

Inquiry into Social Security Legislation Amendment (Job seeker compliance) Bill 2011

Presentation by the Brotherhood of St Laurence at the Public Hearing on 13 April 2011 in Melbourne, by Michael Horn and Dina Bowman

Thank you for the invitation to attend the hearing.

The Brotherhood of St Laurence is a Melbourne-based not-for-profit organisation that delivers a wide range of services to assist those experiencing poverty and social exclusion.

Through a combination of innovation and research, we aim to bring a fresh perspective to issues of poverty and disadvantage, with the goal of influencing public policy to build social and economic participation.

Basis for our comments

Our points are mainly drawn from our recent submission to the Australian Government on the need for further reform to employment assistance through the JSA from 2012.

The submission was based on our research and our evaluation work as part of development of innovative service delivery models aimed at highly disadvantaged groups, including those in inner-city public housing, humanitarian migrants and others with multiple and complex barriers to social and economic participation.

BSL has had a long history of delivery of employment assistance both as a contracted provider to governments and through local independent service innovations. We should point out that the Brotherhood did not apply to provide employment assistance through the JSA tender process.

We have recently developed the Centre for Work & Learning in the City of Yarra through DEEWR Innovation funding to trial a better integrated intermediary approach aimed at addressing the high levels of economic exclusion of residents in the public housing estates. We have for many years operated a range of social enterprises to offer employment pathways to disadvantaged people as part of the intermediate labour market approach (that integrates personal support with skills acquisition and work experience). Most recently we have collaborated with Mission Australia and DEEWR to test an off-benefits approach that provides a paid traineeship through social enterprises for Stream 4 job seekers.

JSA evaluation submission key points

Our recent submission made recommendations on the current compliance system in the context of broader changes needed to the JSA approach.

In summary, the changes implemented through the Job Service Australia reform process in 2009 were in the right direction, including the changes to the compliance system that focused on reengagement of job seekers. However, we have urged the government to make further reforms in 2012 to address the substantial levels of underutilisation and exclusion from paid work. This is not a new issue. Back in 2008, prior to the global financial crisis, the Brotherhood advocated for a new approach and greater investment aimed at highly disadvantaged groups in the labour market.

We also drew attention again to the inadequate and relatively poor outcomes achieved by the current model of employment assistance for this group. Whilst the JSA model is working reasonably well for the majority of unemployed people, especially those with prior work experience or capabilities who are 'job-ready', **the current model fails the majority of those with multiple barriers, those in Stream 4 in particular, with only just over one-quarter achieving a positive outcome (a job or training placement) measured 3 months after exit. It is of particular concern that 43% remain unemployed and 42% are no longer in the labour force (only 15% are employed).**

Based on overseas experience and local innovations here in Australia, we have advocated a fresh approach aimed at highly disadvantaged groups in the labour market, for whom the current JSA is failing. **The complex and multi-dimensional hurdles (both supply and demand side) faced by these job seekers require a better integrated, flexible service delivery model with a direct line of sight to local employers, including transitional employment providers.** We therefore proposed an Integrated Employment Pathway either to replace or offer an alternative to the ineffectual Work Experience phase. This approach could utilise future income support savings to invest in an integrated approach focused on sustainable job outcomes. It is worth noting that the new UK Work Programme being implemented in June has adopted this funding principle, with providers paid from benefits saved by getting people into work (AME/DEL shift).

In our submission, we also **urged consideration of a suite of further changes to both simplify and strengthen the JSA, with a greater focus on disadvantaged groups in the labour market and an objective of reducing the reporting and administrative burden on all parties to focus efforts on direct service delivery.**

We also recommended a stronger policy effort to support work opportunities and to make work pay. Our view is that Australia still lacks a coherent set of policies that address both demand and supply side barriers to work. The importance of taxation and transfer measures that act to encourage and support job take up and retention should not be underestimated. Similarly, Australia could and should do more to encourage employers to take on disadvantaged job seekers and those from diversity groups. This should include stronger workplace diversity strategies and social procurement measures.

