

Increasing participation through welfare to work reform

The Department of Employment and Workplace Relation's response to the:

Senate inquiry into the Employment and Workplace Relations Legislation Amendment (Welfare to Work and other Measures) Bill 2005 and the Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005.

Table of Contents

- Introduction 3**
- Part I: Why welfare to work reform is needed..... 3**
- Part II: How the welfare to work changes will increase participation 14**
 - 2.1 Welfare to work focuses on 4 key disadvantaged groups 14
 - 2.2 Changes for principal carer parents..... 15
 - 2.3 Safeguards in legislation and guidelines for principal carer parents..... 16
 - 2.4 Changes for people with a disability21
 - 2.5 Changes for mature age job seekers25
 - 2.6 Changes for job seekers who are very long-term unemployed26
 - 2.7 Income support and earnings.....31
 - 2.8 Other measures in the welfare to work package 34
- Part III: An integrated working age support system 37**
 - 3.1 Overview of an integrated employment services model37
 - 3.2 Key components of the integrated employment services model.....37
 - 3.3 How does the working age support system operate for priority groups?.....41

Introduction

This Submission has three main parts.

Part I outlines the case for reform, in the context of growing welfare dependency despite a long period of employment growth and reductions in unemployment benefit numbers, the need for a consistent ‘work first’ approach to policy and service delivery, community and income support recipient views and expectations, and international evidence.

Part II outlines the changes in the Government’s welfare to work package, and how they will achieve a more appropriate balance between assistance, obligations and incentives, supported by improved compliance arrangements and safeguards for priority groups and vulnerable job seekers.

Part III describes how the working age support system will operate by integrating income support and employment and other assistance for all working age people on income support.

Part I: Why welfare to work reform is needed

Welfare dependence of working age Australians

In September 2005, 19 per cent of working age Australians were receiving an income support payment. That is 2.6 million people out of 13.7 million people of working age (people aged 15-64 years) in Australia.

This high rate of welfare dependency is despite a relatively low working age unemployment rate of 5.2 per cent¹. The working age income support payment types that have the highest numbers of recipients are the Disability Support Pension (DSP) and Parenting Payment. These are payments that people receive without needing to look for work or participate in the labour force. (See Table 1 below for details of the working age population, labour force and income support numbers).

Some working age income support recipients do work, at least from time-to-time. Around 16 per cent of Newstart recipients, 33 per cent of Parenting Payment Single (PPS) recipients, 12 per cent of Parenting Payment Partnered (PPP) recipients, and 11 per cent of DSP recipients declare earnings to Centrelink in any fortnight. However, most working age income support recipients receive payments with few if any obligations. Only 17 per cent of working age income support recipients actually have a job search requirement², although 15 per cent are undertaking full-time study.

This high reliance of working age people on income support, and the majority of these people not participating in the labour force (either through undertaking part-time work or through looking for work), has two profound impacts that need addressing: increased hardship experienced by people and families without jobs and an ageing population causing a slowing in the growth of the labour force.

¹ The seasonally adjusted unemployment rate was 5.1 per cent in September 2005. This rate includes all persons aged 15 and over, including those over 65.

² A small percentage of people on Newstart and Youth Allowance (Other) are exempt from job search requirements.

Table 1: Working age (15-64) population, labour force and income support, September 2005

	Number of people	% of working age population	% of working age income support recipients
Working age population	13,699,900	100.0	n/a
Employed	9,878,200	72.1	n/a
Unemployed	545,200	4.0	n/a
Income support recipients	2,592,285	18.9	100
-Disability Support Pension	708,410	5.2	27.3
-Parenting Payment	612,866	4.5	23.6
-Newstart/Youth Allowance (other than students)	523,707	3.8	20.2
-Student payments*	387,169	2.8	14.9
-Other payments**	360,133	2.6	13.9

Notes:

* Austudy, ABSTUDY and Youth Allowance for full-time students or new apprentices.

** Includes Carer Payment, Special Benefit, Partner Allowance, Sickness Allowance, Widow Allowance and Mature Age Allowance and female Age Pensioners below the age of 65.

Joblessness is the principle reason for financial disadvantage

The principal issue is that reliance on income support and joblessness is correlated with reduced well-being for individuals and their families. Having a job is the best form of protection against hardship and disadvantage for individuals and their families.

Increased employment participation not only offers individuals and families improved levels of well-being while they are of working age, but also, through enhanced retirement savings, helps them to retain those improved levels of well-being in retirement. Employment participation at a person's level of capacity and availability is beneficial to people at all stages of their working age – whether it be while they are actively parenting, coping with a disability, or if they are older and facing retirement in the next decade. An effective social safety net will always be essential for those unable to work, but for those with a work capacity the focus should be on what they are able to do in conjunction with appropriate assistance to overcome barriers to employment.

Demographic challenge of an ageing population

The second issue is that the Australian population is ageing and the growth of the workforce is slowing. The Intergenerational Report shows that participation and productivity must increase in order to maintain aggregate and per capita income. Although the ageing of the Australian population is not expected to have a major impact on the Commonwealth's budget for at least another 15 years, forward planning for these developments is important, to ensure that

governments will be well placed to meet emerging policy challenges in a timely and effective manner³.

The Productivity Commission's Report on the *Economic Implications of an Ageing Australia* projects that the ageing population will have a negative impact on economic growth by 2010. This means that increased labour force participation by Australians who are able to work is essential to maintain and improve current standards of living within Australia. Welfare to work reforms are critical to creating a sustainable economy and welfare system for the future.

However, Australia already faces labour supply problems. After a sustained period of strong economic growth, there are increasing labour supply and skill shortages which will constrain business investment and further growth. The unmet demand for skills and the need for a suitably qualified supply of labour have been recognised as a major issue by all levels of government. Unmet demand for skills is also of concern to industry. The October 2005 *ACIL Tasman/ACCI Survey of Investor Confidence* has ranked the 'availability of suitably qualified employees' second of the top ten constraints on investment.

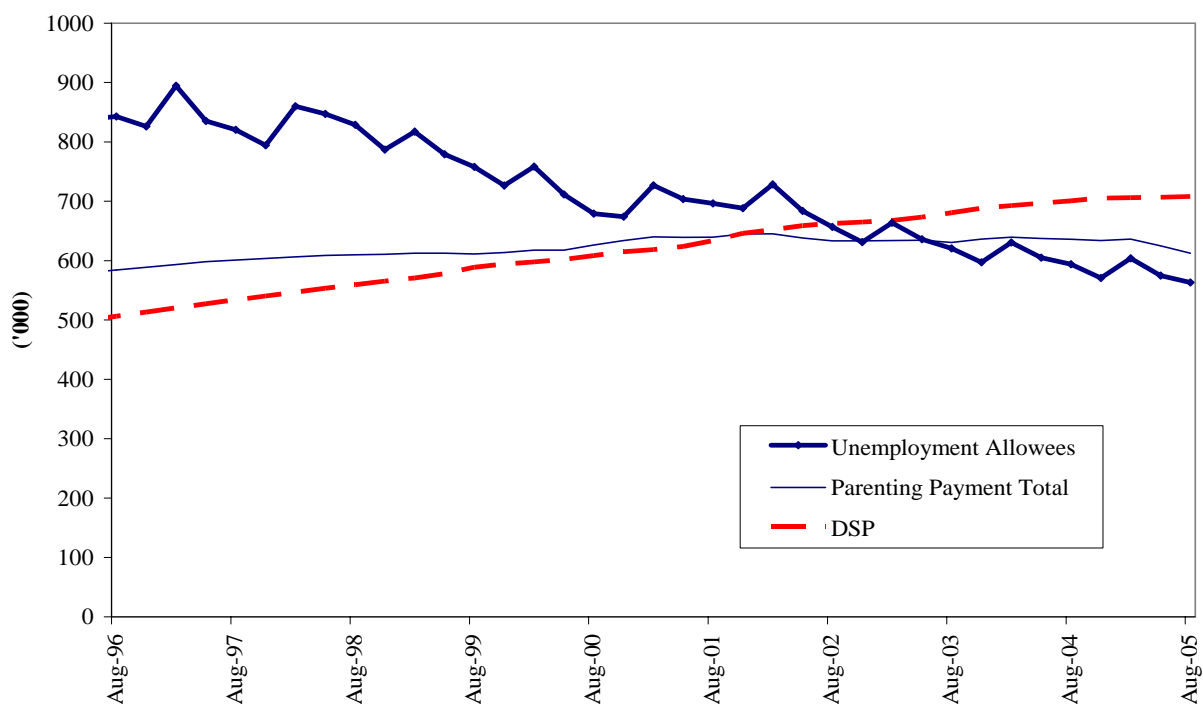
Growth in reliance on Disability Support Pension and Parenting Payment Single

At the same time as Australia faces labour shortages, around 19 per cent of the working age population receives an income support payment and there is a growing welfare dependency on DSP and PPS. There are now more people in receipt of the DSP than there are on Newstart Allowance. In 1980, 2.3 per cent of working-age adults were claiming the DSP. By September 2005, this proportion had more than doubled to over 5 per cent or 708,000 people. PPS has grown by over 100,000 (33 per cent) over the last seven years.

Over the last decade jobs growth has been strong, real incomes have risen, and productivity has increased. It follows that fewer people should be reliant on welfare for their principle source of income; but this has not happened. While the number of job seekers on unemployment benefits has fallen significantly in line with strong economic and employment growth, the number of people receiving the DSP and PPS – both passive or largely passive payments – have increased significantly. The following chart shows the number of people on Unemployment Benefit, Parenting Payment and DSP.

³ 2002 – 03 Budget Paper No. 5 Intergenerational Report, Overview

Chart 1: Unemployment Benefit, Disability Support Pension and Parenting Payment Recipients



DSP and PPS recipients tend to remain on benefits for very long periods. The average duration of DSP receipt is around eight years. It is estimated that over 80 per cent of sole parents receive income support. While many take up part-time work, on average they remain on income support (usually PP, DSP or Newstart Allowance) for more than 12 years during their working-age life. The duration of PPP will, to some extent, depend on average duration of unemployment benefit receipt (of PPP recipients' partners), reflected in the increase in PPP in line with the increase in unemployment benefit duration.

Australia has the third highest rate of jobless families (two-thirds are sole parent families) in the OECD and the lowest employment rate of people receiving disability benefits of 16 OECD countries.

Passive income support is out of step with community norms and expectations

To a large extent the passive nature of Australia's working age income support arrangements reflect the historical purpose of different elements of the system. Australia's welfare policy was designed when full-time work was the norm, female labour force participation was low. However, Australia's welfare system is out of touch with both income support recipient and community norms and expectations.

Active participation results in employment outcomes

Australians Working Together (AWT) analysis⁴ shows that participation requirements are necessary to increase the take up of employment and boost greater financial independence for parents and people with disabilities.

Under AWT, parents with children aged 13 years or over have participation requirements of up to 150 hours of approved activity in each 26 week period. Approved activities include paid work, looking for work, participation in Job Network programmes, education or training or voluntary work. Parents whose youngest child was aged between 6 to 12 years, however, are

⁴ DEWR (2005), *Australians Working Together – Report October 2005*

required to attend a participation planning interview but participation is voluntary. The analysis showed that parents with participation requirements had the largest increase in the reporting of earnings compared to other parent groups with lesser obligations. As well, the largest increase in those reporting average fortnightly earnings from paid work of over \$400 was for single parents with participation requirements.

The analysis also showed that income support reliance among DSP recipients remained high and participation in paid work did not increase after the implementation of AWT measures. The report noted this was not surprising because the participation of people with disabilities remained voluntary under AWT.

In the Employment Outlook 2005, the OECD notes that some countries have demonstrated a clear correlation between the introduction of activation strategies and changes in aggregate labour market outcomes. It provides evidence from a range of evaluations of the impact of activation strategies on beneficiary numbers and employment outcomes. For example, it notes that:

- in France, a reduction in Unemployment Insurance after 14 months on benefits has resulted in a significant increase in re-employment, even during the three months before the benefits were to be reduced; and
- since 1994 in Denmark, the obligation to participate in labour market programmes has been gradually tightened, and monthly rates of entry to employment have tended to rise about six months before participation in programmes is scheduled to become compulsory.

Parents on income support

Many parents either work or want to work, including those with pre-school age children. Table 2 demonstrates the percentage of parents that declare earnings.

