

Additional Comments by Coalition Senators

Background

The Social Security Legislation Amendment (Employment Services Reform) Bill 2008 aims to amend the *Social Security Act 1991* and the *Social Security (Administration) Act 1999* to bring into effect measures announced by the Government in the 2008-09 Budget, regarding a new compliance system for job seekers and employment services that will run from 1 July 2009 to 1 July 2012.

The Job Network was an initiative of the former Coalition Government, introduced in 1998 to combat a jobless rate of 7.7%, that recognised the need for a firm but fair compliance system which committed job seekers to actively seek employment and to engage in activities to assist in the attainment of skills that would enhance employment prospects.

Coalition Senators recognise that it was the success of the previous Government's program that contributed to record unemployment of 3.97% and a near 30% decrease in the number of long-term unemployed people between June 2006 and August 2008.

Any system designed effectively to move those on unemployment benefits into work must be a judicious balance of carrots and sticks. Such a system must avoid penalising marginalised members of society for a failure to comply with job seeking requirements where that failure is beyond their control, for example through mental illness. Equally the system must send a clear signal that a genuine willingness to seek employment is a condition of the benefits paid until that employment is attained. Any system which does not convey this clear obligation to job seekers is at serious risk of failure, or at least of losing community confidence in its integrity.

Coalition Senators fear that features of the Social Security Legislation Amendment (Employment Services Reform) Bill 2008 may send a signal that the mutual obligation to actively and diligently seek employment is being relaxed, with the concomitant danger that jobless numbers may rise as some beneficiaries believe they can exploit the new regime and not seek work.

The importance of meaningful compliance measures cannot be overstated. Professor Peter Saunders refers to the positive impact mutual obligation has had in bringing people from welfare to work, but says that

...the main impact has been through compliance effects (for example, imposition of activity requirements strengthens people's commitment to finding and accepting work).¹

There is however another, greater concern with the direction of this Bill.

It is clear that the economic climate of 2008 is vastly different to that in which the Job Network program was formulated in 1998. Australia now faces, after a period of almost unprecedented jobs growth, the prospect of falling job opportunities and rising unemployment. The recently published MYEFO projections predict a 5.75% jobless rate by June 2010. Other forecasters are expecting unemployment to rise to 6% as early as June 2009, putting another 200,000 people out of work. Such estimates, made since the new universal employment services model was designed in February 2008, may render the model's original policy assumptions redundant.

These assumptions postulated a target population of job seekers with a high proportion of long-term unemployed, where intensive intervention and an element of case management are required to find suitable placements. The scenario now in prospect would see more recently-employed jobseekers entering the market, with the result that the long-term unemployed will fall to the back of an extending jobless queue.

Coalition Senators share the reported concerns of Jobs Australia chief executive David Thompson that the new model "only worked when unemployment was low and there were lots of jobs available."²

Coalition Senators support certain elements of the Government's proposed new system such as the Employer Broker concept and Innovation Fund. However given MYEFO's predictions for the jobless rate, Coalition Senators do not support the new 'no show, no pay' system proposed under the Government's Amendment Bill.

Coalition Senators support the intent of certain provisions of the Amendment Bill. In addition, Coalition Senators support the Amendments to the Bill moved in the House of Representatives by the Shadow Minister for Employment Participation, Dr Andrew Southcott MP, and urge their adoption by the Senate.

1 Centre for Independent Studies, Submission 13, p. 4.

2 David Thompson reported in "Job Network faces threat of hard times", The Australian, 31 October 2008, p. 2

Compliance

The Bill proposes substantial changes to the job seeker compliance system that would apply to NewStart Allowance, Youth Allowance, Parenting Payment and special benefit paid to nominated Visa Holders.

A key feature of the proposed new compliance system is the ‘*no show, no pay*’ concept which aims to deter non-compliance and encourage re-engagement.

Coalition Senators believe this proposal may undermine the inroads made into long-term unemployment and welfare dependency achieved under the existing policy. Under the existing policy failure to attend an interviews with an employment services provider, failure to comply with an activity agreement or failure to attend Work for the Dole are the most common reasons for incurring an eight-week non-payment period.

The Government’s Amendment would weaken this compliance measure.

A job seeker who fails to attend an appointment or meet a requirement, without reasonable excuse, would commit a *connection failure*. The job seeker would then be required to comply with a *reconnection requirement*. Failure to do so, without reasonable excuse would incur a *reconnection failure period* involving the loss of their basic rate of payment until compliance with a further reconnection requirement was met.

