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Jobs Australia Submission into the terms of reference for the Inquiry

Jobs Australia is the peak body for nonprofit providers of employment services and submits these comments on behalf of our membership who actively deliver services to disadvantaged unemployed people.

The Secretary has requested feedback on the terms of the inquiry, which are in fact the text of the bill's proposed amendments to the Social Security Act.

The bill contains measures for the introduction of immediate non-compliance financial penalties and for changes to the definition of reasonable excuses for job seekers who fail to attend interviews or other activities required by Centrelink and/or employment services providers.

The government has made a commitment to introduce a more effective compliance system providing additional incentives for job seekers to engage with employment service providers.

Jobs Australia is aware of the frustration of members and waste of resources caused by job seeker non-compliance. For both Centrelink, DEEWR and employment services providers it creates financial costs, inefficiencies and distractions which detract from the goal of assisting people into employment and which must negatively impact on the effectiveness and efficiency of the overall system.

However, we are equally aware of the impact of financial penalties on Newstart Allowance recipients surviving on meagre incomes.

We believe the measures contained in this Bill will not create better engagement and incentive to participate to the extent intended, and are more than likely to create financial barriers to participation and contribute to de-motivation.

The proposed changes mark a return to a harsher compliance system and will reverse the progressive changes introduced by the government DEEWR with JSA's *Fairer and More Effective Compliance System*.

In 2008 the DEEWR submission on the Employment Services Reform Bill noted the need for a compliance system which uses early intervention and re-engagement rather than punitive financial measures¹. DEEWR also noted the counter-productive effects of the previous system which made it harder for job seekers to look for work while they were experiencing a financial penalty.

Even so, and despite the introduction of the new *Fairer and More Effective Compliance System* we note the persistence of record high levels of non-compliance penalties in the September 2010 compliance data.

¹ DEEWR submission: http://www.aph.gov.au/senate/committee/eet_ctte/social_security/submissions/sub06.pdf

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This suggests that the reasons for non-compliance are not effectively addressed and resolved through the imposition of financial sanctions and that other *incentive based* approaches should be adopted. In Job Australia's view there is a need to concentrate on ways to inspire and engender confidence in the benefits of participation for disadvantaged and vulnerable job seekers rather than to increase the severity and impact of financial penalties.

The compliance system needs to strike a balance between deterring job seekers from non-compliance through the use of financial penalties, and engendering a culture of trust which will improve the levels of positive engagement in the system

It should not be assumed that all job seekers are disobedient or recalcitrant when they fail to attend interviews or other interventions which might be required of them but which they might not perceive to be helpful or useful in terms of helping them to secure employment. The imposition of more immediate and perhaps more onerous financial penalties might address the symptoms of their failure to engage and comply with requirements without addressing the real causes.

These may include the significant complexity of the system and its requirements, the ways in which requirements are communicated and negative job seeker perceptions of the relevance, frequency and usefulness of interviews and other interventions. What many job seekers will be looking and hoping for is positive and respectful engagement with services which are relevant and responsive to their individual needs and circumstances. If the system is falling short of their reasonable needs and expectations more and more immediate penalties might secure their obedience and attendance but will not address the problem.

We have recently revisited the body of research on job seeker experience of compliance and note that excessive compliance has resulted in decreased motivation and reduced self-efficacy (Ziguras 2004; Marston and McDonald 2008) as long term unemployed people have come to distrust the social security system which governs their social security entitlements (Braithwaite, Gatens et al. 2002; Ziguras 2004).

Reasonable excuses

During the period of claim for income support, unemployed people are often under duress and confused as they are introduced to the social security and employment assistance system.

It is often a confluence of factors which result in job seeker non-attendance. Importantly, they may not have a full understanding of their obligations and how attendance at an employment service provider is a requirement of benefit receipt.

In addition, they are often disempowered when coming to terms with the financial impacts and circumstances of unemployment, which may be caused by or be the cause of other personal crises.