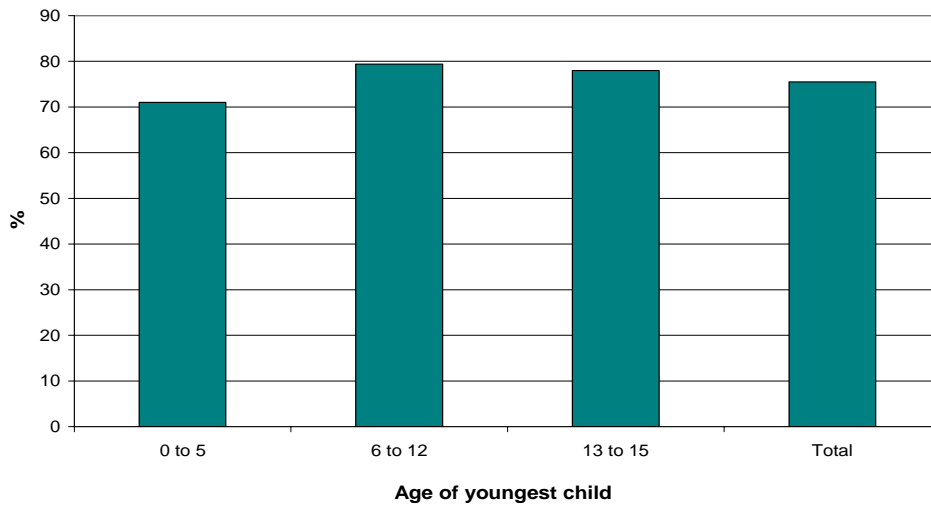
Table 2: Percentage of Parenting Payment recipients declaring earnings: 2003-04

Age of youngest child	PPS	PPP
0-5	34	19
6-12	49	26
13-15	54	29
0-15	42	22

Source: Centrelink administrative data.

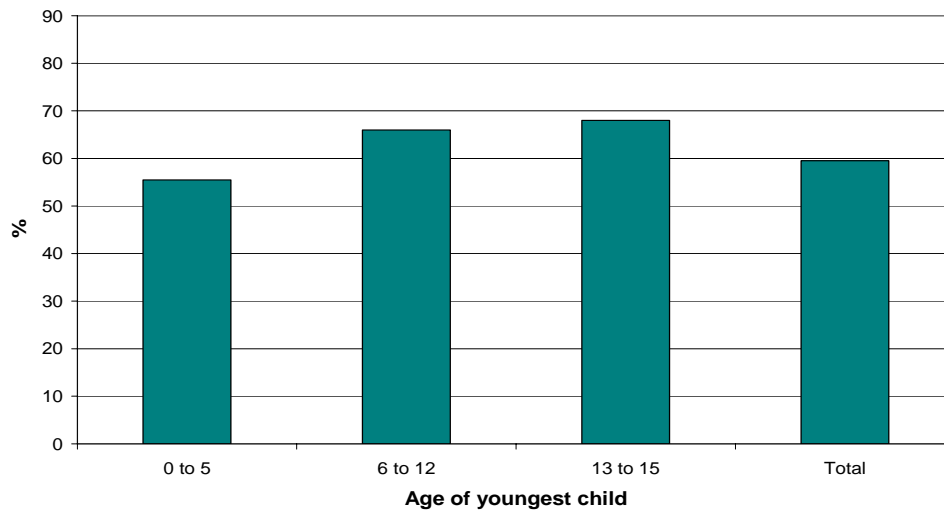
Further, survey results found that among parents who were not working, more than 70 per cent of single parents (Chart 2) and almost 60 per cent of partnered parents (Chart 3) had a preference to work.

Chart 2: PPS – preference for work of those not working, June 2004



Source: Parenting Payment New Claims Survey

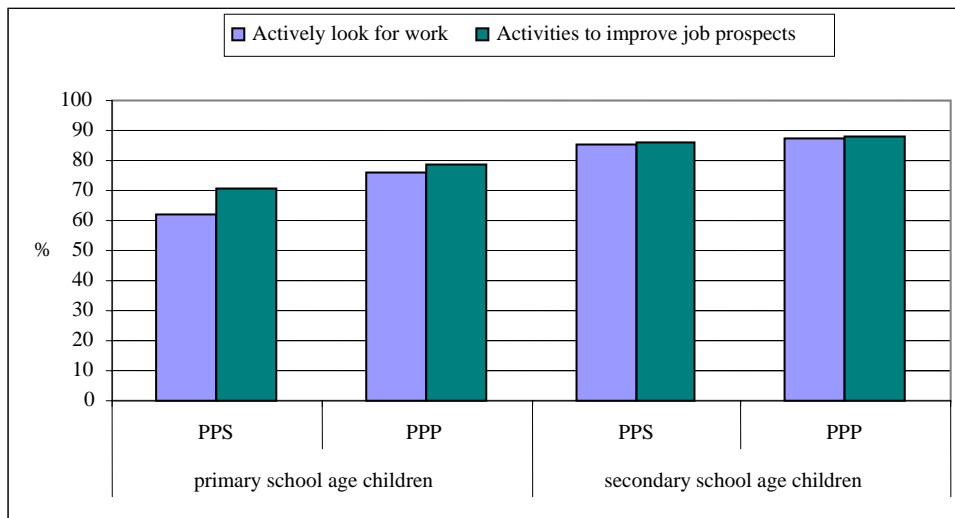
Chart 3: PPP – preference for work of those not working, June 2004



Source: Parenting Payment New Claims Survey

There is also strong community support for both PPS and PPP recipients having to actively look for work and participate in activities to improve their job prospects, as shown by the recent survey data in Chart 4.

Chart 4: Community support for participation requirements for PP recipients, 2004



Source: Customer and Community Attitudes to Working Age Participation Requirements Survey (2004)

At present Parenting Payment recipients have *very modest* participation requirements:

- an annual interview with a Centrelink Personal Adviser for those whose youngest child is aged 6-12; and
- 150 hours of approved activity over 6 months – not work focussed – for those whose youngest child is aged 13-15.

These requirements are very weak by international standards. Unpublished OECD data show that among 23 OECD countries, Australia has the lowest employment rate for sole parents with dependent children. This is not a good outcome either for these sole parents or their children:

- in Denmark, single parents on benefits are not given any special treatment regarding job search – they are only entitled to one year of leave before they are required to look for work; and
- in Austria, Germany, France, Italy, Norway and Switzerland single parents on benefits are required to look for work when their youngest child turns three.

Having increased work focussed participation requirements for parents will result in more parents on income support getting a job. Currently only one in ten parents in jobless families are required to look for work as a condition of their income support. Yet parents' employment is important to enable families to achieve an improved standard of living, as well as improving the self-esteem of parents and the future prospects of their children. This is supported by initial results from research by the Australian Institute of Family Studies using the Longitudinal Survey of Australian Children. In this survey parents reported positively on the role of employment in their lives and that of their families⁵:

- 70 per cent of parents agreed that work made them feel more competent;

⁵ Growing up in Australia, Australian Institute of Financial Studies, Annual Report, 2004

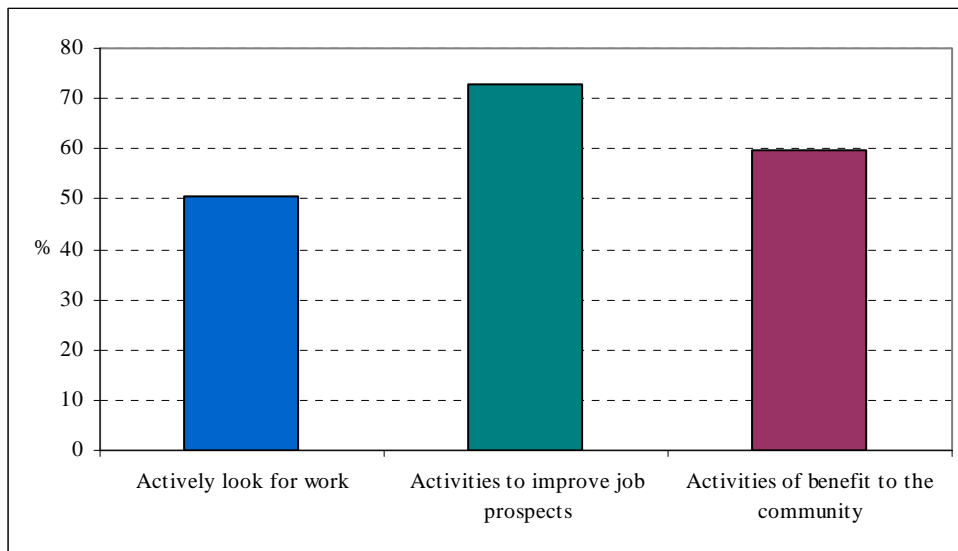
- 84 per cent considered that their work had either a positive or a neutral effect on their children; and
- most disagreed with a statement that family time was less enjoyable because of work.

People with disabilities on income support

Participation in paid work is much lower amongst DSP recipients than other income support recipients, with only 14 per cent of new DSP recipients declaring earnings to Centrelink. However, 44 per cent said that they would have the capacity to work within the next two years⁶.

The community is supportive of people with disabilities actively participating, with over 70 per cent of survey respondents agreeing that people with disabilities should have to undertake activities to improve their job prospects, if they are able to do so (Chart 5).

Chart 5: Community support for participation requirements for DSP recipients, 2004



Source: Customer and Community Attitudes to Working Age Participation Requirements Survey (2004)

Mature age job seekers on income support

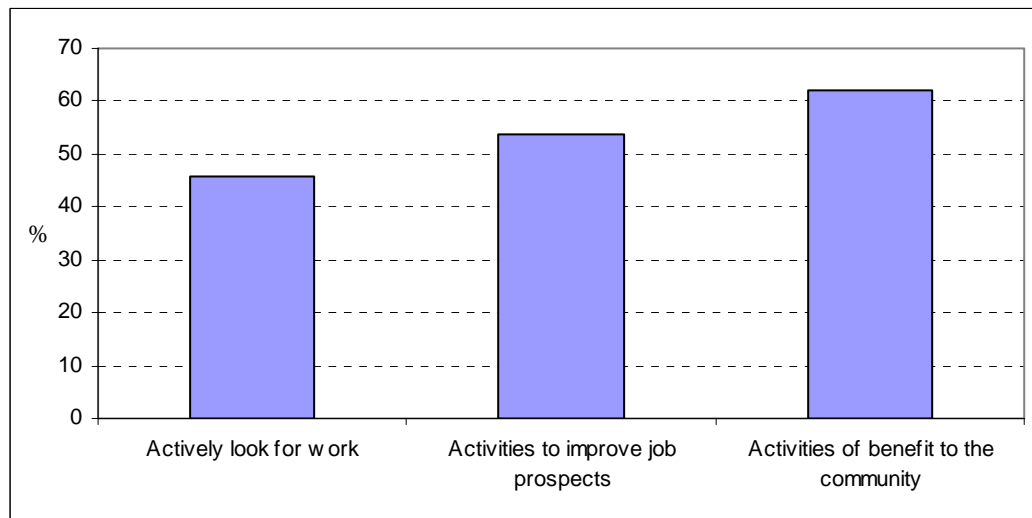
In its 2005 country report *Ageing and Employment Policies: Australia*, the OECD argues that there is considerable scope to improve employment opportunities for older Australians. It notes that the proportion of people aged between 50 and 64 participating in the labour market is much lower in Australia than in a number of other OECD countries such as Japan, New Zealand, Sweden and the United States.

Approximately 38 per cent of Newstart recipients aged 50 to 64 declare earnings to Centrelink each year. Survey results also indicate a generally favourable community attitude to requiring mature age job seekers to participate in activities to improve their job prospects and benefit the broader community (Chart 6).

⁶ For administrative data analysis, DSP recipients were followed for a year after being granted payment. For survey data analysis, DSP recipients who had been granted payment after AWT were questioned (AWT Final Evaluation Report October 2005).

Evidence from the United Kingdom supports moves to assist older job seekers into employment. The New Deal 50 Plus has shown the importance of financial incentives, working with employers to overcome age discrimination, employment services which help to move older workers closer to the labour market and training to improve work related and ‘soft’ skills such as self confidence.

Chart 6: Community support for participation requirements for mature age job seekers, 2004



Source: : Customer and Community Attitudes to Working Age Participation Requirements Survey (2004)

Problems with the delivery of Australia’s working age income support and related assistance

The problems associated with passive income support are exacerbated by the delivery of Australia’s working age support.

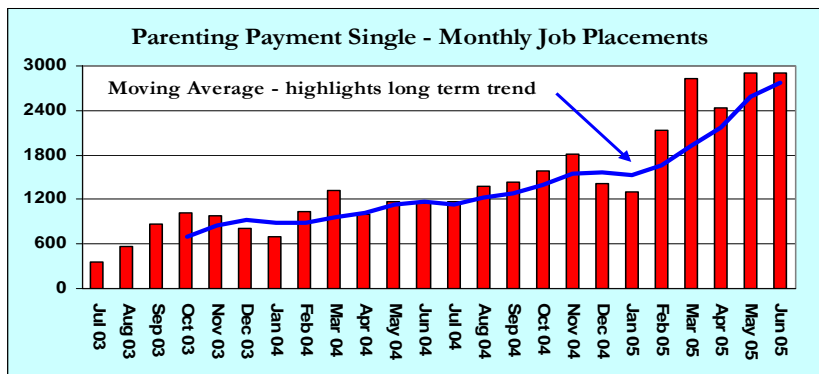
Whereas international best practice is work first – attempting to get people into a job as a first step, and then looking at their income support needs – Australia’s system has been income support (Centrelink) first, work (Job Network) second for those with a job search requirement, and optional employment services for non-activity tested job seekers needing assistance to get a job.

