

20 September 2018

**Submission to Senate Community Affairs Legislation Committee in relation to the *Social Security Legislation Amendment (Community Development Program) Bill 2018 (the CDP Bill)*.**

Thankyou for the opportunity to provide this submission. It is informed by my research into remote employment services conducted at the Centre for Aboriginal Economic Policy Research at the ANU from 2013. It is also informed by my work as a senior manager, CEO and consultant in the employment services sector since 2001. I am currently engaged part-time as an adviser to APO NT and the Fair Work and Strong Communities Alliance, as well as continuing my research at CAEPR. However, the views in this submission are my own.

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**The CDP is discriminatory and means that Indigenous people are subject to more penalties than other Australians**

Until 1 July 2018, all Australian citizens that were receiving activity tested income support payments were dealt with under the same compliance regime. But while the social security rules were the same, the obligations of participants in the remote program (CDP) were very different from the obligations of those in non-remote areas. These different obligations arose from program rules determined by the Government, not from legislation.

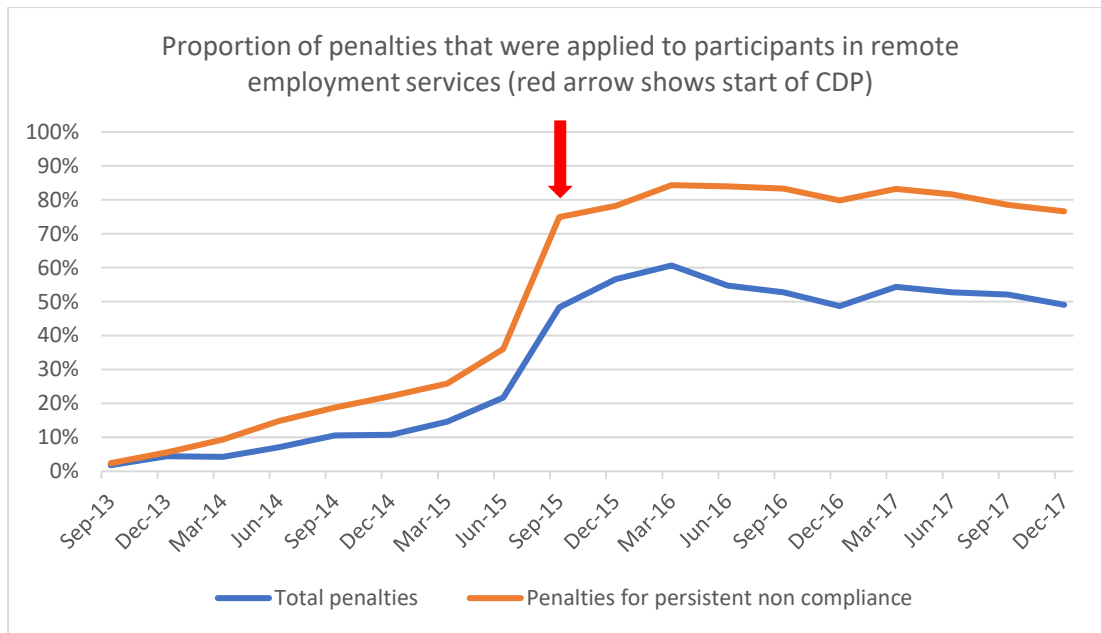
The most important of these different program obligations was the imposition, on remote Australians, of daily Work for the Dole obligations from day one of unemployment. No other Australian has to work for their dole every day. The obligations imposed on CDP participants by the CDP program rules are substantially less flexible and more onerous than those applied to participants in other programs. A table is attached to the end of this submission that shows these differences (Attachment A).

The impact of these discriminatory program arrangements is clear. The CDP caseload represents, at most, 5% of the total job seeker population. Yet ever since the CDP was implemented, people in that scheme have received more than 50% of all penalties. When it comes to serious penalties for 'persistent non-compliance' more than 80% of these have been applied to CDP participants since the program started<sup>1</sup> (Figure 1). 90% of all penalties in CDP are applied to Indigenous people.

