



Australian Government

Department of Employment

Senate Standing Committee on Education and Employment

**Inquiry into the Social Security Legislation Amendment
(Youth Jobs Path: Prepare, Trial, Hire) Bill 2016**

**Submission of the
Department of Employment**

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1. Legislative Amendments

- 1.1. This Bill seeks to amend the *Social Security Act 1991* and the *Social Security (Administration) Act 1999* (with consequential amendments to the *Veterans' Entitlements Act 1986*). This Bill will support young job seekers to fully benefit from the Youth Jobs PaTH (Prepare-Trial-Hire) measure announced in the 2016-17 Budget, as part of the Youth Employment Package. Without the passage of this Bill, implementation of the Youth Jobs PaTH will proceed, but job seekers will benefit less from the program.
- 1.2. The Youth Jobs PaTH provides a three-stage pathway to work for young job seekers and is aimed at maximising their chances of obtaining a job and moving off income support. The three elements of the Youth Jobs PaTH are employability skills training (Prepare), internships (Trial), and the 'Youth Bonus' wage subsidy (Hire).

Internship payments

- 1.3. This Bill will ensure that fortnightly incentive payments to eligible young job seekers placed in internships under the Youth Jobs PaTH are not deemed 'income' for social security and veterans' entitlements purposes. Doing this will make sure that the incentive payments do not reduce participants' social security payments or veterans' entitlements.
- 1.4. Under the internship element of the Youth Jobs PaTH, eligible young job seekers, aged 17-24 years who have been participating in jobactive, Transition to Work or Disability Employment Services for six months or more, will be able to voluntarily undertake work experience by participating in an internship placement. This will give young job seekers a chance to show employers what they can do in a real workplace and gain valuable experience that will improve their chances of getting a job. Both businesses and eligible young job seekers will be able to choose whether to participate in an internship. To encourage eligible young job seekers to undertake an internship, participants will receive a \$200 fortnightly incentive payment. This will be paid in addition to their social security payments.

Youth Bonus wage subsidy

- 1.5. This Bill will amend social security law to allow young job seekers to have their income support payments suspended for a period rather than cancelled, which would normally occur should the amount of income from their job cause them to no longer be eligible for income support. These young people will be able to have their social security payments restored (without having to make a new claim) if they lose their wage subsidised job (through no fault of their own) within 26 weeks. This avoids the young person having to serve any waiting periods that might otherwise apply to a claim.
- 1.6. The Youth Bonus wage subsidy element of the Youth Jobs PaTH will encourage businesses to employ young people by reducing the cost of employing them. Businesses will be eligible to receive a Youth Bonus wage subsidy if they employ a young job seeker under the age of 25 who has been in employment services for at least six months.
- 1.7. The Bill does not otherwise affect the design or implementation of the Youth Jobs PaTH.

2. Aims of the Youth Jobs PaTH

Addressing employer concerns

- 2.1. The Department of Employment conducts regular surveys of employers on their recruitment practices, including the suitability of job applicants. Consistent feedback from employers from a wide range of industries and businesses is that too many young people lack the skills and experience required to work. More than half of all employers surveyed¹ stated that they have rejected applicants due to a lack of relevant experience (51 per cent), with the next most important reason being insufficient qualification or training (24 per cent). The Business Council of Australia (BCA) and the Australian Chamber of Commerce and Industry (ACCI) share these concerns.
- 2.2. International evidence shows that around 57 per cent of job seekers are in employment five months after participating in similar programs.
- 2.3. The Youth Jobs PaTH will improve the job prospects of young job seekers by equipping them with the skills and experience employers seek. This will be achieved through the three components of the Youth Jobs PaTH:
 - Prepare - Employability Skills Training to help young job seekers understand the behaviours expected by employers in the recruitment process and in the workplace.
 - Trial - Internships of four to 12 weeks to give young job seekers a chance to show what they can do in a real workplace and gain valuable work experience.
 - Hire - A new Youth Bonus wage subsidy to support the employment of young people.

