

ACTU SUBMISSION
*Social Security Legislation
Amendment (Strengthening
the Job Seeker Compliance
Framework) Bill 2014*

28 October 2014

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INTRODUCTION

The ACTU welcomes this opportunity to make a submission to the Senate Standing Committee on Education and Employment in relation to the *Social Security Legislation Amendment (Strengthening the Job Seeker Compliance Framework) Bill 2014* (the Bill).

The ACTU is the peak body for Australian unions, comprising of 46 affiliated unions. Altogether, we represent almost two million working Australians and their families.

In this submission we provide an overview of our position in relation to the Bill, including some concerns we have about the government's overall approach to tackling the issue of job seeker activity, along with some suggestions as to how this issue can best be dealt with in a more effective way.

This review has come on the heels of some major changes mooted by the government through its 2014 Federal Budget announcements. The government originally announced significant changes to the ways that jobseekers were to be dealt with, suggesting a more punitive approach to their treatment of welfare recipients. The government has already acted on some of its agenda, through changes to the Work for the Dole scheme being phased in across Australia, making it compulsory now for all under-30s in receipt of Newstart or Youth Allowance (jobseeker rate).

Further changes are still to come, many of which fall disproportionately on young people. This includes, most objectionably, the government's proposal to deny Newstart to all jobseekers aged 29 years or younger for up to six months of every year, even if the jobseeker is a parent or pregnant. It is our contention that the government is failing in its approach to tackling unemployment and is acting on ideology rather than evidence.

It is important to view this Bill in conjunction with these proposed changes in order to fully understand the government's agenda. This Bill is expected to be one of the first of many legislative changes in relation to the treatment of jobseekers, and we are committed to acting as the voice of working families by opposing any legislation that will adversely affect the poorest and most vulnerable members of Australian society.

KEY PRINCIPLES

Unemployment, particularly long-term unemployment, causes great hardship to workers, families and communities. Long-term unemployment can lead to generational cycles of poverty and disadvantage.

The Australian union movement's approach to tackling unemployment is underpinned by the principle of social inclusion. Social inclusion ensures decent living standards and respectful treatment of our societies' most marginalized members. A more socially inclusive society is one with a diversity of labour markets and which gives opportunities to all to participate in society through access to decent work for decent wages.

Access to decent work is vital to making people feel engaged with their communities, improving self-esteem, and enabling people to become financially independent, so that they can achieve a decent standard of living for themselves and their families.

The best way to promote greater workforce participation is to put in place a decent welfare and social security safety net that helps and encourages people to participate in the workforce. It is important to understand the many barriers facing people who are trying to participate in the labour market, including conflicting caring responsibilities, lack of access to skills and training, and workplace discrimination.

The Australia union movement is committed to the goal of full employment, and as such, we acknowledge the vital role of job search assistance and retraining opportunities for Australians who are out of work. Spending on active labour market assistance is an investment which is repaid many times over through its success in engaging more people in the labour market.

Any attempts to improve our strategic approach to labour market assistance should be based on evidence, rather than ideology. It is also important to recognize that jobseekers are in a highly precarious financial position, and to tailor compliance efforts with this in mind.

ABOUT THE BILL

The Bill proposes several major amendments to Australia's social security laws.

Under the current system, a jobseeker who fails to attend an appointment with their Job Services Australia (JSA) provider has their payment suspended until they make contact with Centrelink to explain the reason for their absence and reschedule the appointment. At that point, once the appointment has been rescheduled, the jobseeker is entitled to back pay for any Centrelink payments missed.

The proposed legislation would place a much greater financial penalty upon jobseekers who miss an appointment. Namely, from 1 July 2015, they will no longer receive back pay and their payment will not be restored until they actually attend the appointment (rather than scheduling the appointment, as under the current system). The amendments would also ensure that the jobseeker misses out on a full fortnight's pay, even if they are non-compliant for only a few days within that payment period. Unlike under the current system, no formal warning will be issued upon suspension of the payment.

There would be a six month transitional period, from 1 January 2015, during which the payment is withheld until an appointment is attended, but full back pay is received.

The Bill also removes a jobseeker's appeal rights where a payment is suspended. Under the current system, an authorized review officer may be requested to review a payment suspension if a jobseeker fails to attend an appointment. This right of appeal would no longer exist if the Bill is enacted. This would remove an important part of the due process to which jobseekers have previously been entitled.