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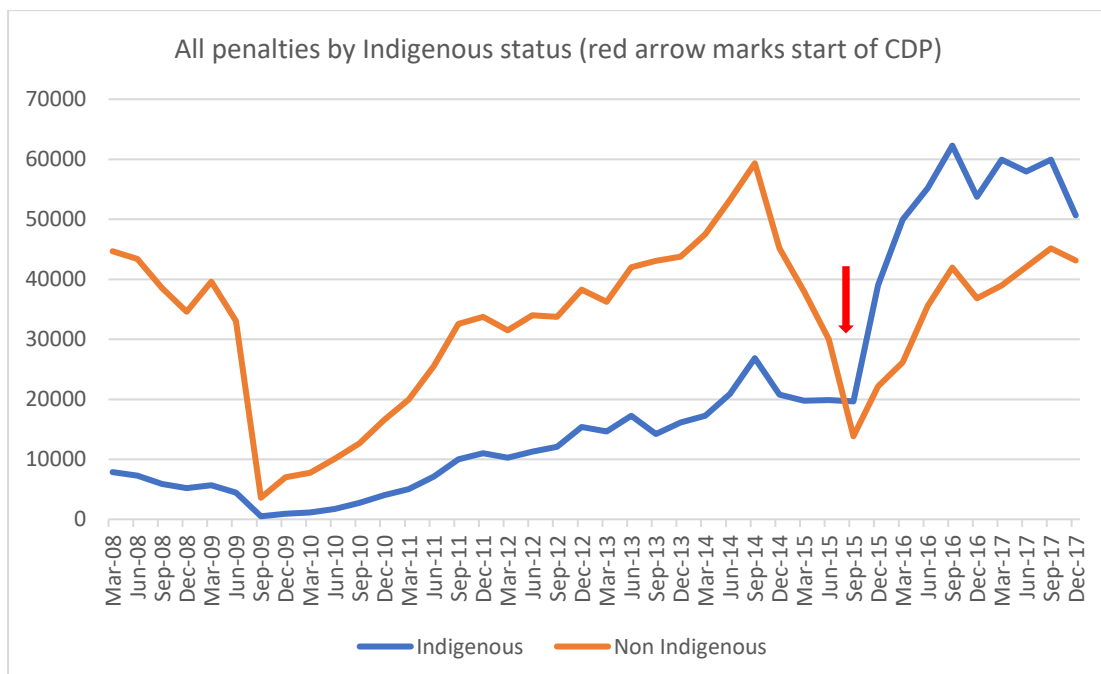
<sup>1</sup> 66,294 persistent non-compliance penalties were applied to CDP participants over the period from 1 July 2015 to end December 2017, out of a total 81,919. Data has not been published for 2018.

Figure 1 Proportion of penalties applied to remote employment services participants (RJCP & CDP)



It is the CDP that has driven the overall rate of penalties applied to Indigenous people across the social security system to unprecedented levels, so that, nationally, Indigenous people are now being penalised far more often than other Australians (Figure 2). This takes place against a backdrop of Census data showing that people in remote Indigenous communities are getting poorer<sup>2</sup> and evidence of the negative effects of increasing poverty on community health and wellbeing.

Figure 2 All penalties by Indigenous status (national) 2008-2017



<sup>2</sup> Markham, F. & Biddle, N., 2018. Income, Poverty and Inequality: 2016 Census Paper 2, ANU.

When the Targeted Compliance Framework (TCF) was proposed as part of the Welfare Reform Bill last year, I made a submission to this committee opposing its introduction because data that had been supplied by what is now the Department of Jobs and Small Business showed that it would have a disproportionately negative impact on Indigenous unemployed people. It is too early to say whether this has occurred and an evaluation of the impact of the TCF in the mainstream environment will not be complete until next year. But the exclusion of CDP participants from that Bill meant that these issues received relatively little attention during the hearing process and the subsequent Parliamentary debate. Senators considering the Bill were assured that the Government would look at special arrangements for remote areas, so the potential effects of the TCF in these regions were not considered.

Unfortunately, only 6 weeks after the passage of the Welfare Reform Bill, the Government reversed its position. In the May 2018 Budget it announced that CDP participants would be included in the TCF after all. The opportunity to consider the racial impact of the arrangements when applied to the whole population was missed.

