



Submission to the Senate Education and Employment References Committee

The appropriateness and effectiveness of the objectives, design, implementation and evaluation of jobactive

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About us

The Public Service Research Group² at UNSW Canberra has a robust record of research on the implementation of social policy in Australia and overseas. We welcome the opportunity to contribute to the Committee's inquiry into jobactive.

Between 2012 and 2016 Dr Sue Olney conducted an in-depth study of the effectiveness of Australia's employment services system in tackling long-term unemployment.³ The findings of that study, and our group's research into public service reform, the marketisation of social services, citizens' rights and responsibilities, and stewardship of public service markets,⁴ underpin this submission.

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³ Olney, S (2016) *False economy: New Public Management and the welfare-to-work market in Australia* University of Melbourne <https://minerva-access.unimelb.edu.au/handle/11343/115289>

⁴ See for example: Olney S & Gallet W (2018) 'Markets, Mutual Obligation and Marginalisation: The Evolution of Employment Services in Australia' in Cahill D & Toner P (eds) *Wrong Way How Privatisation and Economic Reform Backfired*, La Trobe University Press/Black Inc.; Olney, S (2017) 'Should Love Conquer Evidence in Policy-Making? Challenges in Implementing Random Drug-Testing of Welfare Recipients in Australia' *Australian Journal of Public Administration* Volume77, Issue1, pp. 114-119; Carey G, Dickinson H & Olney S (2017) 'What can feminist theory offer policy implementation challenges?', *Evidence and Policy*; Craven L, Dickinson H & Carey G (eds) (2018) *Crossing Boundaries in Public Policy and Management: Tackling the Critical Challenges* Routledge; Carey G, Dickinson H, Malbon E & Reeders D (2018) 'The Vexed Question of Market Stewardship in the Public Sector: Examining Equity and the Social Contract through the Australian National Disability Insurance Scheme', *Social Policy and Administration*, vol. 52, pp. 387 - 407; Carey G, Malbon E, Olney S, Reeders D (2018) 'The personalisation agenda: the case of the Australian National Disability Insurance Scheme', *International Review of Sociology*, vol. 28, pp. 20 - 34; Dickinson H & Sullivan H, 2014, 'Towards a general theory of collaborative performance: The importance of efficacy and agency', *Public Administration*, vol. 92, pp. 161 - 177; Jelphs K, Dickinson H, Miller, R (2016) *Working in teams*, Policy Press; Warr D, Dickinson H, Olney S, Karanikolas A, Peters D, Katsikis G, Wheeler J, Ozge J, Hargrave J, Wilcox M & Kasidis V (2017) *Choice, Control and the NDIS: Service Users' Perspectives on Having Choice and Control in the New National Disability Insurance Scheme* University of Melbourne; UNSW Canberra Public Service Research Group (2018) *Submission to the Australian Government Independent Review of the Australian Public Services*.

Issues

In 1994 the Australian Government opened case management services for the long-term unemployed to the market, laying the foundation for its now fully privatised employment services system. For more than two decades the system's measures of success - focused on aggregate employment outcomes and service delivery costs - have overshadowed the adverse effects of its marketisation on jobseekers facing multiple and complex barriers to work and ignored the flow-on economic and social costs of their persistent unemployment.

The abiding foundations of reforms to Australia's employment services system since 1994 have been mutual obligation, and outsourcing both assistance for jobseekers to prepare for and find work and monitoring of their compliance with activity requirements for income support. Successive governments on both the left and right have continued down this path despite lack of evidence that it has a significant or enduring positive impact on persistent unemployment. Of course, changes to entitlement for income support over that time mean that the current pool of people engaged in the employment services system includes people who would have been economically inactive in the past.⁵ However, what is consistent over time is that there are people deemed capable of working by the government who cannot find work after more than a year of active engagement with the employment services system, and the proportion of unemployed people who have been out of work for a year or more is rising.⁶ The system continues to treat long-term unemployment as a problem that can be solved by adjusting the skills and behaviour of individuals in the face of changing labour market conditions driven by economic policy, globalisation and technological change. The focus on producing value and reducing risk within narrow parameters and short timeframes in the system are barriers both to defining the problem of labour market exclusion and finding the solution.

While there are tiered incentives in place for jobactive providers to move 'hard to place' jobseekers into work, research shows that jobseekers who need time and high levels of effort and investment to compete in the mainstream labour market with a low probability of success are relegated to the sidelines of the employment services system, referred to programs and other government services to meet activity requirements but making no real progress towards employment.⁷ The costs of services to which jobseekers are referred are covered variously by the Employment Fund, the individual services (depending on eligibility requirements, with variations between jurisdictions), or in the case of deferred payment for education and training, jobseekers themselves. Given the employment services system's procurement and reporting framework, this is unsurprising. Achieving employment outcomes for jobseekers not only generates income for jobactive providers but positions them for success in future tenders for government business. That is a powerful incentive for them to minimise the cost of servicing the jobseekers least likely to be employed in an over-supplied labour market, regardless of flow-on effects. Profits from achieving employment outcomes are privatised, while the costs of not achieving employment outcomes are socialised. For jobseekers stuck on a treadmill of meeting activity requirements with limited prospects for employment, and for those charged with guiding and monitoring their activity, activation becomes a routine obligation of diminishing value over time.

