# Request for budget analysis

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| Employment services information – Part 1 | | |
| Person/party requesting the analysis: | Select Committee on Workforce Australia Employment Services | |
| Date request completed: | 13 January 2023 | |
| Expiry date of the analysis: | Release of the next economic and fiscal outlook report. | |
| Status at time of request: | Submitted outside the caretaker period | |
| Confidential | Not confidential |
| Summary of the request:  The request sought information on:   1. The number and estimated value of income support financial penalties by financial year since 2018 – the commencement of the Targeted Compliance Framework (TCF) – for participants in jobactive, Workforce Australia and ParentsNext, including:  * total number of financial penalty events disaggregated by:   + unique participants who had financial penalties applied   + type of income support payment * estimated value of financial penalties * number of financial penalties by penalty type (1 week, 2 weeks, or 4 weeks).  1. The number and estimated value of income support suspensions by financial year since July 2018 for participants in jobactive, Workforce Australia and ParentsNext, including:  * total number of suspensions disaggregated by:   + unique participants who had their payments suspended   + type of income support payment * estimated value of income support payment suspensions * number of suspensions which covered the day when the participant was due to be paid their income support (ie the recipient did not receive their payment on the day they normally do) * number of suspensions applied before the weekend and lifted after the weekend.  1. The time periods during which mutual obligation requirements were temporarily suspended on a national basis, such as due to COVID-19 or the Workforce Australia transition periods. 2. The cost per commencement for the Transition to Work, ParentsNext, jobactive, and Workforce Australia programs since the programs commenced and over the forward estimates period. | | |

## Overview

The requested information is provided at Attachments A to D.

### ParentsNext

* Since ParentsNext’s inception as a national program in July 2018, participants in this program have very rarely received financial penalties. Penalties incurred by this cohort generally account for less than 0.1% of total penalty events across the programs discussed in this request (Table A2). This is because ParentsNext participants:
* are not required to look for work
* are not subject to work refusal or unemployment failure penalties
* have fewer requirements than other employment services participants.
* Payment suspensions incurred by ParentsNext participants generally account for around 2% to 4% of total suspensions across the programs discussed in this request (Table B2).
  + For example, there were just under 26,000 unique ParentsNext participants in 2021-22 that incurred payment suspensions. They account for 4.2% of around 610,000 jobactive and ParentsNext participants that incurred suspensions (Table B1). When participants re-engage with their requirements or provide a valid reason for not meeting them, their suspension ends, and their entitlements are fully paid back.
* Less than 3% (between 1.6% to 2.6%) of ParentsNext participant payment suspensions led to payment delays between 2018-19 and 2021-22 (Table B5).
* The share of suspensions that were applied before the weekend and lifted after the weekend has been trending down from around 13% in 2018-19 to just under 6% in 2021-22 (Table B6).
* Over 99% of ParentsNext participants receive Parenting Payments (Tables A3 and B3).
* The average commencement costs per new ParentsNext entrant were and are expected to remain around $2,000 to $2,500 (Table D1), except for:
  + 2018-19 and 2022-23, reflecting significant transitional caseloads
  + 2021-22, when significant changes to the eligibility criteria were implemented resulting in a sizable increase in new entrants.

## Additional Information

Part A – Financial penalties for employment services participants

#### Background information

The TCF applies when employment services participants fail to meet mutual obligation requirements. Under the TCF, participants who continue to meet their requirements or provide a valid reason remain in the ‘Green Zone’. Participants who fail to meet a requirement without a valid reason incur a ‘demerit’ and move into the ‘Warning Zone’. When a participant in the Warning Zone has 3 non‑compliance events within an active 6-month period they undertake a Capability Interview with their provider. Participants in the Warning Zone who have more than 5 non‑compliance events are subject to a Capability Assessment with Services Australia, and if they are found capable are moved into the ‘Penalty Zone’.

If participants in the Penalty Zone fail to meet a mutual obligation requirement, their employment services provider reports the failure to Services Australia, who may then apply a:

* **1-week penalty** – for the first failure in the Penalty Zone the participant loses half of their fortnightly payment
* **2-week penalty** – for the second failure in the Penalty Zone the participant loses all of their fortnightly payment
* **4-week penalty** – for the third failure in the Penalty Zone the participant’s payment is cancelled. Participants must reapply for the payment, and face a 4-week waiting period before their payment can start again. They must restart in the Penalty Zone.