Job Network’s *Active Participation Model* continues to perform strongly in placing job seekers, including those from priority groups. During 2004-05 Job Network made 665,800 placements, a 28 per cent increase on the previous year’s record performance. This included⁷:

- 274,500 placements for the long-term unemployed, a 35 per cent increase on 2003-04;
- 23,300 placements for sole parents, a 112 per cent increase on 2003-04 (see Chart 7);
- 46,200 placements for people with disabilities, a 48 per cent increase on 2003-04;
- 71,300 placements for mature age job seekers (ie those aged 50 or over), a 30 per cent increase on 2003-04;
- 39,200 placements for Indigenous Australians, a 78 per cent increase on 2003-04; and
- 137,200 placements for job seeker aged 20 or less, a 33 per cent increase on 2003-04.

⁷ Source: DEWR 2004-05 Annual Report; numbers rounded to nearest 100.

Chart 7: Recipients of Parenting Payment Single: monthly job placements, 2003-04 to 2004-05



There was also strong use made of the Job Seeker Account in 2004-05, with over \$278 million spent on goods and services to help job seekers get jobs.

While Job Network is very effective in finding jobs for people, the key issue is getting income support recipients without jobs into Job Network, and getting them there quickly.

Directing people towards work and employment services prior to entering the income support system is critical because evidence has shown that once someone enters the welfare system, they are far more likely to use the system again. Early intervention can be useful in two ways. It can help reduce the time people stay on welfare (duration of spells). It can also reduce the need for income support by motivating them to retain an existing job or finding a new one before applying for benefits.

The WRK4U seminars for potential new claimants of benefits in New Zealand emphasise the message that work is available and should be considered ahead of benefits. People are informed about the obligations associated with benefit receipt before registration takes place. These voluntary seminars were implemented in 2003 in selected areas in the country and it is reported that by late 2003, benefit applicants had fallen by 10-20% compared to other areas, and the programme was extended to the rest of the country. By March 2004, more than half of the 23,500 people who had attended these seminars had decided that they did not require Unemployment Benefits.

Income support claimants in the UK are required to speak to a First Contact Officer, who will help clients to decide the most appropriate benefit, make job applications if appropriate and arrange a Work Focused Interview (normally within four working days).

In a best practice service delivery system for working age income support recipients, the income support and employment assistance elements will act coherently to achieve work first for those with the capacity for work.

Rapid and easy connections with and between main service elements (Job Network services, vocational rehabilitation and disability employment services for example), and effective information flows, are essential for a cost effective integrated service delivery model. An integrated service delivery model will also minimise complexity and have the flexibility to provide the right assistance to the right people at the right time. Enhanced working age service delivery will also use demand led strategies to target placement of income support recipients in jobs in growing industries with suitable vacancies.

However, despite recent improvements, Australia's overall working age service delivery model does not conform to international standards. While individual elements, such as the *Active Participation Model*, are an integrated service delivery model, the **overall** working age support

service delivery model is still not well integrated. The work focussed elements of the system are not transparent to the public and to income support recipients.

Poor outcomes from Australia's working age support system

Australia's working age support arrangements are a serious structural impediment to participation and employment growth, and over time will reduce the living standards of Australians. Already Australia's per capita income is 25 per cent less than in the United States, where participation and productivity is higher. While Australia's purchasing power parity is above the OECD average, it is significantly below the United States, and below Ireland, the UK, Canada, the Netherlands, Austria and Belgium.

If nothing is done at this crucial juncture this disparity will continue to grow as the population ages. Australia's working age employment to population ratio (the employment rate) remains below comparable rates for the United States. The most recent comparable data (2004) show that in Australia, 69.5 per cent of the working age population was employed compared with 71.2 per cent in the United States. Australia has a lower employment rate than 10 other OECD countries, including Canada, Denmark, New Zealand, Norway, Sweden and the United Kingdom.

Reducing welfare dependency will help drive up employment rates, improve the well-being of income support recipients, reduce intergenerational social and economic problems, and help to raise the living standards of Australians.

The economy and labour market remain strong, labour shortages have emerged, and there are real prospects of people moving from welfare to work if engaged and serviced appropriately.

Part II: How the welfare to work changes will increase participation

2.1 Welfare to work focuses on 4 key disadvantaged groups

The Welfare to Work changes announced in the 2005-06 Budget seek to increase the workforce participation levels of four key groups who are currently over-represented in the income support system:

- people with disabilities;
- principal carer parents⁸;
- mature age people; and
- very long-term unemployed job seekers.

Many of these people are not optimally utilising the individualised employment services from which they would get the attention and assistance they need to increase their workforce participation levels. Despite overall improvements in participation levels, people with disabilities and parents have been at risk of being left to one side as they have not been fully integrated into the mainstream job seeker population. This has deprived them of Government funded employment assistance.

There is also a group of very long-term unemployed people who have barriers to employment, either personal, attitudinal or structural, that have meant they have not been able to make the transition into sustainable employment. There is a need for enhanced interventions for some in this group that acknowledge the very different reasons why a person may have reached a stage of very long-term unemployment.

Welfare to Work provides an additional \$2 billion in assistance over 4 years to assist working age income support recipients get a job.

The key principles underpinning the changes are that:

- working age income support recipients with the capacity and availability to work reasonable hours should be required to seek and undertake such work providing it is not unsuitable;
- they should be assisted to increase their employment prospects and find a job (and to this end most employment services are uncapped or demand driven for those with a job search requirement);
- there should be appropriate returns from working (and to this end the allowance income test will be made more generous to allow people to keep more of their income support as their earnings increase); and
- there is a need for a modern compliance system that encourages and rewards participation.

These principles reflect an appropriate balance between assistance, incentives and obligations.

⁸ A principal carer parent has responsibility for the majority of the care for a dependent child aged under 16. Under the Social Security Act (1991) only one parent will be able to qualify as the principal carer parent.

2.2 Changes for principal carer parents

Single and partnered parents on Parenting Payment on 30 June 2006

- Remain on PPS or PPP until youngest child turns 16 unless they come off payment for more than 12 weeks.
- Part-time participation requirement when youngest child turns 7 or from 1 July 2007 (whichever occurs later).

Single parents claiming income support on or after 1 July 2006

- Claim PPS until youngest child turns 8 and then claim another payment, usually Newstart.
- Part-time participation requirement when youngest child turns 6.

Partnered parents claiming income support on or after 1 July 2006

- Claim PPP until youngest child turns 6 and then claim another payment, usually Newstart.
- Part-time participation requirement when youngest child turns 6.

Part-time participation requirement

- Undertake at least 15 or more hours a week of paid work; OR
- Job search for part-time work of 15 to 25 hours a week (work offers of more than 25 hours a week will not have to be accepted), participate in employment services (usually Job Network), and undertake an annual Mutual Obligation activity.

Employment assistance

- New Employment Preparation service in Job Network for parents.
- Job Network Parents' Service Guarantee.
- Additional places in Personal Support Programme, vocational rehabilitation and disability open employment services.

Concessions

- Single principle carers on Newstart Allowance or Youth Allowance will be eligible for a Pensioner Concession Card, Pharmaceutical Allowance, Telephone Allowance and other related concessions.

Part-time work requirements

Part-time work requirements (at least 15 or more hours a week of paid work) are being introduced for principal carer parents. The part-time requirement is a reflection that while principal carer parents will generally have some capacity for work, they may not be available for full-time work once when their parenting responsibilities are taken into account.

All principal carer parents who claim income support (Parenting Payment, Newstart or Youth Allowance (Other)) from 1 July 2006 will have part-time work requirements when their youngest child is aged 6 or over who claim income support on or after 1 July 2006.

Parents who are remaining on Parenting Payment under 'grandfathering' arrangements will have part-time work requirements when their youngest child turns seven or from 1 July 2007 (whichever is later).

Under part-time work requirements, principal carer parents are expected to work for at least 15 hours a week. If they are not working then they will be required to look for work and participate in employment assistance, usually Job Network. They may also be required to undertake an annual part-time mutual obligation activity. Parents who are working 15 hours a week will not have any further participation requirements, but will remain eligible for assistance if they choose to increase their hours of work.

Activity requirements for principal carer parents will be applied flexibly, and parents will not suffer any penalty for refusing work which is not assessed as suitable given their circumstances (see *Suitable Work* section below).

Additional assistance and services for parents

The Australian Government will be providing \$452.7 million over four years to increase the participation of parents.

Parents will have full access to employment assistance. This includes a new employment service, Employment Preparation, which will be established within Job Network to assist parents, carers and mature age people returning to the workforce.

Employment Preparation will provide tailored individual assistance to parents. It may include assistance with fees to pay for short courses to update skills, career counselling, addressing self-esteem, or assistance with the practicalities of using outside school hours care. Employment Preparation will be an uncapped (ie demand driven) service for all eligible people receiving income support. However there will also be a capped number of places available for parents returning to the workforce who are not on income support.

To further ensure that they receive a high level of servicing within Job Network, parents will be given a *Job Network Service Guarantee for Parents* that will specify exactly what services parents can expect from the Job Network.

2.3 Safeguards in legislation and guidelines for principal carer parents

2.3.1 Suitable Work

For the purposes of ‘principal carers’ on Parenting Payment, Newstart Allowance or Youth Allowance (other than full-time students or new apprentices), suitable work is part-time work that the person is capable of doing, taking into account their caring responsibilities. Recipients who do not accept offers of suitable employment without a ‘reasonable excuse’ could be considered to be failing to comply with their Activity Agreements. There will be safeguards ensuring that access to suitable child care is a factor in determining whether a job is suitable.

Suitable work requirements

Principal carer parents with participation requirements will be required to seek suitable part-time paid work of at least 15 hours per week. They will not be required to seek or accept employment of more than 25 hours per week. However, a parent may choose to seek (and take-up) employment of more than 25 hours a week.

Requirements for accepting offers of paid work

Principal carers will be required to accept a job offer with hours between 15 and 25 per week, subject to the work being ‘suitable’. A parent who is working 15 hours or more per week cannot be required to seek additional hours of work. If a person is offered a suitable job of less than 15 hours a week the recipient will be required to accept the offer, but will also be required to continue looking for additional work until they are working at least 15 hours per week.

Caring requirements

Where a job offer would involve employment outside school hours, a job is considered suitable if there is appropriate care and supervision for a child during the hours of work, including consideration of the time it would take the principal carer to travel to and from work. For the purposes of principal carers, appropriate care and supervision includes:

- child care provided by an approved child care service⁹;
- other care the principal carer considers suitable; or
- school.

An Outside School Hours Care service would not be considered acceptable if the child is unable to be supervised travelling between the service and school and the parent considers supervision to be necessary.

A parent is expected to take-up an offer of an approved outside school hours care place if this would mean they can accept an offer of paid employment. However, if the cost of the childcare would result in low or negative financial gain from working, the parent is not required to accept the job offer.

Supervision and care for teenage children

If the parent has a teenage child, and approved care is not available for a job outside school hours, parents will decide whether informal arrangements, such as care by other relatives, or self care by the child, are available and suitable. If a parent considers there is no appropriate care in these circumstances, the parent is not expected to accept an offer of paid employment.

Effect of changes to childcare arrangements

In the event that a parent accepts an offer of paid employment, and child care arrangements later change, or hours of work change, so that formal child care or acceptable informal childcare is no longer available, then the employment is no longer regarded as suitable, and the person may choose to seek alternative employment with no penalty.

Higher paying part-time work vs lower paying job of longer hours

A job offer would not be suitable where acceptance would mean the person would need to give up a higher paying job (in terms of total pay) which is already being undertaken.

How financial costs of compliance such as travel costs will be taken into account

Travel costs incurred by the recipient will be considered in the assessment of suitable work. A range of payments are available that may contribute towards the costs of participation; for example:

- supplements paid for participation in Work for the Dole, Community Development Employment Programme, and the Language literacy and Numeracy Programme
- Employment Entry Payment;
- Mobility Allowance; and
- funds from the Job Seeker Account.

These supplements are not intended to fully cover the costs of participation, but can provide some assistance in meeting costs for at least some of the time.

⁹ An approved child care service is one defined within the meaning of the *Family Assistance Administration Act*

How length of travel time will be taken into account

Paid work is unsuitable for a person if commuting between the person's home and the place of work would be unreasonably difficult. This also includes the time required to travel to and from the place of outside school hours care.

Guidelines issued to Centrelink by the Department of Employment and Workplace Relations will state that work is unsuitable for principal carer parents where the commuting involves a journey, either from the person's home to the place of work or from the place of work to the person's home, that is unreasonably long taking into account the person's individual circumstance and caring responsibilities.

The Guidelines will also state that, as a general rule, travel time of more than 60 minutes from home to work and vice versa (including any side trips in this journey to drop off or pick up children from care or school), would be considered unreasonably long for principal carer parents with part time jobs. The estimate of travel time will be made using the means of transport available to the person. This will mean that parents will not be required to accept job offers involving commuting that normally exceeds 60 minutes each way. However, a person may voluntarily choose to accept a job offer where the commuting exceeds 60 minutes.