### **The effect of the application of the TCF to CDP participants**

The TCF arrangements are designed to reduce penalties for those who might miss the occasional appointment within a six month period and increase penalties for those who miss appointments or activities more often. CDP participants have to attend activities more often than anyone else, so they have more 'opportunities to fail'. As a result, as the tables above show, they incur many more penalties than other unemployed people. The TCF system is designed to have a much harsher impact on people like them.

We can already get a sense of this from the number of 'persistent non-compliance' penalties applied to CDP participants. These penalties are applied following 3 short penalties in a 6 month period, and after DHS conducts a Comprehensive Compliance Assessment (similar to the new capability assessments under the TCF). From 30 June 2015 to the end of December 2017 CDP participants received 66,294 persistent non-compliance penalties, while participants in the jobactive program – which is more than 20 times its size, received only 14,633. This group – those that have multiple 'failures' within a six month period – are the ones that will receive harsher treatment under the TCF.

One of the biggest effects of the TCF arises from its removal of the current ability of participants who have had a longer penalty applied to return to their activities and have their income support reinstated. Minister Scullion has frequently pointed to this when asked to consider evidence of the harm being done by the CDP<sup>3</sup>. Under the TCF, however, individuals who have been penalised would have no way of having their payments re-instated early by returning to Work for the Dole. They could appeal the penalty, but in practice this is extremely difficult for remote Indigenous people – particularly those who already face multiple challenges in communicating with DHS.

In addition, those who receive 4 week penalties will have their payments cancelled altogether, so that they will have to re-apply for payments. Again, this is much more difficult for people in remote areas who may have language barriers, lack access to a phone or, in some cases, have underlying cognitive or health impairments. Despite this, DHS has advised this Committee in Estimates hearings that they have not identified any risks associated with the re-application process for remote clients<sup>4</sup>.

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<sup>3</sup> For example Senate Finance and Public References Committee, Estimates, 3 March 2017, pp.40-46.

<sup>4</sup> Senate Community Affairs Committee Budget Estimates 2018-2019, HS66(SQ18-000129)

There is already evidence of remote unemployed people disengaging from the CDP scheme. Over the period from 1 July 2015 to 30 June 2018, the CDP caseload dropped from 36,642 to 30,380. The largest decline has been in the under 35 age group – a drop of 3,790 people from June 2015 to September 2017<sup>5</sup>. There is already a serious problem arising from people, particularly in younger age groups, systematically engaging from the scheme. The TCF will make this much worse. This will not only have an impact in the short term on family incomes and local economies, but in the long term as the consequences of alienating people from services that are meant to be providing employment support are manifested.

### **Government modelling of the TCF impact**

The Minister for Indigenous Affairs tabled a letter in the Senate on 20 August 2018 which included Government modelling of the impact of the TCF. He stated that ‘the CDP reforms will significantly reduce the number of penalties applied to CDP job seekers’. However the figures tabled appear to show that the TCF will increase penalties and that it will have a greater impact on CDP participants than on participants in the jobactive program.

My analysis of the Government modelling is set out in an attachment to this document (**ATTACHMENT B**), but my key findings are as follows:

- the Government’s own modelling shows that, had the TCF been in place in CDP in 2015/2016 CDP participants would have received more severe penalties;
- the Government’s modelling is extremely conservative as it uses a year (2015/2016) when penalties were significantly lower than they are now;
- the Government’s modelling shows that, on a per capita basis, the TCF would have around four times the impact on CDP participants as on other job seekers which means, because of the profile of CDP participants, that the negative impact on Indigenous people of the TCF will be many times greater than its impact on the broader population.

### **Protections for vulnerable job seekers**

The Government has argued that the TCF will increase protections for vulnerable job seekers because of two ‘checks’ to make sure that participants are capable of meeting their obligations.