Participants may also have their payments cancelled (4-week penalty) if they:

* refuse to accept a suitable job (work refusal failure)
* are dismissed from a job due to misconduct as an employee or voluntarily leave a suitable job without a reasonable excuse (unemployment failure).

Participants in the ParentsNext program have fewer requirements than participants in other employment services programs and are not subject to work refusal or unemployment failure penalties.

#### Summary data on financial penalties

Financial penalties (both the number of events and aggregate dollar values) decreased significantly in 2020-21, consistent with temporary suspensions of mutual obligation requirements primarily as part of policy responses to the COVID-19 pandemic. 162 out of 426 days (38%) of nation-wide suspensions since 1 July 2018 occurred in 2020-21. Suspensions of mutual obligation requirements resulting from state lockdowns – the majority of which also took place in 2020 and 2021 – or localised natural disaster events were not included in Table C1 but would also have had a significant impact on financial penalties.

In 2021-22, a total of 16,785 financial penalties were applied to 9,947 unique participants (an average of 1.7 per person for those receiving financial penalties) across the jobactive and ParentsNext programs (Tables A1 and A2). The vast majority of these participants were engaged in the jobactive program, while fewer than 10 were ParentsNext participants. In order to protect the privacy of participants, values of less than 10 are supressed.

In most years between 2018-19 and 2021-22, over 80% of financial penalties were incurred by JobSeeker Payment (previously Newstart Allowance) and Youth Allowance (Other) recipients, leaving a small proportion attributable to recipients of other income support payments such as Parenting Payments (Table A3).

Around 44% of financial penalties incurred in 2021-22 were 1-week penalties, 27% were 2-week penalties, and 29% were cancellations (4-week penalties) (Table A2). Of these 4-week penalties, around a third (1,627 penalties) were unemployment failure cancellations applied to individuals (non-allowees) not currently in receipt of an income support payment (Table A3). This would apply to individuals applying for income support that disclose circumstances that may result in a mutual obligation failure, for example an unemployment failure.

In 2021-22, the total value of penalties applied to jobactive and ParentsNext participants was around $7.6 million (Table A4). This figure excludes penalties applied to individuals not currently in receipt of an income support payment (non-allowees). The value forgone by non-allowee recipients cannot be estimated, as they had a zero-dollar entitlement.

Part B – Income support suspensions for employment services participants

#### Background information

Where participants fail to meet a mutual obligation requirement, they are directed to contact their employment services provider (or the Digital Services Contact Centre for Workforce Australia Online participants) within 2 business days to resolve the issue. The 2-business day delay, known as ‘Resolution Time’, was implemented on 7 December 2020. Prior to this, payment suspensions were automatically applied when a participant failed to meet a mutual obligation requirement. Resolution Time is not made available to participants who fail to meet mutual obligation requirements in the Penalty Zone.

If participants do not provide a valid reason for missing their requirement, or if they do not meet their re-engagement requirement within the resolution time, their payment is suspended. A payment suspension means that any income support payment is withheld from the participant but is then paid to them once the suspension is resolved.

Because payments are made fortnightly, in many cases the suspension period does not overlap with the person’s payment day, meaning they do not experience any delay to their usual payment.

#### Summary data on income support suspensions

In 2021-22, around 1.68 million payment suspensions were applied to 585,190 unique participants in the jobactive program, and 47,814 suspensions were applied to 25,920 participants in the ParentsNext program (Tables B1 and B2). This is an average of 2.9 suspensions for each jobactive participant with a payment suspension, compared to 1.9 suspensions per ParentsNext participant with a payment suspension. While the number of participants who incurred payment suspensions in 2021-22 was similar to the pre-COVID period for both programs, the total number of suspensions applied decreased significantly.