In some circumstances a journey of 60 minutes each way may be considered excessive travel time, and so a shorter time might be considered a reasonable maximum for principal carers. These circumstances could include:

- where the hours of work are of very limited duration, for example a 2 hour shift; or
- where the part time job is spread over five days or more and thus the travel must be undertaken five days a week or more; or
- where care arrangements can only be organised if a shorter travel time is undertaken.

The details of how this will be administered will be outlined in the Social Security Guide, which Centrelink uses to administer the Social Security Act.

2.3.2 Participation Requirement Exemptions for Principal Carer Parents

Special family circumstances may make it appropriate for the participation requirements of principal carer parents to be reduced or exempted.

Automatic exemptions and higher payment rates

There are three circumstances where an automatic exemption can be applied:

- if the principal carer is an active, registered foster carer;
- the parent is providing home schooling; or
- the parent is facilitating distance education for their child.

Any single parent, receiving Newstart or Youth Allowance and who has an exemption in one of these three groups will receive a higher rate of allowance (which will always be equivalent to the PPS (pension) rate). This higher rate recognises that these parents are choosing to perform significant and ongoing tasks over and above those involved normally in parenting and caring, and for which there can be additional associated costs.

Temporary exemptions

There is also a number of circumstances where a temporary exemption will be considered on a case by case basis. These include:

- caring for a child with a disability;
- sick children;
- having children who may not start school till after they turn 6;
- reduced hours of schooling in the first few weeks of the child's first year at school;
- very high stress associated with recent separation;
- caring for a frail aged or disabled adult;
- parents with large families (4 or more dependent children);
- parents with episodic illness; and
- parents travelling overseas.

Where the principal carer has been subjected to domestic violence around the time of ceasing to be a member of a couple, a temporary exemption of 16 weeks will also be granted.

How 'case by case' exemptions will be assessed

Where particular circumstances exist (such as those above), a temporary exemption may be granted. An exemption generally will be applied only after an assessment that the person does not have a capacity to look for or undertake any part-time work – otherwise the general requirements for principal carers, or reduced requirements, should be applied (there are some exceptions – for example in the case of people granted an exemption for domestic violence related reasons). An application for an exemption must have verifiable circumstances and will be assessed on a case-by-case basis for all groups other than active registered foster carers, parents providing home schooling and parents distance educating their children.

Any exemption will be subject to review and if the grounds for the period of exemption from participation no longer exist the exemption may be revoked.

How will care for a dependent child with a disability be assessed?

A principal carer of a child who suffers from a physical, intellectual or psychiatric disability or illness may seek relief from part-time participation requirements. The level of participation requirements, when negotiated, will take into account:

- the extent to which the child is able to attend school, and if necessary, outside school hours care, without the principal carer parent being constantly at hand or on call; and
- the assessment of a treating health professional stating that the principal carer needs to be always available to care for the child.

The period of the exemption cannot exceed 12 months but, following reviews, there may be subsequent exemptions from participation requirements for one or more other periods (also not exceeding 12 months).

Note: greater numbers of principal carers of children with severe intellectual, psychiatric or behavioural disabilities that result in challenging behaviour may be eligible for the recently announced expanded Carer Payment.

Effect of caring for a sick child on participation requirements

A situation where a child is sick and at home from school for one or two days may have some impact on a principal carer's ability to meet requirements, Centrelink and Job Network will make allowances if, for example, a parent did not attend a job interview or training course due to caring for a sick child.

If medical evidence indicates that a school age child is sick and cannot attend school for an extended period (for example, several weeks or months with an illness such as glandular fever), the principal carer may be temporarily exempted from participation requirements. The circumstances will be subject to periodic review to determine the length of the exemption.

If a school age child is recovering from an illness and a treating health professional says the child can be re-integrated back into school while recovering, then the principal carer may be able to obtain modified participation requirements for a temporary period.

Exemptions for parents with large families

A principal carer parent unable to fully meet participation requirements due to special circumstances associated with having four or more school-age children (aged 6 to 15 years) may be able to have requirements reduced, or have an exemption from requirements granted, on a temporary basis.

The period of the initial exemption cannot exceed 12 months but, following reviews, there may be subsequent exemptions from participation requirements for one or more other periods (also not exceeding 12 months).

The temporary exemption ceases when the principal carer ceases to have 4 or more school-aged dependent children, eg when the oldest dependent child turns 16.

Assessing parents with a disability

Some people will fit into more than one of the welfare to work target groups, for example parents with disability. In this situation, people will be assessed for the most appropriate income support payment based on individual circumstances. Assessment will take into account capacity to work due to disability and availability to work as well as considering eligibility against the other criteria for particular payments.

What exemptions will apply for parents who also care for frail/aged persons?

A principal carer parent with a school-age child, who is caring for a frail/aged person, may have participation requirements reduced, or an exemption from requirements granted, on a temporary basis. The application for reduced requirements or exemption needs to be supported by a report from a treating health professional.

Care for the frail/aged person needs to be undertaken at the carer's home, or in a nearby local area (such that travelling for care is undertaken on a daily basis).

A temporary reduction in requirements or exemption can also be obtained for periodic care (eg for an aged relative visiting for a few weeks a year) for the period of the care for the frail/aged person.

The maximum period of exemption in these circumstances is 16 weeks, but, following reviews, there may be subsequent exemptions from participation requirements for one or more other periods (also not exceeding 16 weeks).

What exemptions will apply for parents experiencing domestic violence before or after separation?

To apply for a temporary exemption from participation requirements because of domestic violence the person must:

- have ceased to be a member of a couple within 26 weeks of the determination; and
- have been subject to domestic violence in that period of 26 weeks; and
- have not again become a member of a couple.

The first period of an approved exemption must be 16 weeks. For any subsequent exemptions, the maximum period of the exemption from participation requirements is 16 weeks. If the circumstances that originally applied when a period of exemption was granted, no longer apply, then the temporary exemption ceases, and the person is required to comply with the participation requirements.

Principal carer parents who are exempted because of domestic violence will be connected to an employment service provider such as Job Network, but will not have to attend an appointment during the period of the exemption. They will be temporarily exempted (initially for 16 weeks) from meeting requirements until their situation has stabilised. Centrelink will be provided with guidelines detailing how domestic violence exemptions are to be administered.

Concessions and payments while allowance stopped for non-compliance.

Sole principal carer parents whose allowance is stopped following an activity test failure, including those in an 8 week non-payment period, will retain access to concessions, including the Pensioner Concession Card. Add-on payments that are not contingent upon the job seeker's basic payment will not be affected by the non-payment penalty. This includes Family Tax Benefit and Rent Assistance paid through the Family Tax system. A parent who incurs an 8 week non-payment penalty will also be eligible for financial assistance to meet essential expenses through the Case Management initiative administered by Centrelink. (see Section 2.7.5).

2.4 Changes for people with a disability

People receiving DSP on 10 May 2005

- Will remain eligible for DSP under current conditions.
- No participation requirements, but can volunteer for unlimited Job Network places and capped vocational rehabilitation or disability open employment services places.

People who claimed DSP from 11 May 2005 to 30 June 2006

- Assessed under current eligibility criteria.
- After 1 July 2006, will be reassessed in periodic reviews, including undertaking a Comprehensive Work Capacity Assessment. The reviews will generally be two years after grant.
- People on review with a work capacity of less than 15 hours a week will continue to be eligible for DSP and will not have any requirements.
- People who can work 15 or more hours a week independently of support with up to two years of assistance (including disability specific assistance) will be assessed for an alternative payment, usually Newstart or Youth Allowance. They will also have a part-time participation requirement.

People with disabilities claiming income support after 1 July 2006

- Will undertake a Comprehensive Work Capacity Assessment.
- People with a work capacity of less than 15 hours a week will continue to be eligible for DSP and will not have any requirements.
- People who can work 15 hours or more a week independently of support with up to two years of assistance (including disability specific assistance) will be assessed for an alternative payment, usually Newstart or Youth Allowance. They will also have a part-time participation requirement.

Part-time participation requirement

- Undertake 30 hours a fortnight of paid work; OR
- Job search for part-time work, participate in appropriate employment services, and/or undertake an annual Mutual Obligation activity.

Employment assistance for people with disabilities

The Comprehensive Work Capacity Assessment will determine the most appropriate type of assistance with consideration of the person's disability, employment history and personal circumstances. Referral options include:

- Job Network;
- Disability Open Employment Services;
- Vocational Rehabilitation Services; or
- Personal Support Programme.

Concessions for people with disabilities

- People with disabilities with a reduced work capacity receiving Newstart or Youth Allowance (Other) will be eligible for a Pensioner Concession Card, Pharmaceutical Allowance, Telephone Allowance and other related concessions.

Extended Return to DSP provision

- People on DSP who leave payment for work can return to DSP within 2 years without reclaiming, or attending an external assessment if they are unable to maintain their employment for any reason. They will not be required to notify within 14 days to access this provision.

2.4.1 People with disabilities claiming income support

The Welfare to Work reforms announced in the 2005-06 Budget contain a number of measures to increase workforce participation among working age Australians with disabilities. It does this by better focusing the income support system and services on a person's capacity for work. In particular, the new measures will require people with disabilities on income support with a partial capacity to work to actively participate to their capacity. As with parents, income support payments will be brought into line with unemployment payments for new claimants who have a capacity to undertake paid work.

A focus on work capacity

From 1 July 2006, DSP will only be available for new applicants assessed as unable to work 15 hours or more a week independently of support within the next two years. Those with 15 hours or more assessed work capacity will have to apply for another payment, usually Newstart or Youth Allowance and will be required to look for work.

People's work capacity will be assessed by the new Comprehensive Work Capacity Assessment (CWCA) service. CWCA's will be conducted by relevant rehabilitation professionals, and will determine medical impairment, work capacity, assistance needs (including specialist rehabilitation where appropriate) and referral options. CWCA providers will have access to a new stream of funds – the Prevocational Account – to help with short-term rehabilitation where appropriate.

Grandfathering for DSP recipients

People who were receiving (or entitled to receive) the DSP on 10 May 2005 will not be affected by these changes. They will not have any changes to their income support payments or have participation requirements imposed. More generally, there will not be any participation requirements for any DSP recipient.

2.4.2 Transitional DSP group

People who claim DSP between 11 May 2005 (the day after Budget night 2005) and 30 June 2006 will be assessed against the current eligibility criteria.

However, at their first review after 1 July 2006 they will be assessed against the new criteria, including the 15 hours rule. These reviews will generally take place two years after the person was granted DSP, and will include comprehensive work capacity assessments. People who can work 15 hours or more per week independently of support with up to two years of assistance (including disability specific assistance) will be assessed for Newstart Allowance (or Youth Allowance if under 21) or another appropriate income support payment. People who have a lower level of work capacity will retain eligibility for DSP (subject to continuing to satisfy the other eligibility criteria).

The reviews will be part of the suite of DSP service update reviews currently conducted. Service update reviews, which consider all aspects of a person's DSP eligibility at the same time, do not occur at regular intervals. However, in general, a person will not be selected for a service update review within two years of a previous review. It is possible that a person granted DSP between 11 May 2005 and 30 June 2006 will not be selected for review for some time. This includes people unlikely to have work capacity of 15 hours per week, and therefore likely to remain eligible for DSP under the new rules, who are not selected as part of normal service update review processes. A person is likely to remain eligible for DSP against the new criteria where his/her DSP grant was 'manifest', based on a reason of terminal illness, permanent blindness, intellectual disability (with an impairment rating of more than 20 points under the Tables for Assessment of Work Related Impairment), nursing home level of care required, or category 4 HIV/AIDS, or where work capacity has been assessed as less than 15 hours per week.

People who were receiving DSP on 10 May 2005, who are selected for service update reviews after 1 July 2006 as part of the normal processes, will continue to be assessed against the current eligibility criteria, including the 30 hours work capacity rule.

2.4.3 Additional assistance for people with disabilities

Part time participation requirements for people with a disability with a capacity for part-time work, receiving Newstart Allowance, Youth Allowance (Other) and Parenting Payment¹⁰ will be supported by additional assistance for job seekers to increase their work capacity. New uncapped places in Disability Open Employment Services (DOES) and Vocational Rehabilitation Services (VRS) will provide a guarantee of service for these Newstart, Youth Allowance and Parenting Payment recipients.

¹⁰ People in receipt of Parenting Payment immediately prior to 1 July 2006 will have participation requirements from 1 July 2007 or when their youngest child is aged 7 years (whichever occurs later).

The Welfare to Work reforms have provided for a substantial increase in services for job seekers with a disability. An additional \$173.6 million is provided to fund an estimated 20,200 new places nationally for DOES and \$186 million is provided for 39,600 new places in VRS over the three years from July 2006.

The new uncapped places are for people with a disability who have an assessed work capacity of 15 to 29 hours a week and can work independently in the open labour market with up to 2 years of specialist disability employment assistance.

As a result, DOES and VRS will have both a capped and uncapped service stream. The existing capped service stream will continue to provide services to job seekers with an assessed work capacity of eight or more hours per week that require either long-term support in the workplace and/or are unable to work independently.