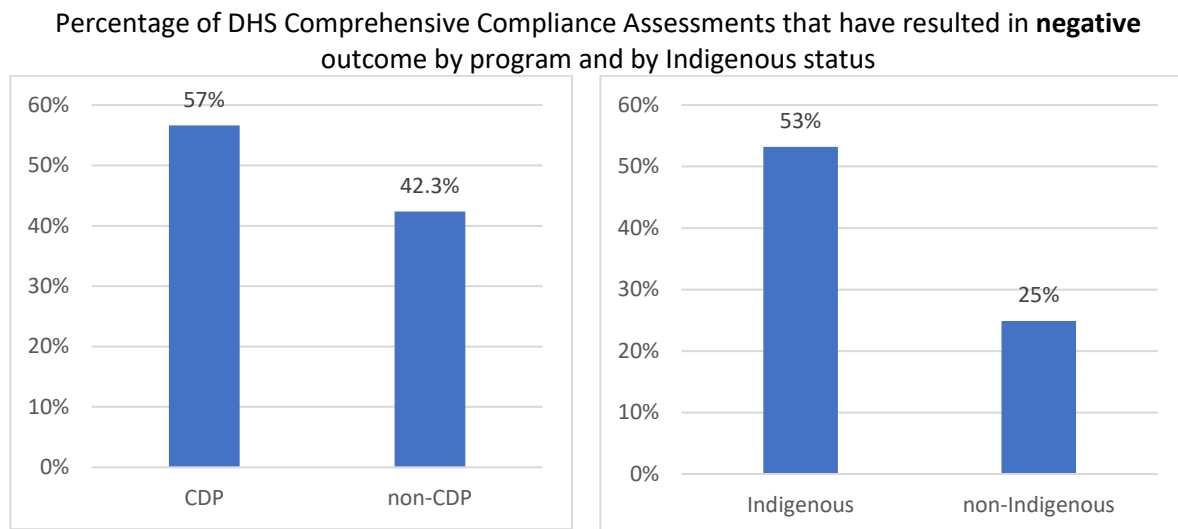
Under the existing compliance framework DHS must already conduct a Comprehensive Compliance Assessment after a job seeker incurs three penalties in order to determine whether they are ‘persistently non-compliant’ or whether there is an underlying capability issue (eg disability, crisis) that has led to breaches of obligations. This appears similar in intent to the ‘capability assessment’ that would be conducted by DHS under the TCF.

Even though it is well known that remote Indigenous people have higher rates of poor health and disability, and that many live in difficult circumstances, CDP participants that have gone through the CCA process receive less favourable outcomes than other job seekers. Similarly, Indigenous job seekers receive less favourable outcomes than non-Indigenous job seekers (Figure 3).

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<sup>5</sup> Only 2,950 26 week employment outcome were claimed for under 35s over this period, so this decline cannot be accounted for by exits to employment.

Figure 3 Comparing CCA outcomes



There are probably a range of reasons for this: use of phone assessments; lack of cultural competence of assessors; failure to use interpreters; differing cultural perceptions of disabilities; high levels of unassessed or unaddressed mental illness and/or disability in remote communities; reluctance of Indigenous people to disclose family or personal challenges. DHS, when asked about these figures, has commented only that those who have been penalised through the CCA process before are more likely to get an adverse outcome the next time<sup>6</sup>. This seems an inadequate response in the light of what we know about the burden of ill health, disability and psychological distress in remote communities. There is no reason, at this stage, to assume that DHS will perform better in the new capability assessment process, so the effectiveness of this ‘check’ must be questioned, at least until the evaluation of the TCF in the mainstream program is complete.

The TCF will also add a ‘capability interview’ to be conducted by providers before job seekers enter the ‘penalty zone’. These will be structured by an on-line system that prompts provider staff to test the participant’s understanding of their obligations and seek disclosure of any circumstances that may limit their capacity to comply. While it is good that there is some sort of checking process, it is not clear how effective this will be in limiting harm to vulnerable people:

- While some providers employ local staff with good local knowledge (although not necessarily the skills to identify underlying health problems or disabilities), the highly IT based nature of the program means that many people working in frontline roles in provider offices are not local, do not speak the local language, and stay for only a short period in one place;
- Even if a frontline worker assesses that existing activity obligations may not be appropriate, there are generally few local alternative activities to accommodate peoples’ needs, particularly given the inflexibility of requirements for supervision and 5 days per week scheduling;
- It appears that providers will not be able to assign lower activity hours than those set by DHS in its assessments of work capacity. These DHS assessments are often very poor, as documented by the Commonwealth Ombudsman in its scathing assessment of remote

<sup>6</sup> 2018-2019 Budget Estimates SQ18-000128

Indigenous peoples' access to DSP<sup>7</sup>. A frontline worker might be of the view that 5 days per week Work for the Dole is inappropriate for a person, but they cannot do anything about this unless DHS accepts this view.