Providing young job seekers with employability skills (Prepare)

- 2.4. The first stage of the Youth Jobs PaTH, Employability Skills Training (Prepare), will help young people aged 15-24 to have the right attitude and approach to work, and ensure they are reliable and well-presented, so that employers who give them a chance will be rewarded with enthusiastic and motivated employees.
- 2.5. The training will be delivered intensively in two blocks of three weeks each:
 - The first block of training will focus on pre-employment skills and preparing job seekers to meet the needs of employers. Job seekers will gain practical experience in basic employability skills such as teamwork, communication, personal presentation, reliability and digital literacy.
 - The second block will sharpen job seekers' understanding of the labour market so they can identify and pursue sustainable employment opportunities. It will focus on advanced job hunting skills, job preparation, career development, interview skills and industry awareness experiences.
- 2.6. Job seekers will be able to access training from the first day they become a fully eligible participant in jobactive, though job seekers will be required to undertake the training at the five month mark if their provider considers they need to improve their employability or job search skills. The training will be delivered by a panel of expert training organisations selected through a competitive process and will commence in April 2017.

¹ Department of Employment, *Survey of Employers' Recruitment Experiences*, All regions surveyed in the 12 months to December 2015

2.7. Job seekers will not be required to undertake the training where they already have sufficient work experience and employability skills or where they are experiencing employment barriers (such as language, literacy and numeracy skills, homelessness or domestic violence) that need to be addressed first.

Valuable work experience in a real workplace (Trial)

2.8. The second stage of the Youth Jobs PaTH is the provision of internship placements for young job seekers who have been in employment services for six months or more. Internships are entirely voluntary for job seekers and employers, meaning that either party to an internship arrangement is free to back out at any time without penalty.

2.9. The purpose of the internship placements is to give job seekers an opportunity to demonstrate what they are capable of in a real workplace and give them valuable work experience. The first internship placements will be available from April 2017.

Incentives for employers to hire a young job seeker (Hire)

2.10. The third stage of the Youth Jobs PaTH is a new Youth Bonus wage subsidy as well as further streamlining of wage subsidies for job seekers of all ages. Wage subsidies are an effective tool for supporting disadvantaged job seekers to gain work experience and get a foothold in the labour market². Employers will be eligible for a Youth Bonus wage subsidy (\$6,500 for job ready job seekers - Stream A, and \$10,000 for more disadvantaged job seekers – Stream B or C) if they hire a young job seeker under the age of 25 years who is in jobactive or Transition to Work and who has been in employment services for six months or more.

2.11. All wage subsidies can be packaged with Australian Apprenticeships Incentives Programme payments, encouraging employers to create apprenticeship and traineeship opportunities.

2.12. As part of the introduction of the Youth Jobs PaTH and the Youth Bonus wage subsidy, all wage subsidies for all job seekers are being further streamlined and strengthened to make them more attractive and simpler for employers to access. The changes include:

- wage subsidies will be payable over six months rather than 12 months
- wage subsidies will be made more flexible
 - employers will have the flexibility to choose how often instalments are paid and over what period
 - wage subsidies can be paid from the first day of a job and up to 12 weeks after a job seeker commences in employment
- wage subsidies will be paid at a flat rate, removing confusing pro-rata payments
- the minimum hours for a wage subsidy agreement will be increase from 15 to 20 hours per week, averaged over the six month term of the agreement.

2.13. Changes to wage subsidies and the Youth Bonus wage subsidy will both commence from 1 January 2017.

² Evaluation of Job Services Australia 2009-2012, Employment Pathway Fund, Chapter 2: Wage subsidies March 2012, page 15

https://docs.employment.gov.au/system/files/doc/other/employment_pathway_fund_chapter_2_wage_subsidies.pdf

3. Program Design – PaTH internships

- 3.1. The program is targeted at young job seekers who have been in employment services for six months or more, job seekers that are significantly disadvantaged in the labour market due to a lack of recent work experience and erosion of skills. Compared with short-term unemployed, long-term job seekers are also more likely to have other barriers to employment.
- 3.2. The program parameters will prevent it from distorting the broader labour market, which is significantly larger, such as displacement of paid workers and undermining wages, as only 30,000 PaTH internship placements will be available each year. Placements will run between four and 12 weeks for an average of 15 to 25 hours per week. According to ABS data, each year in Australia there are approximately five million movements into employment.