2.4.4 Safeguards for people with disabilities

Extended return to DSP provision

At present, DSP recipients who leave payment to take up work can return to DSP without reclaiming, or attending an external assessment at any time within two years, if they are unable to cope with their work because of their disability. To take advantage of this provision, people must notify Centrelink that they have started work within 14 days of the event.

From 1 July 2006, this provision will be extended so people can return to DSP within two years if they are unable to maintain their employment for any reason and the 14 day notification requirement will be removed. As now, people can keep their pensioner concession card for the first year of employment.

The intention is for people with disabilities to trial work while still having the safety net of knowing they can return to DSP at any time within two years without having to make another claim.

Qualification for DSP after two years of assistance

The changes to DSP include another way to qualify for the DSP.

People with disability who are assessed as being able to work 15 or more hours per week within the next two years taking into account programmes that could increase their capacity will be granted Newstart Allowance or another appropriate income support payment (subject to satisfying the other eligibility criteria). If, after the two years in such a programme, their work capacity has not increased to at least 15 hours per week (because of a physical, intellectual or psychiatric impairment) these people will be able to qualify for DSP.

In determining a person's ability to work, Centrelink will not take into account the availability of work in the person's locally accessible labour market and the person will need to be capable of working independently of a programme of support. Other DSP requirements such as impairment ratings, residence, etc will still apply.

This new qualification rule recognises that despite the provision of assistance to a person, at times, a person's capacity to perform work may not increase to the level that was initially anticipated. This may be because a person's impairment has deteriorated, or his/her recovery from an injury has taken longer than anticipated, or his/her residual level of impairment is greater than would have normally been expected.

This qualification for DSP recognises that for people who have made every effort to increase their work capacity, but have been unable to, the appropriate payment is DSP.

Will job seekers experiencing episodic illness, or temporary illness or incapacity be able to seek exemptions or reduced activity test requirements?

Some people may suffer episodic periods of illness. These usually occur or appear at irregular intervals. Some examples of these types of illness include epilepsy and schizophrenia. In these instances, so long as the person has documented evidence from a treating health professional, he/she can apply for a temporary exemption from participation requirements or seek reduced activity test requirements.

The person will still have participation requirements, but the requirements and the level of activities will be reduced to match assessed work capacity, or they may attract a temporary exemption.

Suitable work and activities for people with a partial capacity to work

When setting a person's activity test requirements and determining what is suitable work, Centrelink and employment service providers must take into account a job seeker's personal circumstances including any disability. Both the legislation and policy guidelines ensure that the activity test is flexible, fair and reasonable for people with partial capacity.

For example, when negotiating an activity agreement, consideration will be required to be given to such matters as family and caring responsibilities, the length of travel time required to get to a job or activity, and the financial costs to the job seeker of participation and their capacity to pay, including travel costs. The legislation also states that where an illness, disability or injury that would be aggravated by the conditions in which the work would be performed, the work would be considered unsuitable for the person. Under the new arrangements, the 90 minute rule applying to travel time will be reduced to 60 minutes for those with a partial capacity to work.

Concessions while allowance stopped for non-compliance.

People with partial work capacity on Newstart or Youth Allowance (Other) whose allowance is stopped following an activity test failure, including those in an 8 week non-payment period, will retain access to concessions, including the Pensioner Concession Card.

2.5 Changes for mature age job seekers

Job search requirements for job seekers aged 50 and over

- Number of fortnightly job searches will become the same as for all other job seekers.

Participation requirements

- Personal Adviser interviews will cease.
- Job seekers aged 50 and over will be required to participate in employment services, usually Job Network. They will not be required to do a Mutual Obligation activity.
- Job seekers aged 40-49 will continue to have a Mutual Obligation activity, but Work for the Dole will now be their default activity if they do not choose anything else.

Voluntary and part-time work for 55-64 year olds

- Newstart recipients aged 55 and over will be able to meet their participation requirements by undertaking approved voluntary work and/or paid part-time work of 15 hours a week.
- Those doing this will not be required to do anything else, such as job search. However, they can still choose to go to Job Network for employment assistance.

Employment assistance for job seekers 50 years and over

- New Employment Preparation service in Job Network for mature age.
- New Enterprise Initiative Scheme (NEIS) places available for mature age not on income support.

Mature age people receiving Newstart Allowance will have their participation requirements brought into line with other unemployed people. This measure acknowledges that mature age people should put the same amount of effort into job search as younger people and that employment assistance provided should reflect the expectation that they will find work.

People on Newstart who are aged 50 or over will have the same job search requirements as younger people on Newstart and they will be required to participate in Job Network or other services where appropriate.

Mature age people will no longer see a Personal Adviser and will not have any delay in being referred to employment assistance. They will now be referred to Job Network as soon as they register for income support enabling them to get assistance straight away to improve their job prospects.

To support this greater emphasis on finding employment, job seekers aged 50 or over will be eligible for the new Employment Preparation service in Job Network. This service will assist mature age people to return to the workforce by providing individualised assistance. This may include assistance in understanding modern methods of seeking employment and updating of skills, for example attending a basic information technology course. This service is available on an uncapped basis for mature age people receiving Newstart Allowance, and there are also a capped number of places available to mature age unemployed people without recent workforce experience. Mature age unemployed people not receiving income support who are interested in setting up a small business will also be able to receive assistance through a capped number of places in the New Enterprise Initiative Scheme (NEIS).

Mature age job seekers will not have any Mutual Obligation requirements in addition to their activity requirements. Those aged 55 or over will be able to fully meet the Activity Test by undertaking approved voluntary work and/or part-time work totalling 15 hours or more a week. People who are meeting the Activity Test in this way will not be required to undertake any further activities.

2.6 Changes for job seekers who are Very Long-Term Unemployed

Long-term unemployed job seekers

Most job seekers undertake Intensive Support customised assistance after they have been unemployed for 12 months and again when they have been unemployed for 24 months (unless they were assessed as highly disadvantaged and referred to customised assistance from Day 1, and again at 12 months).

Very Long-Term Unemployed job seekers

Job seekers receiving Newstart or Youth Allowance (Other) who have completed two periods of customised assistance (usually at either 18 months or 30 months unemployment) will be serviced through one of four possible options as decided by their Job Network member:

- i. referral for a Comprehensive Work Capacity Assessment – to determine if another service type (eg PSP) or payment type (eg DSP) would be more suitable;

- ii. referral to full-time Work for the Dole (50 hours a fortnight for 1,100 hours) if assessed as demonstrating a pattern of work avoidance (ie non-genuine job seekers);
- iii. placement in a full-time job with the JNM (Job Network members) using Wage Assist to provide a wage subsidy to the employer; or
- iv. ongoing Intensive Support servicing by the JNM, including bi-monthly contact and Mutual Obligation where eligible.

2.6.1 New interventions for long term unemployed job seekers

Job seekers receiving Newstart or Youth Allowance (Other) who have completed two periods of the most intensive form of help in Job Network, that is Intensive Support customised assistance, will now be reassessed and may receive alternative servicing. These measures will ensure that very long term unemployed people are given extra assistance to help them get work and participate in programmes that improve their job prospects. It will mean that they are neither overlooked when there is other help that could enable them to get work, nor will they be left to sit passively on income support when they are not serious about finding a job.

Job Network members will be required to assess the individual circumstances of each job seeker when they become very long-term unemployed and determine what future servicing they require. In assessing the appropriate option for the job seeker JNMs must consider whether a job seeker:

- has a history of working on a part-time, seasonal or casual basis, is currently undertaking approved part-time study or engaging in other vocational activity which indicates that ongoing Job Network servicing will continue to improve the job seeker's job readiness;
- has a history of exemptions or medical conditions or other non vocational needs that would indicate a CWCA may be appropriate;
- may require additional support to take up ongoing, full-time employment that may be provided by a Wage Assist subsidy to an employer; or
- has a history of poor attendance, suspensions or breaches or poor engagement that may be assisted through ongoing and practical work experience through full-time Work for the Dole.

A more appropriate payment or service?

If job seekers are thought to have additional or multiple non-vocational barriers to employment that have prevented them from gaining sustainable work they may be referred for a specialist assessment by a Comprehensive Work Capacity Assessment provider who may then refer to another more appropriate type of assistance, or payment type, such as DSP.

Job seekers with a pattern of work avoidance – non-genuine job seekers

If a Job Network member examines a job seeker's participation history and determines that they have demonstrated a pattern of work avoidance they may refer the job seeker to a Community Work Co-ordinator for a full-time Work for the Dole placement. A full-time Work for the Dole placement consists of 50 hours of participation per fortnight for a total of 1,100 hours. This is equivalent to 10 months participation. Job seekers may be referred to successive full-time Work for the Dole placements.

Full-time Work for the Dole will help build the work habits of very long term unemployed people, provide work experience and ensure job seekers give something back to the community that supports them. Job seekers will only be eligible for full-time Work for the Dole if they are aged between 18 and 59 years (inclusive) and have a requirement to seek full time work.

Principal carer parents and people with disabilities with partial work capacity will not be eligible to participate.

A Wage Assist placement may be best for a genuine job seeker

For very long-term unemployed job seekers who are genuine in their work efforts, Job Network members will have access to Wage Assist funds to help them gain entry to the labour force. Wage Assist provides employers with financial assistance up to the value of \$4,600 over a 26 week period for ongoing full-time jobs. Wage Assist provides real employment opportunities for job seekers who need extra help to get a foot in the door of employment.

There will be ongoing support for other long term unemployed job seekers

Job seekers who are genuine in their job search but who are not likely to benefit from Wage Assist, or where Wage Assist is unavailable, will continue to receive Job Network Intensive Support assistance with bi-monthly contacts with their Job Network member. The job seeker will also continue to undertake an annual Mutual Obligation activity, if eligible.

2.7 How will the new compliance framework increase participation?

The key features of the improved compliance arrangements to apply from 1 July 2006 are:

- A fairer compliance system broadly consistent with the recommendations of the Breaching Review Task Force that links payment to participation and encourages and rewards compliance;
- Safeguards for vulnerable job seekers and those with reasonable excuses for non-compliance;
- Case management in cases where vulnerable third parties, such as dependent children, are affected by income support non-payment;
- No penalties for non-compliers who rapidly re-engage (except for serious participation failures/ serial non-compliers);
- Fairer penalties for deliberately misreporting earnings;
- 8 week non-payment periods for serious failures or repeated participation failures, including:
 - i. 3 or more participation failures in any 12 month period;
 - ii. refusing an offer of suitable work;
 - iii. voluntarily leaving a (suitable) job;
 - iv. purposely being dismissed from a suitable job due to misconduct; or
 - v. failure to participate in full-time work for the dole for a very long-term unemployed job non-genuine seeker.

2.7.1 Why introduce a new compliance framework?

In 2004-05, Centrelink imposed around 106,000 breaches, including 64,000 activity test breaches and 42,000 administrative breaches. Around 3,800 of these were third activity test breaches, involving full loss of payment for 8 weeks, while the rest were rate reduction periods of up to a 24 per cent reduction for 26 weeks.

The number of rate reduction penalties incurred suggests that they may not provide a significant disincentive to non-compliance. This is supported by data showing that current waiver mechanisms are not used much. In 2004-05, 5.5 per cent of rate reduction penalties were waived

on commencement in Work for the Dole (for Newstart Allowance) or another programme (for Youth Allowance) , compared to 15.9 per cent of non-payment penalties. The take up of the option of having the rate reduction duration of a first administrative or activity test breach penalty reduced to eight weeks is also very low, with only around 7 per cent of eligible job seekers utilising this option in 2003-04.

Current waiver provisions are not widely accessible, which may explain the low take-up generally, but the difference between waiver rates for rate reduction penalties and non-payment penalties is significant, as it indicates that there is little incentive in the current system to re-engage following the imposition of a rate reduction period. This suggests that job seekers are more often than not prepared to serve out the penalty rather than seek to have it reduced or removed through active participation.

The new system removes this option for job seekers by suspending payments (after several warnings and chances to avoid a penalty) for as long as a job seeker remains non-compliant. At the same time, by recommencing payments on re-engagement, the new system rewards participation. The new system effectively ensures job seekers do not have an ongoing penalty for a first or second failure if they re-engage.

Another negative aspect of the current system of fixed rate reduction penalties is that they can impede re-engagement because the substantial loss of income over time makes it difficult to meet the costs of job search and other forms of active participation. To address this, the Breaching Review Taskforce advocated the removal of penalties on compliance. By removing ongoing penalties, the new framework both rewards and facilitates active participation.

2.7.2 A fairer compliance system that encourages and rewards participation

The Welfare to Work legislation abolishes the current breaching regime under which job seekers can incur lasting financial penalties regardless of subsequent efforts to meet their requirements. The new compliance framework will more clearly link participation to payment, and will reward those who are willing to re-engage quickly. Job seekers who have an acceptable reason for not complying will not incur any financial penalty, and will not have these instances of non-compliance counted towards an 8 week non-payment period. There will be safeguards for vulnerable job seekers, such as those with episodic mental illness (discussed in more detail below).