The Government has announced some changes to the types of evidence that will be considered in capacity assessments, which is positive, but, again, the history of under-recognition of disability and illness in remote communities means that we should wait to see evidence of the results of this process before relying on it to prevent penalties being applied to the most vulnerable.

Regardless of whether participants might have the physical capacity to meet their obligations, and understand them, there is an underlying problem of the level of obligation (5 days per week, indefinitely) being unfair, disproportionate to local opportunities, and irrelevant to their needs. It is simple maths that someone asked to attend more often, will slip up more often. Until this is addressed, CDP participants will be subject to more penalties.

### **Subsidised employment**

Little detail has been made publicly available about the subsidised employment scheme that is proposed by the Government and which is referred to, but not detailed in, this Bill.

My understanding is that it involves:

- a wage subsidy of around \$20,034 to support the establishment of full-time positions over two years (about one quarter of the likely employment cost);
- that any employer can apply for these subsidies (excluding State and Commonwealth entities);
- job seekers need only be in the CDP scheme to apply;
- there will be around 6,000 places that will be allocated in response to employer requests (rather than, for example, allocated to particular regions).

While there are references to the CDEP scheme in the documents, this proposal has little in common with the former scheme. That scheme provided funding to Aboriginal and Torres Islander community organisations in places where job opportunities were scarce, so that they could employ their own people to pursue work that was meaningful to them and valuable to the community. Reforms to the program from the 2000s reduced the level of local control over the scheme but, still, most organisations running the scheme were Indigenous non-profits who kept funds within the community. The scheme proposed here will only be accessible to organisations that already have significant funds available to them to employ workers, which seems likely to exclude many Indigenous community organisations in very remote areas. The scheme is more likely to favour regions that have greater opportunity and organisations with more cash, including non-Indigenous organisations. There is a substantial risk that it will mean further diversion of IAS funds to non-Indigenous organisations. It will not restore the opportunities that were once available to local community people under the CDEP to develop new programs or services, or social enterprise.

Rather than a re-working of CDEP, this proposal is for a wage subsidy scheme that is similar to, but more generous than, others than have operated for many years. It is a shame that the Government

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<sup>7</sup> Commonwealth Ombudsman, 2016. Department of Human Services: Accessibility of Disability Support Pension for remote Indigenous Australians.

has not released its CDP evaluation or any other evidence upon which it might have based its design for this scheme because the rationale for the particular approach taken here isn't clear.

One of the main uses of wage subsidies is to encourage employers to consider employing specific groups of workers that they might not ordinarily employ<sup>8</sup>. In jobactive areas, for example, wage subsidies of up to \$10,000 are available to employers who employ young people, Indigenous people, people with disabilities, and the long term unemployed.

One of the risks in designing wage subsidy programs is that they will result in payments to employers for people that they would have employed anyway (deadweight loss). We can already see evidence of deadweight in the CDP program. The program is expensive compared with jobactive<sup>9</sup>, but over one third of its outcomes are claimed for people who have been unemployed for less than six months. Non-Indigenous people received 32% of employment outcomes under CDP but make up less than 20% of the caseload. No doubt these patterns can be attributed in part to where people live – it is harder to find work in discrete Aboriginal communities, for example – but there is no attempt in this new scheme to redistribute outcomes by targeting subsidies to poorer locations, to the longer unemployed, or to Indigenous people. Nor is there any special consideration of the need to get young people into work. There is a very high risk that this scheme will simply provide employers with extra money to do what they would have done anyway – employ those who are more employable and who have good work histories, in places where there are relatively more job opportunities. Because the scheme is open to for-profits that are not based in remote areas, benefits from this more lucrative scheme may not stay in the community.

At the same time the proposal appears to create a perverse incentive for job seekers to take up one of the new subsidised jobs, which are exempt from the TCF, rather than take up unsubsidised jobs which would keep them in the TCF system. Again the logic is unclear. If, as the Government suggests, inclusion in the TCF makes it harder for people to sustain employment, why would those in unsubsidised employment (eg part-time workers) be required to stay under these rules?

### **Conclusion and recommendation**

If the TCF is applied to CDP participants it will increase the damage already being done by penalties.