Specific Points on the proposed Job Seeker Compliance Bill

Having made what we consider to be important points about the overall delivery of employment assistance, we would make the following more specific observations relevant to the provisions in the new Bill.

BSL is not opposed to placing a fair and reasonable expectation on job seekers to actively participate in job search activities through the proposed changes. However, the obligations placed on job seekers must be balanced by the provision of responsive and effective support. The current service model does not offer an effective level of assistance or support to encourage disadvantaged groups to fully participate.

In isolation, we are concerned that these amendments will (1) add to the complexity of the system, (2) further divert precious resources away from service delivery, (3) fail to address the current weaknesses in the overall employment assistance model (4) not be effective and, importantly, may also unintentionally add to the personal hardships experienced by highly disadvantaged job seekers.

Our view, based on the available evidence, is that a level of sanctions-backed conditionality is appropriate only as one lever to encourage active participation in job search, in effect, to achieve behavioural change. There is some evidence from overseas that such measures do increase off-benefit outcomes especially in the short term.

However, most job seekers do not need to be motivated to find work or get into training. Over reliance on stronger conditionality measures in isolation will not address the situational and systemic hurdles currently faced by disadvantaged groups, including in particular the poor quality or responsiveness of employment assistance to meet their needs.

In her second reading speech on 23 March, Minister Ellis drew attention to the average attendance rate at appointments with employment service providers at 55%. The Minister also stated that **‘most job seekers are genuine in their efforts to find work’**. The data supports this, in that **over 93% of active job seekers have not had a participation failure imposed on them** (Disney, Buduls & Grant 2010, Table A9, data for 4th quarter, 2009–10).

Indeed, we have seen little documented evidence of deliberate non-attendance at meetings with JSA providers or in related activities. Rather, the evidence points to job seekers who struggle daily with both personal and external hurdles. Highly disadvantaged job seekers may experience a combination of chronic health problems, housing crisis and transience, poor literacy and education, family conflict and lack of resources on a recurrent basis.

Recent UK research suggests that unemployed persons who lack the foundational skills and basic capabilities are more likely to be sanctioned (JRF; Griggs and Evans 2010). Aggregate data on participation and outcome rates must be treated with caution in the absence of more precise evidence on the effects of sanctions and conditionality measures on particular demographic and needs groups. There is still too little understanding of the unforeseen outcomes for these groups, such as training and job churn, disengagement from the labour market or increased social exclusion.

It is reasonable to assume, then, that if the employment service provider was offering a high-quality product, motivated job seekers would be keen to turn up to obtain the assistance and resources they desperately need. However, the DEEWR evidence on poor customer satisfaction (49% to 61% highly satisfied across all streams), low job outcomes and underexpenditure of employment pathway funds (60% spent) all point to a deeper concern that job seekers may have about current delivery.

The data in the recent Compliance Review led by Professor Julian Disney should add to concerns that the proposed measures will at best only have a marginal effect on participation. In 2009–10, Centrelink rejected participation failures in 70% of cases. One-third of the reasons for rejections of participation reports were procedural errors, reflecting the complexity of current arrangements.

More important, in two-thirds of PRs, the job seeker had a reasonable excuse for not complying with participation. The reasons for non-compliance included medical or health issues (39%), personal crisis (11%), homelessness and caring responsibilities. In 20% of cases, the job seeker was in fact participating in another acceptable activity.

We would argue that in the case of disadvantaged job seekers, those in Streams 3 and 4, the complexity of issues they face on a daily basis—both personal and external—inevitably limit their capacity to fully participate in job search activities without also providing meaningful assistance to address these other barriers to participation. In particular, low literacy, living skills and chronic ill health limit their capacity to understand procedures, obligations and entitlements, and in some cases even to identify who their provider is.

The requirement to provide a reasonable excuse in advance does not take into account the difficult circumstances of highly disadvantaged job seekers, who may not be able to provide prior notice. Their situation cannot be equated with an employee calling in sick. For these groups, alternative approaches to better engage them in support are needed.