No penalties if non-compliers rapidly re-engage

A job seeker who does not have a record of repeated non-compliance who commits a participation failure (ie: a job seeker who is not a serial offender), such as missing an interview with an employment service provider or failing to participate in an activity, will be given the opportunity to avoid any financial penalty by quickly re-engaging with that provider or another activity as directed. However, a job seeker who persists in their non-compliance, despite being warned, will lose payment for each day until they do comply. This effectively means that the job seeker determines the duration of the penalty, providing a significant incentive to re-engage quickly.

Under current arrangements, a job seeker in these circumstances would not be given a chance to avoid the penalty and would have their payment reduced by at least 16 per cent for 13 weeks regardless of any subsequent compliance (although the duration of the penalty can be reduced in limited circumstances). This provides little incentive for immediate re-engagement, despite the fact that in the longer term the financial impact of a rate reduction penalty (between \$200 and \$1250) is far greater than the penalties that would be imposed under the proposed system (in most cases nil and less than \$30 per day for those who fail to re-engage after a warning).

Eight week non-payment for serial and serious non-compliance

As a deterrent to repeated participation failures (three or more in 12 months) or more serious failures that call into question a job seeker's commitment to finding work, such as refusing a job offer or voluntary unemployment, an eight week non-payment period will apply. In the case of a third participation failure, a job seeker will already have been given several opportunities to avoid penalties through re-engagement following their first and second failures. By the time they face an eight week penalty they will have demonstrated either a lack of responsiveness to such an approach or a willingness to exploit the warning mechanisms in the system. The Government believes that by this stage a strong deterrent is required.

An eight week non-payment penalty is also a feature of the current breaching system. However, under current arrangements all prior activity test breaches during the past two years are counted for the purpose of determining whether the penalty applies. Under the new system, only participation failures incurred during the last 12 months will count.

Fairer penalties for wilful faulty declaration of earnings

This legislation also abolishes earnings-related breach penalties for Newstart, Youth Allowance and Austudy Payment recipients. Instead, it introduces a more equitable means of deterring all working age income support recipients from deliberately failing to declare or under-declare their earnings, in the form of a recovery fee set at 10 per cent of the debt incurred.

2.7.3 Compliance safeguards for vulnerable people and children

Reasonable excuse

Before Centrelink can impose any penalty they must talk to the job seeker to see if they had a reasonable excuse for failing to meet their requirements. The meaning of the term 'reasonable excuse' is discretionary but the excuse must be one that would seem plausible to a member of the public. In determining this, it is important to consider whether or not the reason for the failure to meet the requirement was foreseeable or within the person's control. A failure can only be recorded where the person's non-compliance was deliberate or avoidable.

When determining if a person has a reasonable excuse for failing to meet a requirement, the person's personal circumstances must also be considered. For example, a history of homelessness or an episodic mental illness could have been a factor in the job seeker's failure to comply. It will not always be the case that, in this instance, such issues were a factor, but Centrelink must consider this possibility carefully in every case where such issues are or become evident.

It is intended that system enhancements will enable Comprehensive Work Capacity Assessors and Centrelink specialist officers to alert other Centrelink staff and providers to any potential issues so that caution can be exercised in taking any compliance action.

Further, principal carer parents will not lose any other concessions or their family tax benefits as a result of a financial penalty.

2.7.4 Compliance for principal carer parents, mature age job seekers and people with disabilities

The same compliance framework will apply to all job seekers with activity test requirements. It is anticipated that principal carer parents, mature age job seekers and people with disabilities will not be adversely affected by the compliance framework for the following reasons:

- currently, breach rates among principal carer parents and mature age job seekers are very low, presumably because of the low level of requirements imposed upon them and because they are more willing to comply than younger job seekers. Requirements imposed on

parents, mature age job seekers and people with disabilities will increase under Welfare to Work, but they will still be significantly less than those imposed on Newstart Allowance recipients generally;

- requirements will be tailored to individual circumstances and will reflect individual capacity and caring responsibilities. This is specified in the legislation. If a job seeker's requirements prove not to be manageable, they will not be penalised;
- current legislative safeguards requiring the job seeker's circumstances to be considered before any penalty is imposed will be retained and expanded, with additional emphasis on taking into account any circumstances of parents and people with disabilities that might have impeded their ability to comply; and
- if a job seeker refuses or voluntarily leaves work, factors such as availability of child care will be considered in determining whether that work was suitable work.

2.7.5 Case Management

Following the imposition of an eight week non-payment period, a specialist officer will follow up with a telephone call in the case of any job seeker who has children or another vulnerable dependent or who is themselves considered exceptionally vulnerable (eg due to the nature of their disability). If it is established that the person needs financial assistance, they will be offered case management and will be eligible for limited financial assistance for essential expenses.

Add-on payments not contingent on the job seeker's basic payment will not be affected by any non-payment penalty. This includes Family Tax Benefit and Rent Assistance paid through the Family Tax system.

Income support recipients would be able to appeal the 8 week non-payment decision through the existing appeals process, including the Social Security Appeals Tribunal.

2.8 Income support and earnings

There will be several changes to income support provisions and concessions from 1 July 2006:

- the allowance income test will be more generous. The key changes are a reduction in the 70 per cent personal and partner income test taper rates to 60 per cent, and an increase in the income threshold at which the higher taper rate (60 per cent from 1 July 2006) applies; from \$142 to \$250 a fortnight for Newstart and Youth Allowance (Other);
- availability of the Pensioner Concession Card, Pharmaceutical Allowance and Telephone Allowance for people with a partial work capacity - for people with disabilities and principal carer sole parents - on Newstart or Youth Allowance (Other); and
- an income support rate for principal carer single parents on Newstart or Youth Allowance (Other) who are active and registered foster carers, home schoolers or distance educators, that matches the PPS rate when they are exempt from the activity test;
- people with a partial work capacity on Newstart or Youth Allowance (Other), satisfying their activity requirements by working 15 hours a week or more will have higher disposable incomes than people on full rate DSP or PPS.

2.8.1 A more generous allowance income test

Changes are being made to the income test for Newstart Allowance and Youth Allowance (Other) that will be advantageous to all recipients who have earnings, including parents and people with disabilities on these payments. Currently the Newstart Allowance payment is not

reduced for income up to \$62 per fortnight. It is reduced by 50 cents in the dollar for income between \$62 and \$142 per fortnight, and 70 cents in the dollar thereafter. The new income test is more generous with the income range over which the 50 cents in the dollar reduction applies becoming \$62 to \$250 per fortnight, with payment being reduced by 60 cents in the dollar thereafter. The rate at which a person's income affects their partner's allowance has also been reduced from 70 cents in the dollar to 60 cents in the dollar. These changes will improve rewards from part-time work and help people move from welfare to work.

2.8.2 Extension of concessions to people with a partial capacity to work on Newstart or Youth Allowance (Other)

Principle carer single parents and people with disabilities who are receiving Newstart or Youth Allowance (Other) and who have a part-time work requirement will also receive the concessions and ancillary benefits that they would have received on a pension, including access to a Pensioner Concession Card, Pharmaceutical Allowance, Telephone Allowance and any other related concessions. Principal carer parents and people with disabilities with part-time work requirements will also be eligible for an Employment Entry Payment when they gain or increase hours of work to 15 or more a week for four consecutive weeks. People with disabilities will receive a payment of \$312 and single and partnered parents will receive a payment of \$104.

2.8.3 A higher payment rate for eligible sole parents

From 1 July 2006 principal carer parents on Newstart or Youth Allowance (Other) who are either active and registered foster carers, home schoolers or distance educators will be exempt from the activity test. Those who are single parents will receive a higher allowance payment to match the PPS rate while they are exempt from the activity test.

2.8.4 Higher disposable incomes for people with a partial capacity to work satisfying their activity requirements by working 15 hours a week or more

The following tables demonstrate how single parents with children aged 8 or over and people with disabilities capable of working at least 15 hours per week will benefit from the new arrangements. A single parent who enters work of 15 hours per week at the (current) Federal Minimum Wage (FMW) will receive \$487.81 per week combining paid work with Newstart Allowance, compared with only \$433.13 per week for a jobless single parent.

In the same way, a single person with disabilities working 15 hours per week will have a disposable income of \$334.89 per week compared with only \$296.95 per week for a jobless person with disabilities under the current arrangements.

These figures will vary slightly as the FMW changes and as payments are indexed. However, we can expect single parents and people with disabilities to see similar benefits from 1 July 2006.

Key points to note are:

- household weekly disposable income increases when income support recipients move from full rate pension payments to working 15 hours a week, even at the FMW;
- in many cases (in each of these examples) people with partial work capacity working 15 hours a week, and therefore fully meeting their Mutual Obligation requirements, will retain part rate Newstart Allowance;
- those in paid employment and earning more than \$430 a month receive a 9 per cent employer superannuation contribution; and

- sole parents and people with disabilities with a partial work capacity on Newstart Allowance receive the Pensioner Concession Card, Telephone Allowance and Pharmaceutical Allowance.

Table 3: Difference between weekly disposable income for a principal carer single parent (one child aged 8) on PPS with no job versus being on Newstart Allowance with a job:

	PPS no paid work	NSA with 15hrs paid work
Private income @ \$12.75 per hour	0	191.25
Income support	247.35	134.95
FTB A – includes rent assistance	138.88	138.88
FTB B	46.90	46.90
Tax	0	-24.17
Total	\$433.13	\$487.81

Table 4: Difference between weekly disposable income for a principal carer single parent (one child aged 8, no earnings) on PPS versus Newstart Allowance:

	Current PPS	New NSA
Income support	247.35	221.70
FTB A – includes rent assistance	138.88	138.88
FTB B	46.90	46.90
Total	433.13	407.48

Table 5: Difference between weekly disposable income for a person (no children) in receipt of DSP with no job, versus a person (no children) in receipt of NSA with a job.

	DSP no paid work	NSA with 15 hrs paid work
Private income @ \$12.75 per hour	0	191.25
Income support – includes rent assistance	296.95	168.00
Tax and Medicare levy	0	-24.36
Total	296.95	334.89

Table 6. Difference between weekly disposable income for a couple (no children) with one partner in receipt of DSP, and one NSA (DSP/NSA), with no job versus a couple (no children) both in receipt of NSA with one job (NSA/NSA).

	NSA/DSP no paid work	NSA/NSA with 15 hrs paid work
Private income @ \$12.75 per hour	0	191.25
Income support (partner with no disability) – includes rent assistance	182.50	119.15
Income support (partner with partial disability) – includes rent assistance	252.35	207.35
Tax	0	-21.22
Total	434.85	496.53

Those people earning a private income will also be entitled to receive the Employer Superannuation Contribution Guarantee (ESCG) of 9%. Assuming earnings at the minimum wage for 15 hours per week, the accumulated ESCG after 15 years would be \$16,400¹¹. This provides income for retirement that would not otherwise be available if a person were to remain on a pension payment and undertake little if any paid work.

2.8 Other measures in the welfare to work package

2.8.1 Employer demand strategy

While the measures described above will help facilitate increased demand for employment in the medium-longer term, in the short term they will act to increase participation – the supply side. To maximise the prospects of moving people into work, it is also important to address demand side issues in the short term. To do this the welfare to work package provides funding for an employer demand strategy, which has 3 components aimed at increasing workforce participation for the priority groups in key industry sectors:

- targeted and improved industry and workplace engagement strategies;
- training for employers to manage a diverse workforce; and
- strategies to increase employment of workers with a disability.

2.8.2 Measures to assist/encourage employers to employ people with disabilities

Workplace Modifications Scheme

As of July 2005, funding for the Workplace Modifications Scheme was increased by \$25 million over four years.

The Workplace Modifications Scheme reimburses employers for costs involved in modifying the workplace or purchasing special equipment for people with disabilities. To qualify for assistance, companies must employ the person for at least eight hours a week in a job that is expected to last for at least 13 weeks. The Scheme can be used to purchase, lease or hire services, products or equipment to help people with disabilities obtain or retain employment.

¹¹ This calculation assumes that the contribution to the fund occurs annually and the fund earnings rate is 7.5% (based on average 10 year rate of return). It does not take into account that the Australian Government matches personal contributions to superannuation funds with a co contribution of 150%.

The aim of the Scheme is to improve the tenure and conditions of employment of workers with a disability by reimbursing the cost of:

Lease, hire or purchase of special or adaptive equipment or workplace modifications, where without assistance this:

- is a barrier or restriction to a person with a disability further participating in employment, and/or
- would enable a worker to perform at their full potential and/or maximise their income, and/or
- would assist a person to retain a job when it is put in jeopardy.

The Scheme is currently subject to administrative and policy reform to maximise its potential to better:

- support employers when considering the employment of people with a disability; and
- target the employment needs of individual workers with a disability.

Wage Subsidy Scheme

As of July 2005, funding for the Wage Subsidy Scheme was increased by \$5 million over four years.

The Wage Subsidy Scheme provides financial incentives for employers to employ people with disabilities under open employment conditions, with the aim of improving their competitiveness by increasing their skills and experience.