The proposed wage subsidy scheme may stimulate some additional employment, but it appears poorly targeted and potentially wasteful.

This Bill does not address the underlying flaws in the CDP scheme, including its discriminatory impact on remote First Nations people.

**I urge the Committee to reject the CDP Bill.**

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<sup>8</sup> Borland, J. & others, 2016. Wage subsidy programs: A primer. *Australian Journal of Labour Economics*, 19(3), p.131.

<sup>9</sup> 'The ANAO calculated the estimated cost per jobseeker in the CDP (estimated 40 000 jobseeker caseload) in 2016–17 was around five times the estimated cost per jobseeker in jobactive (estimated 750 000 jobseeker caseload).' ANAO, 2017. *Design and Implementation of the Community Development Programme (Report No.14 2017-18)*, p.41

## ATTACHMENT A

### COMPARISON OF OBLIGATIONS UNDER CDP AND JOBACTIVE

Mutual obligation requirements compared		
	jobactive	Community Development Program
Appointments	Monthly	Monthly
Job search	Generally 20 per month, but in most disadvantaged stream depends on capacity	Determined by provider. Minimum 1 per month, max 20 per month.
Duration of requirement	Annual Activity Requirement starts at 12 months after starting in the program. The requirement is for six continuous months in each year of unemployment.	Work for the Dole starts immediately for those with mandatory obligation (see below) and continues until the participant leaves income support or their circumstances change. Providers can give participants up to six weeks 'time off' in any 12-month period. (i.e. minimum requirement of 46 weeks per annum)
Hours of work required. (people with full time work capacity)	Aged 18-54: 50 hours per fortnight for 26 weeks each year = <u>650 hours per year</u> In addition – job search and appointments. 55-59: 30 hours per fortnight = <u>390 hours per year</u> . 60+ 10 hours per fortnight	Aged from 18–49 inclusive: 25 hours per week in Work for the Dole activities. (at least <u>1150 hours per year</u> ). Reducing to <u>920 hours per year</u> from Feb 2019. Aged 50–54: 25 hours per week mutual obligation activities (at least <u>1150 per year</u> ) Reducing to <u>920 hours per year</u> from Feb 2019. Aged 55+: 30 hours per fortnight mutual obligation activities (at least <u>690 hours per year</u> ) In addition – job search and appointments.
Types of activity	The annual activity requirement able to be met through: <ul style="list-style-type: none"> <li>• Work for the Dole</li> <li>• National Work Experience Programme (up to 4 weeks)</li> <li>• Voluntary work</li> <li>• Part-time work</li> <li>• Study or training at Cert 3 level or higher</li> <li>• Defence Reserves</li> <li>• Other approved Government or non-Government programs</li> <li>• Drug and alcohol treatment</li> </ul> With some exceptions, activities cannot be conducted on private property or in commercial enterprises. Cannot involve work that would have been done by a paid worker had the Work for the Dole activity taken place, or reduce hours or existing paid workers.	Work for the Dole compulsory for all participants 18–49 with full time capacity. Hours in part time work can be counted towards the 25-hour per week requirement. Training can only be counted if it is necessary for the WfD project or is linked to a job. The Guidelines allow for the majority of the 25 hours to be spent in a service (e.g. rehabilitation) 'where there is a clear need', but in these cases records of attendance must still be kept. Participants with part time work capacity or 50 years+ can participate in range of activities as per jobactive.
Unpaid work experience	National Work Experience Programme with employer including for profit. Job seekers must volunteer. Up to four weeks and no more than 25 hours per week. Employers who have recently, or plan redundancies excluded. Participants in Youth Jobs PaTH' program placed in 'internships' for 4–12 weeks. Places are voluntary and \$200 fortnight paid on top of income support.	Work for the Dole places may be created in for profit or other organisations doing 'real work'. There are limits on the number of 'real work' placements a 'host' can offer – for example businesses with 11 to 20 employees can offer one Hosted Placement for every five ongoing employees. Placements can be for up to six months, with capacity for PM&C to agree to an extension. Hosts can directly advertise for participants. Placements can be mandatory.
Scheduling	Flexible	Activities must be scheduled across a five day, Monday to Friday week. Providers may put forward a proposal for different scheduling under 'special circumstances'.