The other major proposal that this Bill puts forward is to preclude certain jobseekers, aged 55 or older, from participating in voluntary work in order to meet their participation requirements. It is unclear what the purpose of this change would be, except perhaps for an underlying belief that older jobseekers simply aren't trying hard enough in their efforts to find paid employment. Mature age workers face particular barriers to reengaging in the workforce, primarily due to age-based discrimination, which can make it particularly difficult for a jobseeker who is over 55 to find work.¹ Moreover, ABS statistics indicate that older Australians make a significant positive contribution to volunteering; as at 2010, males aged 55-64 years old were more likely to do volunteer work than any other age group, with 46% reporting that they did some volunteer work.² It is estimated that the value of volunteer work across Australia in 2006-7 was around \$14.6 billion.³ Where other job opportunities are unavailable, volunteering can be a positive alternative to other paid work for mature age Australians, allowing older jobseekers to continue to contribute back to the community.

¹ See, for example, the ACTU's submission to the Australian Law Reform Commission's *Grey Areas – Age Barriers to Work in Commonwealth Laws*, 2012.

² ABS, 'Volunteering rates', *Gender Indicators, Australia, Jan 2013*. Catalogue number 4125.0, Released 30 January 2013.

³ *Ibid.*

OUR CONCERNS

The ACTU has a number of concerns with the proposals contained in this Bill. These concerns are outlined below.

A punitive approach will hinder, not help

The government's rationale for the proposed amendments is laid bare in the Explanatory Memorandum which states 'a person can say they will attend a reconnection appointment without any real intention of doing so and then have their payment reinstated on that basis'.⁴ No evidence is provided to support this claim, or to suggest that there is an endemic problem within the current system of jobseekers repeatedly and deliberately failing to attend appointments. On its face, the comment within the Explanatory Memorandum appears to be driven more by an ideological belief that all jobseekers are 'bludgers' who deliberately and deceptively avoid their job search obligations, yet there is no real evidence base to support this view. In fact, there are many reasons as to why a jobseeker might reasonably fail to attend an appointment, including due to sickness, accident, transport breakdown, geographic isolation, or lack of resources. These circumstances are compounded for the more disadvantaged Stream 3 and 4 jobseekers, who may struggle with significant issues such as homelessness or severe health problems, which may make it particularly difficult to engage in participation activities.

At the moment, Australian workers on average wages who lose their jobs receive a larger cut to their incomes than their counterparts in any other OECD country. This can leave people unable to meet their financial commitments, such as rent or mortgage payments, loans, or transport costs. Trying to get by on an income as low as the current Newstart Allowance can damage people's mental and physical health and distract them from the important task of seeking employment. This is no way to help people to find work. If the government seeks to further penalize jobseekers through suspension of their payment, which is already unsustainably low, this may have a significant detrimental effect on their ability to meet basic living expenses.

A recent study of deprivation among different population groups was conducted by Saunders and Wong.⁵ They surveyed a representative sample of Australians and asked which items they deemed essential, not just for themselves, but for people in general. Further work was then done to assess the extent to which various groups (like low-wage workers, disability pensioners, and Newstart recipients) were deprived of these essential goods. On both measures of deprivation used by the researchers, Newstart recipients had higher levels of deprivation than pensioners and low-wage workers; a result that is to be expected given the relative incomes of these groups.

Analysis of the latest ABS Household Expenditure Survey also suggest that people receiving Newstart are more likely to experience financial stress than people who receive other forms

⁴ House of Representatives, *Social Security Legislation Amendment (Strengthening the Job Seeker Compliance Framework) Bill 2014 – Explanatory Memorandum*. P 5

⁵ P Saunders & M Wong, 'Pension adequacy and the Pension Review', *The Economic and Labour Relations Review*, vol. 22, no.3, 2011, pp.7-26.

of payments. On all indicators, people who receive unemployment and study payments are more likely to have experienced financial stress than recipients of other forms of assistance, who in turn are more likely to experience stress than people in households that do not receive pensions or allowances.

Newstart recipients are already dangerously far below the poverty line. A more punitive approach to jobseeker compliance is likely to contribute greatly to financial stress and force recipients to do without basic and essential goods and services, such as food or shelter.

Potential adverse effects on employment prospects

Newstart Allowance is so low that it may actually harm people's ability to stay job-ready and actively seek work. The government's approach appears to pander to prejudices about the unemployed, suggesting that those not fortunate enough to be in work are to blame for their predicament. The debate is cast by the Government in terms of 'lifters versus leaners'. An unemployment benefit that currently sits at a meagre \$255 a week for a single person is somehow seen to be part of the problem, acting as a disincentive to find paid work, rather than being viewed as essential support for the unemployed to meet their day to day living expenses, to live with dignity, and to support their job search activities, which can include costs such as transport, phone calls and clothing.

