95C(1) of the *Social Security (Administration) Act 1999*.