The scheme offers financial assistance through wage subsidies of up to \$1,500 for employment that is likely to reach 13 weeks. This arrangement has been in place since inception in 1997-98 and will be reviewed.

Wage Subsidies are available for employers of people with disabilities who are supported by a Disability Open Employment Service or CRS Australia (vocational rehabilitation). Eligibility based on provider association will be reviewed to better support independent jobseekers with a disability.

Supported Wage System

The Supported Wage System enables people with disabilities to be paid according to their level of workplace productivity in the open workforce. It is an industrial mechanism that assists workers with a disability and employers to determine a productivity assessed award based wage. The System can only be applied when it is evident that a worker with a disability cannot, due to their disability, be paid the full award rate.

The Australian Government provides for the wage assessment ensuring an independent and transparent approach. The System is coordinated through DEWR State Offices.

National Disability Recruitment Service

The National Disability Recruitment Service coordinates the recruitment of job seekers with a disability. This service broadcasts job vacancies to DEWR funded Disability Open Employment Service providers, conducts recruitment screening services and provides pre and post placement employer training, information and support.

Online information and advice service

The website and advice service will act as a one-stop-information-shop targeted toward potential and actual employers of people with disabilities, job seekers and workers with disabilities, and employment service providers. The website will include a searchable online database and will be supported by an expert individualised enquiry service available by telephone or email.

It will also facilitate access to the Workplace Modification Scheme through the provision of online claims.

Employer Roundtable

The Government has established an Employer Roundtable with the responsibility to provide high level advice to the Government on ways to increase workforce participation for people with disabilities through increased employer demand.

2.8.3 Monitoring, evaluation and communication strategies

The Welfare to Work package also provides additional funding of \$11.2 million over four years for robust and comprehensive monitoring and evaluation. A further \$29 million has been budgeted for a communications strategy.

Part III: An integrated working age support system

Through the Welfare to Work measures an integrated working age support system has been developed that incorporates all the types of assistance that a person of working age receives when they apply for income support. An integrated system successfully assesses a person's needs and capacities and from this point provides the most appropriate type of financial and employment (or other related) assistance. This system provides a safety net to those who require it while also providing assistance to enable each person to actively participate and join the workforce to the level of their capacity and availability. This means granting people payments with no obligations where they have very limited capacity to work. For other people it means providing income support in addition to assistance and obligations that provide the best incentives and services to ensure the person finds work as rapidly as possible and that their experience of unemployment is minimised.

3.1 Overview of an integrated employment services model

The Welfare to Work changes are supported by a substantial increase in employment services and the further development of an integrated employment services system that supports a work-first approach. Individuals will be referred to the right service according to their needs, and the type of assistance will be tailored as their circumstances and needs change.

Assessment, referral and rapid connection

Each job seeker is assessed up front for the most suitable type of assistance and is referred as quickly as possible to a service provider. Under this model, wherever possible a job seeker is connected to employment assistance before they start receiving income support payments. By being connected to assistance straight away, this model immediately improves the likelihood of finding a job quickly and means there is less time for their skills and experience to depreciate.

Assistance and connection supported by compliance

Underpinning the connection of job seekers with appropriate assistance is a compliance system that ensures job seekers are doing what they can to get a job and be engaged with the system that is designed to help them get off income support as quickly as possible. Enforcement of full participation in employment assistance and engagement in a mutual obligation activity enables job seekers to do all that they can to get a job and to give something back to the community that is assisting them by supporting them through their period of unemployment.

3.2 Key components of the integrated employment services model

Centrelink

Centrelink is generally the first point of contact for people claiming income support. Under the new model, when people first make contact with Centrelink they will be screened for suitability for Job Network assistance, and if suitable will receive a referral within two days wherever possible. This will assist them to connect with employment as quickly as possible.

Centrelink is responsible for determining claimants' income support eligibility and payment type, developing an initial Participation Agreement which sets out job search requirements and other activities, referring them to the most appropriate employment or other assistance, and monitoring compliance.

As the agency responsible for paying income support, Centrelink will determine whether a person continues to qualify for payment under the Social Security Act. Centrelink will respond to participation reports submitted by service providers to determine whether a person has failed to comply with the Activity Test and whether any suspensions need to be applied.

RapidConnect

RapidConnect is the new process of referring job seekers to the Job Network as part of the Welfare to Work measures. RapidConnect is a work first initiative to ensure unemployed people receive early access to Job Network assistance and employment opportunities, to improve their chances of finding work quickly. RapidConnect requires job seekers to display an active commitment to look for work and participate fully in employment services and, following legislative changes, if a job seeker does not participate it may affect their income support.

Job seekers contacting Centrelink to claim Newstart Allowance or Youth Allowance (Other) will immediately undertake the Job Seeker Classification Instrument (JSCI) to determine what form of assistance would best suit them. When Job Network servicing is deemed to be appropriate, job seekers are referred to an appointment with a Job Network member (JNM) within two working days. At this appointment JNMs provide information to the job seeker about the assistance they provide and develop a Vocational Profile with the job seeker based on their resume and experience.

Attendance at the JNM interview will be a condition of a job seeker being paid income support. Job seekers will have up to fourteen days to connect with a JNM with no impact on their income support. Job seekers who comply within this time will experience no loss in their income support. Job seekers who are not able to connect quickly with the Job Network (for example, people who are incapacitated or who live in regional and remote areas, or where no immediate appointment with Job Network is available) continue to access income support under current provisions. People who are claiming income support, but are not subject to activity testing will be encouraged but not compelled to register with Job Network prior to payment and are out of the scope of the RapidConnect policy.

RapidConnect does *not* apply to job seekers who are identified by the JSCI as requiring either further assessment, such as a Comprehensive Work Capacity Assessment, or as requiring a service other than Job Network. RapidConnect also does not apply in a range of other circumstances where it would not be possible for a person to attend an appointment within the timeframe.

Job Seeker Classification Instrument (JSCI)

The JSCI is used to assess a job seekers' relative labour market disadvantage and thereby refer them to the most appropriate form of assistance. The JSCI identifies a range of personal and labour market factors such as: recency of work experience, educational and skills attainment, location and type of residence, country of birth, Aboriginal or Torres Strait Islander identification, language and literacy, disabilities and medical conditions.

The JSCI identifies job seekers who, because of their individual circumstances, are likely to become long-term unemployed. These job seekers are classified as 'highly disadvantaged' in the labour market and are eligible for early referral to Intensive Support customised assistance.

The JSCI also identifies job seekers who have factors that may require further specialist assessment and may require referral to an alternative service. For example, the JSCI may flag that a person has a disability that affects the work that they can do and they should be referred for a CWCA. From this assessment, a job seeker may then be referred to an alternative type of assistance from the Job Network, for example to Vocational Rehabilitation. A person who has been identified as having a drug addiction may be referred to the Personal Support Programme.

Comprehensive Work Capacity Assessment

The new CWCA will supplement the JSCI for people who need a more thorough assessment of their employment barriers and the services that will best address these.

Improved assessment will play a key role in supporting increased requirements and services for job seekers. To this end, people applying for Disability Support Pension from 1 July 2006, and other job seekers with a disability or special needs, will undergo a CWCA conducted by appropriately experienced and qualified staff. The Department of Human Services will have contractual responsibility for CWCA's.

The new service will provide a holistic and comprehensive assessment of a job seeker's barriers to finding work. Assessors will also assess the job seeker's capacity to work and the interventions required to overcome any barriers the person has in finding and keeping a job.

Assessors will refer people to the most appropriate service for overcoming their barriers and assisting them to find work, for example Job Network, Disability Open Employment Services, or Vocational Rehabilitation Services. CWCA providers will also have access to a new stream of funds, the prevocational participation account, to help people with short-term rehabilitation and other interventions where appropriate.

Active Participation Model

The *Active Participation Model* is designed to enable job seekers to flow through a continuum of assistance that reflects their duration of unemployment and particular needs while keeping in contact with a single JNM. Through the *Active Participation Model* a job seeker is able to flow from Job Network assistance to a referral to a complementary programme if needed, such as a literacy and numeracy programme, back to the Job Network and on to a Mutual Obligation activity, such as Work for the Dole. However, for the entire duration of unemployment the job seeker maintains contact with the same JNM who oversees the stream of assistance they receive.

Job Network

Job Network is the default employment services provider for mainstream job seekers. The assistance provided by Job Network depends on a job seeker's disadvantage in the labour market (as assessed by the JSCI – see above) and duration of unemployment.

Job Network assistance may include:

Job Search Support – usually provided in the first 3 months of unemployment and involves development of a job seeker's résumé, automated matching to job vacancies, advice on job search techniques, career options and employment programmes, teaching job seekers how to search for vacancies using the JobSearch kiosk.

Employment Preparation – a new service that is being introduced from 1 July 2006 under the Welfare to Work measures to provide assistance to principal carer parents, mature age people over 50 and carers to prepare them for a return to the workforce. This service is tailored to the individual and may provide a diverse range of assistance such as referral to courses to update skills or qualifications, addressing self esteem or self-confidence issues and improving job search skills and techniques. People without recent workforce experience will participate in this service as soon as they are referred to Job Network (while in Job Search Support) while those with recent workforce experience will participate after 3 months in Job Network (while in Intensive Support).

Intensive Support - usually provided after 3 months unemployment.

- *Job Search Training* – full time (or equivalent part-time) training in job search skills covering topics such as motivation, writing job applications and resumes, interview techniques, presentation to employers and expansion of job search networks.
- *Customised Assistance* – usually after 12 months in Job Network, job seekers begin customised assistance. Job seekers who have been assessed by Centrelink as highly disadvantaged (using the JSCI) start Job Network in Intensive Support customised assistance from day one.
 - *Customised assistance* is the highest form of help in Job Network and involves substantial individualised assistance, including regular contact between the job seeker and the JNM. Assistance and activities in customised assistance may include intensive job search, specific vocational training tailored to job opportunities, relevant work experience, career counselling, and participation in other complementary programmes.

Job Seeker Account

The Job Seeker Account is a dedicated pool of funds which JNMs are able to use flexibly to purchase a wide range of employment related assistance for eligible job seekers. The JNM is credited with Job Seeker Account funds when a job seeker enters Intensive Support or Employment Preparation.

The rules around expenditure of the Job Seeker Account are principles based and are designed to ensure JNMs have the flexibility to assist job seekers based on their individual needs and barriers to employment. They also ensure purchases are clearly linked to assisting eligible job seekers into sustainable employment.

Assistance that can be purchased using the Job Seeker Account includes short-term transport costs, including assisting with fares to attend job interviews; employment related training; interpreter services; relocation assistance and wage subsidies.

JNMs may also access Training Account funds for Indigenous job seekers in Intensive Support.

Complementary Programmes

JNMs can refer job seekers to a complementary employment and training programmes, such as literacy and numeracy training, when they are at any stage in the Job Network continuum. Complementary programmes may help a job seeker to overcome an identified vocational, personal or motivational barrier to employment. JNMs can refer job seekers directly or through Centrelink or CWCA Providers. When they have completed the programme they would return to their JNM to continue with their assistance.

Mutual Obligation, Work for the Dole and Community Work Coordinators

Most job seekers under 50 years of age will participate in an annual Mutual Obligation activity, usually commencing after 6 months of unemployment and while they are in Intensive Support. Job seekers can choose from a range of activities to meet their Mutual Obligation requirement, such as Work for the Dole, voluntary work, part-time paid work or part-time study. Work for the Dole is the default activity for job seekers who have not volunteered to undertake another activity. Work for the Dole is administered through Community Work Co-ordinators (CWCs) along with Community Work that offers job seekers placement with approved voluntary organisations. Throughout the job seeker's Mutual Obligation period, the JNM will continue to service them with Intensive Support services, comprising ongoing job search assistance and engagement. Job seekers who complete Work for the Dole or Community Work may acquire

Training Credits that are administered by CWCs, that can be used to pay for employment related courses.

Vocational Rehabilitation Services (VRS)

VRS provide a holistic intervention, combining employment assistance and rehabilitation for people with a disability to work independently in the open labour market at award wages. Job seekers are likely to have a physical or psychiatric disability requiring assistance from a specialist rehabilitation service comprising a multidisciplinary team of allied health professionals. The intervention educates and assists the job seeker to regain work capacity and avoid re-injury.

Although there is no fixed period of assistance, the average duration of a vocational rehabilitation program is nine months.

Disability Open Employment Services (DOES)

DOES provide specialist employment assistance to people with a disability to prepare for, find and retain a job within the open labour market including providing ongoing support in the workplace. The focus of support is to build capacity, maintain workforce attachment and achieve sustainable employment outcomes.

The uncapped service stream for job seekers with a work requirement provides assistance to job seekers for up to two years with a minimum 6 months support after placement in employment. The capped service stream provides ongoing assistance to job seekers if required.

Personal Support Programme (PSP)

PSP provides services to people receiving income support who have non-vocational barriers that mean they are unable to get a job or benefit from Job Network or other employment services. PSP bridges the gap between crisis services and employment assistance programmes and assists participants to tackle non-vocational barriers such as homelessness and drug abuse. When participants are job-ready they will be referred to Job Network for further assistance.