Issues around some jobseekers' capacity to understand and meet their obligations for income support, and frustration on the part of jobseekers and providers with ongoing interaction without resolution, are compounded by the targeted compliance framework that authorises jobactive providers to suspend payments to jobseekers. Research into Job Services Australia revealed that most offices had security measures in place to manage risk posed by jobseekers with unstable mental health or under the

⁵ Department of Social Services. 2015a. *A New System for Better Employment and Social Outcomes - Report of the Reference Group on Welfare Reform to the Minister for Social Services*, released February 2015, Commonwealth of Australia p51, 57

⁶ Australian Bureau of Statistics (2018) 6291.0.55.001 - Labour Force, Australia, Detailed - Electronic Delivery, Aug 2018 *Unemployed persons by Duration of job search and Sex - Trend, Seasonally adjusted and Original*

⁷ Considine, M, Lewis, JM & O'Sullivan, S (2011) 'Quasi-Markets and Service Delivery Flexibility Following a Decade of Employment Assistance Reform in Australia', *Journal of Social Policy*, vol.40, no. 4, pp. 811-833; Australian Social Inclusion Board (2011) *Governance Models for Location Based Initiatives*, Commonwealth of Australia, Canberra; Australian Public Service Commission (2012) *Tackling wicked problems : A public policy perspective*, Australian Government, Canberra; Parliament of Australia (2004) *A hand up not a hand out: Renewing the fight against poverty* (Report on poverty and financial hardship), Commonwealth of Australia

influence of drugs or alcohol.⁸ Delegating authority to jobactive to suspend jobseekers' income support payments for non-compliance escalates risk of harm both for frontline staff and jobseekers. More broadly, it destroys trust between employment consultants and their clients, who need to work together to achieve employment outcomes.

Our recommendations address the following terms of reference of the Committee, with particular emphasis on the appropriateness and effectiveness of the objectives, design, implementation and evaluation of jobactive in relation to its interaction with long-term unemployed jobseekers and jobseekers at risk of long-term unemployment:

- (a) the nature and underlying causes of joblessness in Australia
- (e) the fairness of mutual obligation requirements, the jobactive Job Plan negotiation process and expenditure of the Employment Fund
- (f) the adequacy and appropriateness of activities undertaken within the Annual Activity Requirement phase, including Work for the Dole, training, studying and volunteering programs and their effect on employment outcomes
- (g) the impacts and consequences of the job seeker compliance framework
- (i) the funding of jobactive, including the adequacy of the 'outcome driven' funding model, and the adequacy of this funding model to address barriers to employment

Recommendations

1. Simplify the process of people moving in and out of the employment services system, and smooth transitions between welfare and work. Changes in the nature and conditions of work and changes in the characteristics of jobseekers mean that many jobseekers now work episodically, move in and out of self-employment in the gig economy, or hold multiple short-term jobs concurrently. This sits uneasily with a welfare-to-work model founded on the premise that jobseekers will move from income support into a job providing regular documented income. Current transition arrangements are cumbersome for government, jobactive and jobseekers and have a high risk of human error. They are also a (rational) deterrent for jobseekers with dependents to trade the security of income support and contingent access to subsidised housing, health services, transport and childcare for precarious, transient, low-paid work.
2. Make the process of assessment of jobseekers' barriers to work – the Job Seeker Classification Instrument (JSCI) and the Employment Services Assessment (ESAt) – more transparent and rigorous. Given that a jobseeker's stream determines their obligations in return for income support and their access to assistance to prepare for and find a job, current processes raise important questions about some jobseekers' capacity to understand the ramifications of disclosure or non-disclosure in their assessment (for example in cases of cognitive impairment, undiagnosed disability, language and literacy issues, or substance use issues) and about accountability and duty of care to vulnerable citizens from the state's end. Those with the most to lose in terms of mutual obligation for income support are the least equipped to navigate the assessment process. Even with tiered incentives, in a service environment built on payment by results, a jobseeker's stream has a significant impact on their odds of moving from welfare to work.
3. Rethink the targeted compliance framework and withdraw authority for jobactive providers to suspend payments to jobseekers. There are significant risks of harm to frontline workers and jobseekers associated with delegating authority to jobactive providers to suspend payments to jobseekers on the basis of non-compliance with activity requirements.
4. Measure the cost and impact of interaction with jobseekers across all services involved in helping them meet activity requirements for income support. There is no requirement or incentive for service providers within or outside government to consider the consequences of their interaction with unemployed people beyond their individual key performance indicators, and no overarching authority steering or coordinating their activity or capturing metadata on its impact. This is a significant weakness in the institutional architecture of activation and employment services. Both within government and under contract, every service provider interacting with the long-term

⁸ Olney, S (2016) *False economy: New Public Management and the welfare-to-work market in Australia* University of Melbourne pp149-151, 179

unemployed and people at risk of long-term unemployment is working towards achieving key performance indicators tightly bound to the critical success factors of its own funding sources, and their efforts are not mutually reinforcing.

5. Build a coherent funding and regulatory regime that rewards collective-action solutions and partnerships between jobactive and complementary services focused on helping jobseekers prepare for and find work and engage in meaningful activity in the community when they are not in paid work. Much of the effort and investment devoted to helping long-term jobseekers overcome barriers to work through individual case management is misdirected. The real cost of failing to move the most disadvantaged jobseekers in Australia into work is not adequately factored into policy design, service provider incentives or system metrics in jobactive.