Among jobactive participants who received payment suspensions since 2018-19, around 85% were in receipt of the JobSeeker Payment (previously Newstart Allowance), while 12% were in receipt of Youth Allowance (Other), and 3% were in receipt of Parenting Payment Single (Table B3). Among ParentsNext participants, around 83% were in receipt of Parenting Payment Single, while the remaining 17% were in receipt of Parenting Payment Partnered (Table B3). These proportions have remained relatively stable throughout this period.

Parenting Payments recipients who incurred suspensions tend to receive fewer suspensions per year (around 2 per participant with a payment suspension) than recipients of Youth Allowance (Other) or the JobSeeker Payment (around 3 per participant with a payment suspension) (Table B4). While the number of suspensions per participant decreased during 2020-21 and 2021-22 due to increasing participant numbers and reduced mutual obligation requirements, partial 2022-23 data indicates suspensions per participant may be trending back to pre‑COVID levels.

Since 2018-19, around 7% of suspensions for JobSeeker Payment or Newstart Allowance recipients led to the recipient’s payment being delayed, compared with around 2% for ParentsNext recipients. However, the proportion of suspensions that led to delays in payment increased across both cohorts in 2021-22 (Table B5).

In 2021-22, around 3% of suspensions that were applied to jobactive participants and 6% of those applied to ParentsNext participants were incurred on the last business day of a week, and then lifted on the first business day of the following week (Table B6 as a share of B2). This is a noticeable decrease from 2018-19, when such suspensions made up 5% and 13% of all suspensions for each program, respectively.

Once payment suspensions are resolved, recipients receive their income support payment in full. As such, the value of payment suspensions applied in terms of foregone payments is zero.

Part C – Temporary suspension of mutual obligation requirements

The temporary suspension of mutual obligation requirements is invoked at a national or local level when the Department of Employment and Workplace Relations (DEWR) identifies exceptional circumstances that would have a direct impact on a participant’s ability to meet their mutual obligation requirements. Temporary suspensions ensure that no participant has any compliance action taken against them – including a payment suspension.

Since 1 December 2018, mutual obligation requirements have been suspended nationwide for 426 days (Table C1) due to the following 4 scenarios:

* COVID-19 pandemic (244 days)
* major IT releases or transitions to new employment services (94 days)
* departmental holiday shutdowns (62 days)
* natural disasters – bushfires and floods (26 days).

Suspensions resulting from localised state lockdowns, the majority of which took place in 2020 and 2021, were not included in Table C1.

Part D – Cost per commencement for selected employment services programs

In 2019-20, prior to the COVID-19 pandemic, the average cost per new participant stood at around $3,300 for the Transition to Work program, $2,400 for the ParentsNext program and $2,700 for the jobactive program (Table D1).

The cost per commencement for the jobactive and Transition to Work programs increased significantly in 2020-21 and 2021-22 due to policy changes in response to the COVID-19 pandemic and the broader economic environment, while the cost per commencement for the ParentsNext declined to around $1,600 in 2021-22 due to policy changes in the eligibility criteria.

The cost per commencement is expected to be lower in 2022-23 due to transitional caseloads, before increasing to an average of around $7,300 for the Transition to Work program and stabilising at around $2,200 for the ParentsNext program over the forward estimates period. This compares with an average cost of around $3,400 per commencement for the Workforce Australia program once it is fully rolled out over the forward estimates (with an online service cost per commencement of about $480 and a provider service cost per commencement of about $13,800).

## Data sources

Information on financial penalties and suspensions applied to employment services participants, temporary suspension of mutual obligations, and the cost per commencement for employment services programs was provided by the DEWR.

Information on the value of financial penalties for participants receiving income support payments was provided by Services Australia.

1. Employment services information – financial penalties for employment services participants

Table A1: Number of unique participants subject to financial penalties by penalty type for selected programs(a)(b)(c)



(a) Data was supplied by the DEWR in December 2022. Data for the 2022-23 financial year are partial year data to 31 October 2022.

(b) Figures indicate total number of unique participants subject to financial penalties in the financial year. Financial penalty data is based on incident date, and participants may appear more than once across financial years and within a financial year across multiple penalty types. This means that counts of participants by penalty type do not sum to the total.