## ATTACHMENT B

### ANALYSIS OF GOVERNMENT MODELLING OF EFFECT OF TCF

Table 1 shows the Government's estimates of the numbers of penalties that would be applied to CDP in the first and second years of the TCF (excluding any impact of the proposed new subsidised jobs). These penalties have been converted to 'days lost' (where 1 day = 1/10<sup>th</sup> of the fortnightly income support payment).

*Table 1 Government model including numbers of days lost*

w/o 6,000 jobs	1st year	Days lost yr1	2nd year	Days lost yr2
1 week penalty	13,318	66,590	19,073	95,365
2 week penalty	8,281	82,810	12,873	128,730
4 week penalty	4,687	93,740	7,941	158,820
<b>TOTAL DAYS LOST</b>		<b>243,140</b>		<b>382,915</b>

Lower figures in the first reflect a transition period as job plans are up dated and participants start at zero demerits. Year 2 provides a better picture of the TCF fully operating. While the tabled documents refer to four year modelling, modelling for only two years was provided.

Table 2 shows the number of penalties that were *actually applied* under the existing compliance rules in 2015/2016 and a calculation of how many days of income support were lost using information about waivers provided by the Department to Senate Estimates. These calculations suggest that, had the TCF applied to CDP participants in 2015/16, the number of days lost to penalties would have been higher. The main reason for this is that most CDP participants choose to return to Work for the Dole during their 8 week penalty period (accessing a 'waiver') and this enables their payment to re-start. Under the new arrangements this option would not be available to them.

*Table 2 Number of CDP penalties - actual days withheld*

<b>Penalties actually applied 2015/2016</b>		
Persistent non compliance penalties(a)	No.	Days
fully served (b)	1,053	42,120
fully waived	13,950	0
part waived (c)	3,958	47,492
UNPPs	189	7,560
<b>SUB-TOTAL (serious failures)</b>	<b>19,150</b>	<b>97,172</b>
Short penalties (a)	127,504	127,504
<b>TOTAL</b>		<b>224,676</b>

(a) Totals from additional estimates 2016-17 Question Ref 98.

(b) Additional estimates 2016-17 Question Ref 102.

(c) Additional estimates 2016-17 Question Ref 99.

But note that I have been unable to reconcile PM&C's statement to Estimates that approximately 117,000 days were lost with the waiver figures that were given<sup>10</sup>. If I were to use 117,000 days as the figure for serious penalties, then the total in Table 2 would be 244,504 – slightly above the predicted penalties for year 1 of the TCF shown in Table 1, but well below the prediction for year 2 of the TCF. That is, using the Government's figure of 'days lost', it appears while the introduction of the TCF might result in a temporary decline in penalties during the implementation phase, by the second year it would result in more penalties being applied than under the current system.

The Government has also modelled the impact if 6,000 people are exempted from the TCF because they are working in subsidised employment. This is shown in Table 3. While the total days lost in year 1 under this scenario is lower in this table than shown at Table 1, this is because some people have been excluded from the TCF, not because the TCF is less punitive than existing rules. By year 2, when the TCF is fully operational, the numbers are, again, higher under the TCF than the existing rules.

*Table 3 Government modelling with assumption of 6,000 excluded from TCF*

	Year 1		Year 2	
	Number of penalties	Actual days lost	Number of penalties	Actual days lost
1 week	11,871	59,355	15,997	79,985
2 weeks	7,376	73,760	10,791	107,910
4 weeks	4,175	83,500	6,652	133,040
<b>TOTAL</b>		<b>216,615</b>		<b>320,935</b>

Note: Government model 2 - assumes 6,000 people currently in CDP are not subject to TCF.

***The Government's own modelling does not appear to support the claim that the TCF would 'significantly reduce the number of penalties applied to CDP job seekers'. Instead, by year 2, even we exclude 6,000 people who might be exempted, penalties would significantly increase.***

### **The Government modelling appears too conservative**

According to the Minister's letter, penalties applied in 2015/2016 were used as the basis of predicting the impact of the TCF. But, as the following table shows, the number of penalties (and suspensions) applied in 2016/2017 was substantially greater than in 2015/2016.