PaTH internships are supervised work experience

- 3.3. Unpaid work experience, including in the private sector, has been a feature of Australian Government employment services and an accepted activity for job seekers to undertake for decades. It was available as an activity under Job Network, Job Services Australia and continues to be available under jobactive.
- 3.4. The importance of work experience was recognised as part of the Social Security Legislation Amendment (Employment Services Reform) Act 2009. These amendments were primarily designed to ensure that job seekers can undertake certain work experience activities and placements that are not approved programs of work (but are approved in the sense of being approved activities in an Employment Pathway Plan), without being treated as employees.
- 3.5. PaTH interns are not employees. PaTH internship placements, as with National Work Experience Programme placements, will be covered by these provisions and designed to be supervised work experience placements, not a job. Accordingly, merely participating in an internship in accordance with a Job Plan (Employment Pathway Plan) will not make that person an employee under the *Fair Work Act 2009*.
- 3.6. The Department of Employment supports unpaid work experience as an activity, as job seekers that undertake it are more likely to gain employment. In 2014–15, of the job seekers that undertook unpaid work experience in Job Services Australia, 45.2 per cent were in employment three months later compared to 26.1 per cent for other activities.
- 3.7. Interns for the purposes of the Youth Jobs PaTH are job seekers:
 - 17 to 24 years of age
 - registered in jobactive, Disability Employment Services or Transition to Work
 - in receipt of an eligible income support payment
 - who have been in employment services for six months or more.

Activities to be undertaken

- 3.8. Job seekers can undertake activities as part of their internship placement that are suited to their qualifications, abilities and interests and are part of the host organisation's standard business practices. As with other work experience programs, PaTH internships will take place in a wide range of industries and organisations.
- 3.9. As part of the co-design of an internship placement, the job seeker's employment services provider will determine if the placement and workplace conditions are suitable for the individual, as they do for other activities now. The provider will consider the level of supervision, work health and safety, the need for additional material and equipment, or any other requirements for the placement.

Incentives

Job seeker incentive

- 3.10. The \$200 fortnightly incentive paid to PaTH interns is on top of their income support. The incentive is paid by the Government and is not a 'wage'. If a host organisation paid a PaTH intern, the PaTH internship would cease immediately.

Host organisation incentive

- 3.11. Host organisations will receive \$1,000 upfront as a contribution towards the costs of hosting a PaTH internship placement. This fee recognises that organisations will incur costs in preparing for and hosting a job seeker's PaTH internship placement. The employment services provider will pay host organisations directly.

Provider incentive

- 3.12. Employment services providers will be eligible to receive a PaTH internship outcome payment for each successfully completed PaTH internship placement. This will include when a job seeker leaves a PaTH internship to take up paid employment.

4. Safeguards

PaTH internships

Displacement of paid workers

4.1. Before commencing a PaTH internship arrangement, employment service providers must be satisfied that there is a reasonable prospect of employment for the job seeker. This is where the host organisation:

- has a current vacancy
- will likely have a vacancy following the internship or
- has a regular pattern of recruitment

for a position that is aligned with the job seeker's interests, experience and qualifications.

Protections for job seekers

4.2. A PaTH internship placement is a completely voluntary activity. Young job seekers can choose the workplace for their placement and can leave at any time without penalty. A PaTH internship will be an optional term of the job seeker's Employment Pathway Plan, not a compulsory one. Therefore, a failure to complete the internship will not constitute non-compliance by the job seeker.