(c) '4-week penalty (payment cancelled)' includes third financial penalties applied to participants in the Penalty Zone for Mutual Obligation failures as well as financial penalties applied to any participant for work refusals or for unemployment failures. Some of these participants may not be in receipt of an income support payment at the time of the penalty (see rows for non-allowee in Table A3).

(d) ParentsNext participants very rarely receive financial penalties, as these participants have fewer requirements than jobactive or Workforce Australia participants and are not subject to work refusal or unemployment failure penalties. As such, they are only penalised in cases where they are in the Penalty Zone and commit a mutual obligation failure without a reasonable excuse.

(e) The jobactive program has been superseded by the Workforce Australia program from 2022-23 onwards.

* Indicates nil.

<10 Indicates value of less than 10. In order to protect the privacy of participants and prevent re-identification, values of less than 10 are supressed.

Table A2: Financial penalty events by penalty type for selected programs(a)(b)



(a) Data was supplied by the DEWR in December 2022. Data for the 2022-23 financial year are partial year data to 31 October 2022.

(b) '4- week penalty (payment cancelled)' includes third financial penalties applied to participants in the Penalty Zone for Mutual Obligation failures as well as financial penalties applied to any participant for work refusals or for unemployment failures. Some of these participants may not be in receipt of an income support payment at the time of the penalty (Table A3 – Non-allowee).

(c) ParentsNext participants very rarely receive financial penalties, as these participants are not subject to work refusal or unemployment failure penalties, and are only penalised in cases where they are in the Penalty Zone and commit a mutual obligation failure without a reasonable excuse.

(d) The jobactive program has been superseded by the Workforce Australia program from 2022-23 onwards.

* Indicates nil.

<10 Indicates value of less than 10. In order to protect the privacy of participants and prevent re-identification, values of less than 10 are supressed.

Table A3: Financial penalty events by income support payment type and penalty type(a)(b)(c)



(a) Data was supplied by the DEWR in December 2022. Data for the 2022-23 financial year are partial year data to 31 October 2022.

(b) '4 week penalty (payment cancelled)' includes third financial penalties applied to participants in the Penalty Zone for Mutual Obligation failures as well as financial penalties applied to any participant for a work refusal or for an unemployment failure. Some of these participants may not be in receipt of an income support payment at the time of the penalty.

(c) Income support payments with very small numbers of financial penalties have been grouped under ‘Other’. Parenting Payment Partnered and Parenting Payment Single have been grouped with 'Other'. As at December 2022, more than 99% of ParentsNext participants were in receipt of a Parenting Payment, with 75% receiving Parenting Payment Single, and 25% receiving Parenting Payment Partnered.

(d) Non-allowee refers to individuals who are not in receipt of income support at the time of the financial penalty event.

* Indicates nil.

<10 Indicates value of less than 10. In order to protect the privacy of participants and prevent re-identification, values of less than 10 are supressed.

np Indicates not published. Data has been supressed to protect privacy of participants.

Table A4: Total value of financial penalties by income support payment type ($)(a)(b)(c)(d)



(a) Data was supplied by Services Australia in January 2023. Data for the 2022-23 financial year are partial year data to 30 December 2022.

(b) The underlying customer reference number data was supplied by the DEWR and includes participants in the jobactive, Workforce Australia, and ParentsNext programs with at least one applied financial penalty since 2018. This was then filtered by Services Australia to include only customers that were in receipt of an income support payment just prior to their financial penalty event. This means that customers with a penalty applied to new claim activity (Table A3 – Non-allowee), were excluded from the analysis in this table.

(c) The financial penalties are defined as the amount of income support payment basic rate the customers did not receive. This was calculated by using the customer’s daily rate prior to their penalty and the penalty percentage that the DEWR provided in their dataset. Where individuals had multiple payment types in a financial year, the latest payment type and average amounts were used.

(d) Income support payments with very small numbers of financial penalties have been grouped under ‘Other’.

* Indicates nil.

na Indicates not applicable. Recipients of Parenting Payment Partnered have no mutual obligation requirements and as such do not incur financial penalties.