Service availability

The Welfare to Work changes are full supported by a full range of employment assistance, most of which is available on a demand-driven basis. Full Job Network services are available to all income support recipients receiving Newstart Allowance, Youth Allowance (other than full time students and new apprentices), Parenting Payment, Carers Payment and the Disability Support Pension. Additionally full Job Network services are available to unemployed youth who are not on income support. Limited Job Network services, mostly Job Search Support Only, are available to other unemployed people not receiving income support.

Carers, parents and mature age people who are returning to the workforce after an absence of two years or more and who are not receiving income support may also be eligible for a capped number of Employment Preparation places within Job Network.

People with disabilities who are receiving Newstart Allowance or Youth Allowance and have a reduced work capacity of between 15 and 29 hours have access to DOES places on a demand driven basis in recognition of their requirement to look for work. People receiving DSP continue to be eligible to volunteer for one of a capped number of DOES and VRS places.

3.3 How does the working age support system operate for priority groups?

The working age support system is a comprehensive system for people receiving income support that seeks to increase workforce participation through building the links between payments, participation in assistance and compliance with requirements. Under this system there is a direct

link between receipt of income support and employment assistance and there are clear financial rewards for a person gaining employment to the extent of their capacity.

The process of acquiring income support and employment assistance allows job seekers to understand the link between their income support payments from Centrelink and their participation in employment activities. Job seekers receive employment assistance that is targeted to the assessed needs of the individual and provides a continuity of support, with the same provider where possible, from the start of the job seeker's period of unemployment.

3.3.1 Parents and workforce participation

Most principal carer parents will be referred to Job Network for assistance. Those who are highly disadvantaged in the labour market will receive Intensive Support customised assistance as soon as they commence. Others will be assessed to determine if they have recent workforce experience. Those without recent workforce experience will commence assistance with Employment Preparation. Those with recent workforce experience will commence with the usual Job Search Support assistance, but will receive Employment Preparation if they are still unemployed after three months.

Job Network will take into account any special needs that parents have, including considering caring responsibilities and assistance with finding child care.

Parents will have enhanced incentives to gain employment as they will benefit financially from the extension of the Employment Entry Payment for part-time work and those on Newstart will benefit from the more generous taper rates.

Single parent with part-time work requirement and temporarily incapacitated child

Anna is a sole parent receiving Parenting Payment Single (PPS) with two children, Michael, aged 11 and Tanya aged 8, who both attend school. Anna remains on PPS following the introduction of Welfare to Work measures (as a grandfathered PPS recipient) and then becomes subject to participation requirements from 1 July 2007. Following an initial appointment with Centrelink, Anna is referred to Job Network. As she does not have recent workforce experience she gains immediate access to the new Employment Preparation service and begins to receive employment assistance targeted at her individual circumstances.

In February 2008, Michael has an accident and is incapacitated for 3 months. Anna is able to apply for an exemption, while she is caring for Michael, until he is able to resume full time attendance at school.

Following Michael's recovery, with the help of her Job Network member Anna secures part-time work as a teacher's aid, earning \$15 an hour and working from 10:00am to 2:30pm for 5 days a week. Anna's part-time work significantly improves the family's disposable income by over \$390 a fortnight from \$910.78 to \$1,301.88 a fortnight. She is also eligible for a \$104 Employment Entry Payment after she has worked for four weeks.

The work raises Anna's self-esteem and confidence. As her work takes place during school hours, Anna's part-time work does not affect her caring responsibilities. On the contrary, as a working mother, Anna feels she has become a better role model for her children. Anna also has the further security of receiving income support at a reduced rate while fully satisfying her participation requirements by means of this part-time work.

Single parent with offer of suitable work

In August 2008, Nadira has been on Parenting Payment Single for two years. She has two sons, one aged seven and one aged nine. She receives an offer of part-time employment of 20 hours per week earning \$15 an hour working at a retail clothing store. On one day a week, Nadira would be required to work outside of normal school hours. With the help of her Job Network member, Nadira examines childcare options in her local area, and is able to find a formal outside school hours care service with available places. The additional costs Nadira would incur from accepting this job offer, resulting from transportation and child care (\$12 for one session a week), would be small. In this situation, the job offer is therefore deemed 'suitable', and Nadira is required to accept the job offer. Nadira and her children benefit from the additional income with her disposable income after child care now \$1,259.76, up \$349 a fortnight. Nadira is also eligible for a one off Employment Entry Payment of \$104.

Partnered parent with child with a disability

Jessica and Luke have one child, Malcolm aged 6. Jessica started receiving Parenting Payment Partnered after 1 July 2006. She has been caring for Malcolm who has been assessed professionally as having highly challenging behaviour requiring substantial parental care, but she is not eligible for Carer Payment. Jessica receives the maximum temporary exemption from participation requirements of 12 months on the basis of the supporting treating health professional's report about Malcolm's behavioural disabilities and his need for ongoing intensive support. After the 12 month period of temporary exemption, Jessica applies for a further exemption from participation requirements. Her case is reviewed with reports from the treating health professional, and she receives a further 12 month exemption.

3.3.2 People with disabilities and workforce participation

People registering for income support who, when undertaking the JSCI, declare that they have a disability or medical condition that may impact on their capacity to work will be referred for a Comprehensive Work Capacity Assessment. If through this assessment it is determined that the person's work capacity is at least 15 hours and less than 30 hours a week then they will receive Newstart or Youth Allowance but with a work requirement of only 15 hours a week. The CWCA will also refer the job seeker to the most appropriate employment service provider for the job seeker's needs, such as Job Network, DOES or VRS.

Partial work capacity Newstart recipient with no income from employment, partner also receives Newstart (full work capacity)

Miriam has depression. She lodges a claim for a Disability Support Pension on 3 August 2006. Miriam attends a Comprehensive Work Capacity Assessment and is assessed as currently being able to work less than 15 hours per week. However, with the provision of a vocational rehabilitation programme that includes vocational counseling, vocational counselling and a work placement, the assessor determines that, within 2 years, Miriam would be able to work at least 15 hours a week without on-going support. As Miriam will be able to work independently of a programme of support she will not qualify for a Disability Support Pension. Miriam is eligible for Newstart Allowance (\$365.00 a fortnight) and receives the payment while attending a vocational rehabilitation programme. As Miriam has partial work capacity, she also receives the Pensioner Concession Card, Pharmaceutical Allowance (\$2.90 a fortnight) and Telephone Allowance (\$20.40 a quarter).

Partial work capacity Newstart recipient who finds work of 23 hours per week at award wages

Marco has reduced exercise tolerance following heart bypass surgery. He lodges a claim for a Disability Support Pension on 6 September 2006. Marco attends a Comprehensive Work Capacity Assessment to have his qualification for Disability Support Pension assessed and is found to be currently able to do light work, such as clerical work, for 23-29 hours per week at award wages. The assessor determines that Marco is unlikely to need a programme of support to do the clerical work and he is referred to Job Network. Marco's disability, age and language background give Marco a JSCI score of 'highly disadvantaged' so he will be immediately eligible for Intensive Support customised assistance in the Job Network. The Job Network refers Marco to a short course in office administration.

Marco will not qualify for a Disability Support Pension, but is qualified for Newstart Allowance (\$404.50 per fortnight). Marco has partial work capacity so will also receive the Pensioner Concession Card, Pharmaceutical Allowance (\$5.80 per fortnight) and Telephone Allowance (\$20.40 per quarter).

After completing his course and four months with Job Network, Marco finds work of 25 hours per week at \$12.75 an hour – the current Federal minimum wage. This provides him with earnings of \$637.50 a fortnight. He remains eligible to receive a part rate of Newstart Allowance (\$78.00 a fortnight) and keeps the Pensioner Concession Card, Pharmaceutical Allowance and Telephone Allowance.

His disposable income (ie, after tax and Medicare levy) increases by \$236.60 a fortnight.

Transitional DSP (to partial work capacity Newstart) recipient

Liz lodges a claim for Disability Support Pension on 25 May 2005. Centrelink refers Liz for a Comprehensive Work Capacity Assessment to help determine her eligibility for Disability Support Pension. The 'old qualification rules' still apply at this time and Liz is assessed as having a work capacity of less than 30 hours per week at award wages and is granted a Disability Support Pension.

In July 2007, Liz is sent a notice requiring her to attend a Comprehensive Work Capacity Assessment as part of her regular Disability Support Pension review. Liz attends the Comprehensive Work Capacity Assessment and she is assessed against the new eligibility criteria that came into effect from 1 July 2006 (including the 15 hours work capacity threshold). Liz is assessed as, within 2 years, being able to work more than 15 hours per week at award wages, independently of a programme of support. Liz will no longer be qualified for Disability Support Pension. However, Liz meets the eligibility criteria for Newstart Allowance and is granted this payment at \$410.30 a fortnight (including Pharmaceutical Allowance). Liz will meet the definition of having a 'partial capacity to work'. On Newstart Allowance Liz will have a requirement to seek work, but will retain access to the Pensioner Concession Card and Pharmaceutical Allowance that she received when she was on Disability Support Pension, and will be referred to an employment service to assist her to build her capacity and help her prepare and look for work.

Liz's disability means she is unable to use public transport without substantial assistance. While she was receiving Disability Support Pension, Liz undertook 36 hours of volunteer activities every four weeks and was eligible for the lower rate of Mobility Allowance (\$69.70 a fortnight). When Liz transfers to Newstart, she starts looking for work of at least 15 hours per week under an activity agreement with an employment service provider. Liz is now eligible for the higher rate of Mobility Allowance (\$100 a fortnight).

3.3.3 Mature age job seekers and workforce participation

Most job seekers aged over 50 will be referred to the Job Network for employment assistance. Those who are assessed as 'highly disadvantaged' will receive immediate access to Intensive Support customised assistance. Other job seekers can choose to commence Job Network with early access to Intensive Support job search training. Those without recent workforce will also have immediate access to Employment Preparation, while those with recent workforce experience will have access to it after three months.

Voluntary Work

John is over the age of 55 and applies for Newstart Allowance on 8 August 2006. John is asked by Centrelink if he is currently in part-time employment and/or undertaking volunteer work. John informs Centrelink that he is currently working 16 hours per fortnight in paid work at a local newsagent and 20 hours per fortnight tutoring refugee students at an approved voluntary organisation. John is meeting the activity test with over 30 hours per fortnight of part-time and/or volunteer work, and, once Centrelink approves the placement and verifies his attendance and hours of work, he is no longer required to meet any other activity test requirements. He can still choose to access Job Network to enhance his further employment prospects but is not required to participate in employment services or meet job search requirements.

No Mutual Obligation

Jennifer is a 53 year old Newstart Allowance recipient who has participated in Job Network for seven months. She is not required to complete a Mutual Obligation activity such as Work for the Dole, but nevertheless decides to volunteer for Work for the Dole, as she believes it will increase her prospects of finding employment. The new skills she acquires and networking contacts she makes undertaking Work for the Dole as a cleaner in a nursing home lead to her being offered a full time position.

Employment Preparation

Sirikit is 55 and unemployed but not in receipt of any income support payments as she receives a pension from her late husband's superannuation. Sirikit has been trying to enter the workforce but as she has no recent work experience is finding this difficult to do. Under the new arrangements, she will be able to access one of the 5,000 Employment Preparation places through Job Network, which will be available for mature age people and parents not on non-income support. The Employment Preparation service will help her refresh her job search skills and improve her confidence and self esteem.

3.4.4 Very long-term unemployed and workforce participation

Very long-term unemployed job seekers who have already completed two periods of Intensive Support customised assistance in Job Network will be reviewed to determine whether Job Network is the most suitable form of assistance, whether they are genuine in their job search and if they should be referred to full-time Work for the Dole, or if they could benefit from an employment placement using Wage Assist.

VLTU job seeker getting a Wage Assist job

Tran, aged 23, has had very little work experience since leaving school at age 15. He has been through two periods of Intensive Support customised assistance and has participated in two Work for the Dole projects repairing park and playground equipment. Tran enjoyed his Work for the Dole experience and tells his Job Network member that he would like to look for work in the field. His Job Network member makes contact with employers in the region and finds one who makes and installs park equipment. This employer is willing to put Tran on as an assistant for 6 months, with his wage subsidised through Wage Assist. Tran's employer is very happy with Tran and when the 6 months of Wage Assist finishes he employs Tran full time.

VLTU non-genuine job seeker

Brian, aged 42, is a tiler by trade but lost his job 5 years ago after being injured in a car crash. Although he fully recovered he was not able to get another job and became disillusioned and resentful. Despite having several interviews organised by his Job Network member he did not attend any of the interviews. Brian is now content to do his six months Mutual Obligation activity without making a real effort to find employment. Brian's Job Network member refers him to a Full Time Work for the Dole activity that involves repairing local community halls and other local facilities such as BBQ areas and landscaping parks. After six months, Brian begins to reassess his attitude to work and starts to actively search for permanent work in his area. He applies for a job with a small home maintenance and landscaping firm. After an interview he is offered a full time job, which he accepts.