Many aspects of current participation provisions accept that job seekers may have ongoing issues that make them vulnerable to non-participation. The *Modernising Australia's welfare system* statement says that those job seekers **with a known vulnerability** will be given an exemption. Our reading of the draft Bill could not find a specific reference to this intended exemption. We would strongly argue that if a job seeker meets current criteria to be flagged as vulnerable, then they should be exempt from suspension of payments. The Bill should ensure this provision is explicit.

The suspension of payments and added burden placed on this cohort will not support reengagement in a period of crisis. As the Compliance Review data suggests, there is a significant waste of resources incurred due to the current complexity of assessment, compliance and review provisions. We question the benefit of current duplicative processes for identifying job seekers with multiple and complex barriers to participation.

In light of the changes proposed to the compliance system and the lack of evidence on sanctions and conditionality, we would recommend that **item 17** that repeals the requirement for an independent review be reinstated **to ensure a further independent assessment** of the framework is undertaken to monitor progress and ensure public access to compliance performance data.

We would like to share with you three short case studies that reflect our concerns about the current delivery of employment assistance based on research underway.

Case study 1: Participants in the Brotherhood's current evaluation of our innovative Centre for Work and Learning at Yarra have reported poor service from their JSA provider and complain that providers do not invest sufficient time or resources to help them obtain work.

One client told us:

They provide you with a telephone and a computer, but even with the computer we have no time to use it. You cannot use the computer for more than one hour. How many jobs can you find? The telephone, you have to call them and they connect it for you and often the line is busy so you have to wait sometimes 10 to 15 minutes. There might be three people waiting to make calls. [At] my JSA, there are only three computers; and considering the amount of people that go there, it is not enough. (CLWY male job seeker, unpublished data).

Case study 2: The Brotherhood's recent trial of the Individual Placement and Support (IPS), undertaken at a Job Network agency, which seeks to support job seekers with a severe mental illness into work exemplifies the experiences of disadvantaged job seekers trying to find paid work. Too often job seekers are persuaded to take

up options or pathways such as further training that do not match their aspirations or needs. As one male job seeker said:

I don't want to do any more courses. I mean, like my résumé is like two pages long. I've done all the courses I need to do. I just wanna get a job. I don't wanna go back and do my VCE. I just wanna get a job—and that's it' (Bowman & Lawlor 2010, p. 25).

Case study 3: The third case study exemplifies the multidimensional factors faced by many disadvantaged job seekers. Layla was a participant in the same IPS trial. She has a recurring psychiatric illness. She was of refugee background and did not have good English, having only completed primary school in her home country. She had children in her care and had moved house three times in the previous 12 months. This woman faced enormous difficulties in creating a stable life for herself and children. What she needed was the continuity of a supportive case worker who could build a stable foundation for economic participation.

In summary, as we have previously advocated, the the next wave of reforms should be founded on a deeper understanding of the barriers faced by disadvantaged groups and evidence on more effective approaches than are currently delivered. We urge consideration of alternative models that integrate continuity of personal support, with foundational and vocational skills acquisition and work experience with a direct line of sight to mainstream employment. By offering the right level of investment and a better integrated and flexible model, more significant improvements in engagement, participation and sustainable outcomes can be achieved.

The recent Local Connections to Work pilots (based on the New Zealand Community Link approach) are showing a way forward through closer coordination between Centrelink and employment service providers, leading to better engagement and case planning with disadvantaged job seekers.

The Brotherhood has supported the use of conditionality provisions with moderate sanctions that place a fair and reasonable expectation on job seekers to actively seek work. However, the current model of employment assistance in toto does not meet a test of fairness. Expecting disadvantaged job seekers to front up to employment service providers without addressing the weaknesses in the model to ensure provision of effective support that builds capabilities will not significantly improve outcomes. From our perspective, the major challenge is therefore to reconfigure the delivery of assistance to focus on sustainable job outcomes for highly disadvantaged jobseekers as we have outlined in our submission.

Thank you