4.3. The PaTH internship agreement is developed jointly by the host organisation and the job seeker, to ensure placements meet both parties' needs. Agreements are signed by the employment services provider, job seeker and host organisation.

4.4. The job seeker and host organisation will agree on the standard days and hours of the internship prior to signing the agreement, though there is freedom for both parties to renegotiate these during the course of the internship. The agreement will inform job seekers that PaTH internships are voluntary placements and they may end the placement at any time. An employment services providers will ensure a job seeker is supported throughout the internship placement. This includes providing the young person with a range of information on what they can do and who can provide assistance if they require additional support during their internship placement.

4.5. Host organisations will be required to comply with applicable state and federal workplace health and safety legislation. Host organisations will also undergo a risk assessment, undertaken by employment services providers, before a job seeker commences in a PaTH internship.

4.6. The Department of Employment has insurance arrangements in place to cover job seekers undertaking activities. These arrangements will be extended to include PaTH internship placements and include:

- Group Personal Accident Insurance which covers job seekers that are injured while participating in approved activities, including travel to and from the activity
- Combined Liability Insurance which covers job seekers' liability arising from their negligence that cause personal injury to third parties or damage to third parties property while participating in an approved activity.

4.7. Job seekers undertaking a PaTH internship placement are unlikely to be covered by State/Territory workers' compensation schemes, as they are generally not employees under those schemes.

Supervision of job seekers

4.8. Employment services providers will need to ensure that job seekers undertaking work experience have a level of supervision appropriate to their circumstances. As a guide, the requirements in jobactive require supervisors to:

- be a fit and proper person to be involved in the activity
- have a high level of skill/knowledge and training/experience in the activity and in working with, training and supervising people in the activity
- have relevant workplace health and safety training
- have met any additional statutory requirements (including Working with Children Checks for job seekers under 17 years).

Ensuring host organisations use the program appropriately

4.9. The Department of Employment will issue program guidelines, in combination with the jobactive Deed 2015-2020 and Transition to Work Deed 2016-2020, to make clear to employment service providers the parameters of the program. Providers will manage internship placements within these guidelines and Deeds, including when exercising judgement on whether a potential host organisation is trialling a job seeker appropriately.

4.10. Department of Employment monitoring activities will help ensure that host organisations appropriately use the program. The department conducts comprehensive program assurance of all aspects of all employment programs, including job seeker activities, to detect any non-compliant activities such as job seeker churn, 'sharp practices' or fraudulent behaviour. The department's program assurance strategy will be applied to PaTH internships.

4.11. The Department of Employment currently program assures employment services through:

- prevention - using guidelines, simple policy and IT systems
- deterrence - making clear the penalties of non-compliance
- detection - identifying non-compliance through data analytics, the Tip-off Line, the National Customer Service Line, provider audits, and the rolling random sample process
- correction - including strategies to act on non-compliance such as recovering payments, imposing additional conditions, or terminating contract arrangements.

4.12. An example of a detection strategy through data analytics may include, but is not limited to, analysing the number of internships and the proportion that move into a job for a given host organisation.

4.13. An example of how corrective action will apply to PaTH internships is where host organisations found to be misusing the program will be identified and excluded from future participation. The Department of Employment will also investigate any feedback received through the Tip-Off Line, National Customer Service Line or built in feedback loops from job seekers or providers.

Youth Bonus

4.14. The department has a risk based approach to program assurance. Through regular program monitoring, the department can identify 'churn', such as where an employer dismisses multiple job seekers soon after their subsidies are fully paid.

- 4.15. Where an employer is found to have engaged in fraudulent or inappropriate activities (for example, falsifying payslips or churning) they would be excluded from accessing wage subsidies in the future and the Department may seek to recover any money paid through employment services providers.
- 4.16. Before referring any job seeker to work, employment services providers must ensure that the work is considered suitable for the job seeker under social security law. As a condition of signing the wage subsidy agreement, the employer declares that they will be paying wages in accordance with the relevant industry award rates and that the work is suitable.