A job seeker who intentionally, recklessly or negligently fails to meet the above obligations, and persistently fails to comply with those obligations or who persistently fails to accept, without reasonable excuse, an offer of suitable employment would incur a *serious failure*. Only then would an eight-week period of non-payment be invoked.

In a further weakening of compliance measures, the eight-week non-payment period may be ceased through participation in a *serious failure requirement*, or if it is judged that a job seeker does not have the capacity to meet a *serious failure requirement*.

A job seeker who becomes unemployed due to a voluntary act or due to misconduct can avoid an eight-week payment suspension if severe hardship is demonstrable. However Coalition Senators are concerned at the power vested in the Departmental Secretary to determine who is eligible for such hardship claims.

Mutual Obligation

Coalition Senators recognise the mutual obligation concept is imperative to breaking the cycle of welfare dependency. The previous Coalition Government’s Welfare to

Work policy established a patent link between receiving income support and actively seeking employment or, at least, contributing to society, the ultimate provider of income support.

The eight-week non-payment period acted as a deterrent for those who failed to meet their end of the bargain, while maintaining fair and humane safeguards for those with legitimate reason for non-compliance.

Mutual obligation activities such as Work for the Dole assist job seekers to obtain training and skills necessary to re-enter the workforce. The program helped all job seekers to re-engage in employment activities: indigenous unemployed, people with a disability, those in remote and rural regions and those with limited education.

Currently the eight-week non-payment period is incurred after three inexcusable breaches within a 12-month period. The Social Security Legislation Amendment (Employment Services Reform) Bill 2008 will move to a six-month time frame, allowing six absences from work experience or Work for the Dole in that period. It will effectively permit one day of absence per month without reasonable excuse.

It is inevitable that some of those receiving benefits will interpret the abandonment of an automatic suspension period as a indication that mutual obligation itself is being relaxed.

Coalition Senators have particular concerns over the Bill's seemingly lenient approach regarding job seekers who miss a job interview. We share the view of National Employment Services Association (NESA) that, where preparation and arrangements have been made and a person does not show up for an interview, this should be considered a serious breach and there should be the discretion to treat it equally with a 'serious failure' where there is no reasonable excuse.³

There is also some basis for a policy position that missing a job interview (deliberately) should result in an automatic referral to a Comprehensive Compliance Assessment.

Recommendation

Coalition Senators recommend that the Bill be amended so that a deliberate failure to appear at a job interview
(a) should be treated as a 'serious failure', and
(b) should result in an automatic referral to a Comprehensive Compliance Assessment.

3 Ms Sally Sinclair, NESA, *Proof Hansard*, 18 November 2008, p. 19.

Two comments on the Majority Report

Coalition Senators wish to respond to 2 issues in the Government Senators' Report.

In paragraph 1.11 of the report, Government Senators state

The government has recognised that over the last ten years many thousands of job seekers have become increasingly detached from the labour force. While the unemployment rate has fallen to 4.2 per cent, it is clear that a significantly higher proportion of job seekers are highly disadvantaged and have experienced long-term unemployment.

These comments can be interpreted as suggesting that the position of the long-term unemployed worsened under the policies of the previous government. Coalition Senators reject this assertion, which is inconsistent with the available evidence. For example, the reason that “a significantly higher proportion of job seekers ... have experienced long-term unemployment” is because unemployment levels over the life of the previous government halved, so that the long-term unemployed became a more concentrated proportion of those who remained jobless.

Coalition Senators also emphatically reject the unreferenced assertion in paragraph 2.53 of the Majority Report that “[t]he Opposition ... describes people on welfare as 'dole bludgers'.” We regard this comment as gratuitous and unsubstantiated, detracting from the mature reflection which all senators have devoted to this inquiry. It reflects poorly on Government Senators if they feel their position is strengthened by such falsehoods.

Conclusion

Coalition Senators recognise the mutual obligation concept is imperative to breaking the cycle of welfare dependency. We feel that elements of this legislation undermine that principle. We adopt the sentiment of Professor Saunders who described these changes, together with those to Work for the Dole, in these terms:

The result of all these proposed changes will be that government spending on moving people from welfare into jobs will increase but outcomes will worsen. The government should think again.⁴

4 Centre for Independent Studies, Submission 13, p. 4.

Senator Gary Humphries
Deputy Chair