*Table 4 CDP penalties 2015/2016 and 2016/7*

	<b>2015/2016</b>	<b>2016/2017</b>
Short penalties	127,504	173,449
Serious penalties	19,150	31,765
Suspensions	136,416	110,054
<b>TOTAL</b>	<b>283,070</b>	<b>315,268</b>

<sup>10</sup> Additional estimates Budget 2016/7, FPA Friday 3rd March 2017. Question Ref 99.

2015/2016 period marked the beginning of the new, 5 days per week, mandatory Work for the Dole arrangements. In the first quarter of financial year 2015/6, for example, only 16,178 financial penalties were applied. The quarterly average since then has been 48,498<sup>11</sup>.

The Government's decision to use 2015/6 non-compliance figures in its modelling is likely to have led it to substantially underestimate the negative impact of the TCF on CDP participants.

In addition, it is unclear to what extent the Government has taken account the role of current processes, and the role of DHS, in reducing the number of CDP. In the 9 months from 1 July 2016 to 31st March 2017 providers recommended 431,150 penalties to DHS in relation to CDP participants, but, according to published job seeker compliance data, fewer than 130,000 penalties were actually applied by DHS (30%). One of the significant reasons was a backlog in DHS conducting Comprehensive Compliance Assessments. After three Participation Reports (PRs)(which can be three consecutive days of non-attendance at Work for the Dole) a participant is automatically referred to a CCA. While a CCA is pending, additional Participation Reports for that participant cannot be processed. The reports which are rejected because a CCA is pending are defined as 'provider error', but, if the backlog did not exist, many would have resulted in penalties. I believe that this backlog effect is much less pronounced in jobactive where obligations are less frequent. Under the TCF providers will be the ones applying demerits without any DHS involvement until the participant has already had 5 'failures'. Because CDP participants must attend daily, they accumulate failure reports much more quickly than jobactive participants. If the model fails to adequately account for the consequences of removing DHS, including the removal of the CCA in slowing down penalties, then it will have substantially underestimated both the speed and level of penalties that will apply under the TCF.

### The TCF would have a harsher impact on CDP jobseekers than others

The Government's modelling suggests that, on a per capita basis, the TCF would have around four times the impact on CDP participants as on other job seekers:

*Table 5 Government modelling of year one TCF impact on CDP compared with modelling of impact on other jobseekers*

Government modelling of TCF penalties year one CDP vs all others				
	CDP		Mainstream	
	Number	days lost	Number	days lost
1 week	13,318	66,590	83,271	416,355
2 weeks	8,281	82,810	45,606	456,060
4 weeks	4,687	93,740	25,812	516,240
<b>TOTAL DAYS LOST</b>		<b>243,140</b>		<b>1,388,655</b>
caseload at 30 June 2018		30,380		662,284
<b>days lost per person on caseload</b>		<b>8</b>		<b>2.1</b>

Notes: Available caseload is for jobactive only and therefore undercounts all those affected. Government model 1 - assumes whole caseload is subject to TCF. If we take account the proposed exclusion of 6,000 people then the figure drops

<sup>11</sup> The Government notes that in modelling the effect of the TCF jobactive the modelling excluded the first quarter of 2015/2016 which marked the transition period to that program. Had they adopted that approach here they would have found less favourable results.

to 7.13 days lost per person, that is, 4.5 times the jobactive rate. Mainstream figures provided by PM&C 18 September 2018.

The modelling also shows that the Government expects a greater proportion of CDP participants who reach the 'penalty zone' to go on to receive more penalties and eventually get cut off:

*Table 6 Accumulation of penalties compared*

	Percentage of those who receive a 1 week penalty going on to receive a 2 week penalty	Percentage of those who receive a 1 week penalty going on to receive a 4 week penalty and having their income support cancelled
CDP	62.2%	35.2%
jobactive	54.7%	31%

In any event, the Government's own modelling forecasts that 4,687 people will be cut off payments altogether in year one of the TCF (estimated 15% of current caseload) and 7,941 (26%) in the second year. In the first year of the TCF applied to mainstream participants, only 3% are expected to have their payments cancelled. Based on current patterns this will mean that, over the system as a whole, the impact on Indigenous participants will be far more severe than on non-Indigenous participants.

*The Government's modelling shows that the TCF will have a harsher impact on CDP participants than on other income support recipients, and they will be much more likely to have their benefits cancelled.*