A further rationale for this Bill is unveiled in the Budget figures which suggest a total saving to the government of around \$161 million over the next four years, equating to around \$60 million in revenue raised for each year that the scheme is in place.⁶ Interestingly, the projected savings for the 2017-2018 financial year, at \$58.3 million, are not significantly lower than those for the 2016-2017 financial year, at \$60.3 million, which leads us to question the real reason for the scheme. If the scheme were truly expected to create a strong financial incentive for jobseekers to attend appointments, then we should expect to see the savings drop off progressively each year as the incentive effect kicked in. Given the relatively stable year-on-year figures, it looks suspiciously as though this scheme is designed to raise revenue from those who can least afford it, rather than aiming to address the root causes of jobseeker disengagement from participation activities.

Impact on the JSA and Centrelink workforce

The proposed changes may adversely impact on the workload and personal safety of employees working within Centrelink offices or for employment service providers. This is due to the increase in resources that must occur in rebooking appointments and following up on compliance matters. JSA providers may be required to juggle multiple appointments and may be continually forced to reschedule so as to get participants in for a reconnection meeting as soon as possible, so that payments may be reinstated. This additional workload may negatively impact on the quality of frontline services.

⁶ Explanatory Memorandum, P2

In addition, staff in these industries may also find themselves subject to more customer complaints and aggression, with jobseekers seeking to take out their distress on frontline staff. Staff will be expected to take on a significant additional burden in educating jobseekers about why the payment has been suspended and listening to arguments and pleading to have the payment reinstated. It does not appear that the government has in place any plan or strategy to manage this additional workload or occupational risk.

The need for a systemic approach to job creation

Recent ABS labour force data for September 2014 puts Australia's unemployment rate at 6.1%, with a much higher youth unemployment rate of 13.2%.⁷ By contrast, there are only 147,200 job vacancies in August 2014, indicating that there simply aren't enough new jobs being created to meet the demands of jobseekers.⁸ This trend is not expected to drop significantly over the next year. In summary, we have a situation where, despite the best efforts of jobseekers, there simply aren't enough jobs to go around. It is overly simplistic, therefore, to claim that the Bill will fix the problem by 'providing financial incentives'⁹ as per the Explanatory Memorandum. If the government is serious about tackling Australia's rising unemployment, then it would do better to find policies and strategies to create more jobs instead of penalizing those who are out of work and already struggling.

Unfortunately, the government has not taken this approach. Instead, it has slashed investment in skills and training which could actually provide assistance to jobseekers to improve their skills, making them more attractive to employers. It is more important than ever in the current labour market for the government to have a long-term strategy for supporting our vocational training system, in order to create jobs and fill skills shortages.

The Government has ripped funding out of the skills budget, taking away important programs that support apprentices, and that help existing workers to transition to new jobs and young workers to enter the labour market. At the same time, it has failed to introduce any new measures to help those who rely most on the VET system to develop the skills they need. For example, the Budget scrapped the important 'Tools for your Trade' programme and abolished a number of programs. These programs included vital support for basic literacy and numeracy skills in the workplace, upskilling for existing workers, and mentoring and assistance for apprentices.

If these policy changes result in fewer young people obtaining training, particularly young people from disadvantaged backgrounds, then we are likely to see an increase in the number of jobseekers on Newstart and Youth Allowance. A better approach would be for the government to invest in skills training, particularly apprenticeships and traineeships, to fix the long term supply-side problem. In the absence of this, the Bill is nothing but a band-aid measure.

⁷ABS Catalogue 6202.0, September 2014.

⁸ABS Catalogue 6354.0, August 2014.

⁹Explanatory Memorandum, P6

CONCLUSION

As we have outlined in this submission, the ACTU has several major concerns with the Bill as currently drafted.

The government's punitive approach to jobseeker compliance does not appear to be underpinned by any evidence base, and by forcing people further below the poverty line, will act as more of a hindrance than as a help. Indeed, by depriving jobseekers of their already inadequate allowance, it is difficult to see how jobseekers will have the financial resources to meet even basic job search activity requirements. The government's own figures do not appear to project any incentive effect, suggesting that the policy will be ineffective in engaging jobseekers who are not meeting their obligations. This leads us to suspect this Bill is designed more as a revenue-raising exercise than with any attempt to assist people into work in mind. A better alternative would be to invest in skills training and to develop a strategic, industry-wide policy to address Australia's skills shortages.

In conclusion, we oppose this Bill, and encourage the Senate Standing Committee to recommend that the Bill not be enacted.

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