The immediate loss of payment can create even further instability for job seekers already surviving on payments well below the poverty line. In addition to the real possibility of being unable to pay for essentials such as rent and food, research has shown those affected by penalties become more heavily reliant of kin, friends, charities and or crime to survive². The potential impact of these negative social consequences also needs to be given weight when considering the benefits of introducing financial penalties which take immediate effect, and which will in some cases be irreversible.

Although job seekers may seek redress for penalties, other research has also shown that job seekers are not always aware or empowered to appeal decisions because of the sense of being overwhelmed by the system.

We also suggest the reasonable excuse definitions and provisions may in practice be difficult to implement. For example, if illness is the cause of non-attendance, how will a job seeker be able to establish they were too sick to be able to notify their illness except by producing a medical certificate which will not in itself, be able to indicate how the illness affected their ability to report the non-attendance for which they have been penalised?

Improving job seeker compliance

Our research with the NOUS Group³ has shown that confusion and disconnect in job seekers' experience of Centrelink and ES providers is a major factor in disengagement.

The imposition of more immediate penalties may have an impact on the symptom of disengagement (that is non-attendance) but it would be in our view more useful and productive to examine the causes of non-attendance. We shouldn't treat the population as one heterogeneous body; it consists of many individuals with a diversity of experience and motivation. Further research into the specific reasons for the non-attendance of specific cohorts and how to address these may be required.

We note the Centrelink Working Group on Did Not Attend Appointments (DNAs) which has been discussing this problem in parallel to the introduction of this Bill. The research conducted by this group has identified how requirements to comply with social security, employment services systems and community welfare agency attendance requirements can evoke quite emotional responses which reflect the

² Eg as reported in the Disney Review and and The Commonwealth Ombudsmen's Falling Through the Cracks: http://www.ombudsman.gov.au/files/Falling-through-cracks_customers-with-mental-illness.pdf

³ The report of the NOUS Group The evolution of the Job Services Australia system is available as part of our submission to Minister Ellis's review of Employment Services here: The evolution of the Job Services Australia System: <http://www.ja.com.au/attachments/14864/JA%20ES%202012%20Submission%20Reduced%20Size-27%201%202011.pdf>

confusing and demanding nature of the environment in which they find themselves. This research supports the NOUS Group finding that the multitude of requirements are at best confusing, and can easily become overwhelming.

From the data that has been mentioned at this working group the profile of Centrelink DNAs is very similar to that of the DEEWR group including high percentages of young people, mature age males and Indigenous job seekers. The Centrelink review has been focusing on the particular demographics of those most likely not to attend and recidivist groups and is now discussing strategies for early engagement for these target groups. The strategies which are being discussed include improving and targeting messaging and communications media *appropriate* to the target groups.

In addition to the formal and legal advice which is communicated to job seekers about any future changes to compliance and penalties, it is imperative that the government ensures that such changes (and the consequences of failure to meet requirements) are also communicated informally and in ways which will effectively reach their intended audience. This is not usually the case with formal and legalistic mailhouse letters in window-faced envelopes.

The Disney Review recommendations incorporated similar suggestions regarding the need for simplification of communications and strengthening the processes for securing job seekers' understanding of their requirements.

Conclusion

We suggest that rather than implementing immediate penalties to punish job seekers who already experiencing a range of difficulties associated with their being unemployed, more focus needs to be given to real ways to motivate them which are not based on financial penalties.

Suggestions on how to improve engagement in employment services have been provided by Jobs Australia and colleague agencies such as ACOSS in the recent submissions to Minister Ellis's Review of Employment Services, as well as the earlier submissions to the Disney Review and Breaching Taskforce. Rather than introduce these changes we suggest that it would be more useful for DEEWR and Centrelink to work collaboratively to develop a culturally and procedurally consistent approach to job seeker compliance based on a more evidence-based understanding of the causes of non-attendance.

We also urge the Government to continue to pursue approaches to workforce participation which focus on positive approaches to engagement and social and human capital development rather than the punitive aspects of compliance. Any further review of the compliance system should also build on the recommendations of the Disney Review and be undertaken from a whole-of-system approach which involves all the government agencies involved in the administration of social security.

We have provided references to some reading in this area we will believe will heighten understanding on the perspectives of unemployed people and motivation to promote this discussion.

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