1. Employment services information – income support suspensions for employment services participants

Table B1: Number of unique participants with payment suspensions for selected programs(a)(b)



(a) Data was supplied by the DEWR in December 2022. Data for the 2022-23 financial year are partial year data to 31 October 2022.

(b) Figures indicate total number of unique participants subject to suspensions in the financial year. Suspension data is based on incident date, and participants may appear more than once across financial years, and within a financial year across multiple programs. This means that counts of participants by program do not sum to the total.

* Indicates nil. The program was not in operation for those financial years.

Table B2: Number of payment suspensions for selected programs(a)



(a) Data was supplied by the DEWR in December 2022. Data for the 2022-23 financial year are partial year data to 31 October 2022.

* Indicates nil. The program was not in operation for those financial years.

Table B3: Number of unique participants with payment suspensions by income support payment type(a)(b)(c)



(a) Data was supplied by the DEWR in December 2022. Data for the 2022-23 financial year are partial year data to 31 October 2022.

(b) Figures indicate total number of unique participants subject to suspensions in the financial year. Suspension data is based on incident date, and participants may appear more than once across financial years, and within a financial year across multiple programs. This means that counts of participants by program do not sum to the total.

(c) Income support payments with very small numbers of suspensions have been grouped under ‘Other’.

(d) The jobactive program has been superseded by the Workforce Australia program from 2022-23 onwards.

* Indicates nil.

Table B4: Number of payment suspensions by income support payment type for selected programs(a)(b)



(a) Data was supplied by the DEWR in December 2022. Data for the 2022-23 financial year are partial year data to 31 October 2022.

(b) Income support payments with very small numbers of suspensions have been grouped under ‘Other’.

* Indicates nil.

Table B5: Share of suspensions that resulted in a delay to payment by income support payment type (%)(a)



(a) Data on the share of Targeted Compliance Framework related suspensions that were overturned without any gap in payment or delay to the participant’s regular payment schedule was supplied by the DEWR in December 2022 and is based on analysis by the Department of Social Services. Figures reported here indicate the share of income support payment suspensions which resulted in a delay to payments.

na Indicates data is not available for 2022-23 financial year.

Table B6: Suspensions applied on the last business day of a week and lifted on the first business day of the following week(a)(b)(c)



(a) Data was supplied by the DEWR in December 2022. Data for the 2022-23 financial year are partial year data to 31 October 2022.

(b) Figures indicate the proportion or number of income support payment suspensions which were applied on the last business day of a week (or over the weekend) and lifted on the first business day of the following week (or over the weekend).

(c) Figures indicate total number of unique participants subject to suspensions on the last business day of the week and lifted on the first business day of a following week in the financial year. Suspension data is based on incident date. Participants may appear more than once across financial years, and within a financial year across multiple programs. This means that counts of participants by program do not sum to the total.

1. Employment services information – temporary suspensions of mutual obligation requirements

Table C1: Nationwide temporary suspensions of mutual obligation requirements(a)(b)





(a) Data was supplied by the DEWR for the period 1 July 2018 to December 2022. Temporary suspensions are invoked in exceptional circumstances that would have a direct impact on a participant’s ability to meet their mutual obligation requirements. During the suspensions, no participant has any compliance action taken against them – including payment suspensions.

(b) Temporary suspensions have been applied nationwide in 4 scenarios: the COVID-19 pandemic, system releases (major IT releases or transitions to new employment services), departmental shutdowns and natural disasters. Historically, the DEWR puts arrangements in place for the department shutdown period over December/January. This is because if a participant does not meet a mutual obligation requirement over this period they will, in most cases, not be able to re-engage with their provider to have their payment restored as the provider may not be operating.

1. Employment services information – cost per commencement for selected programs

Table D1: Cost per commencement for selected programs ($)(a)(b)



(a) Data was provided by the DEWR. Data for 2015-16 to 2021-22 are based on actuals, data for 2022-23 to 2025-26 are estimates as at the 2022-23 October Budget.

(b) The costs per commencement are particularly low for 2015-16 (Transition to Work and jobactive), 2018-19 (ParentsNext), and 2022-23 (Workforce Australia) as commencements for those financial years include caseloads rolled over from previous programs.

na Indicates not applicable. The program was not in operation for those financial years.