

**THINK**  
ABOUT A FAIR  
AND EQUITABLE  
AUSTRALIA

Jobs  
Australia

August 2012

**Submission to the Inquiry by the Senate  
Education, Employment and Workplace Relations  
References Committee**

**Adequacy of the allowance payment system**

## Introduction

Jobs Australia is the national peak organisation of not-for-profit providers of employment and related services that assist unemployed people to get and keep jobs. Jobs Australia is committed to promoting better understanding of the needs and interests of disadvantaged unemployed people

Jobs Australia believes that the Newstart Allowance payment is inadequate and should be increased. We also believe that the adequacy of Newstart needs to be related to the adequacy of resources for services and support available through the employment services system, so that long periods of unemployment are reduced.

Six principles inform our views about the adequacy and administration of Newstart payments. They are:

1. **Fairness** – so that there is redistribution of money to people to whom a few dollars means a lot.
2. **Income adequacy** – so that people on Newstart Allowance have enough money to support basic living.
3. **Recognition and respect** - so that the conditions of claiming Newstart do not stigmatise people who are unemployed.
4. **Capacity** – so that unemployed people are able to use opportunities provided by the government and to learn, to participate, and to look for work.
5. **Incentive** – so that people are clear about how much better off they will be in work and different payment categories do not confuse and confound incentives to work and declare income.
6. **Reciprocal support** – so that employment services can be offered at standards that justify mandating attendance, job search or other activities.

Jobs Australia works closely with ACOSS, whose submission provides a detailed and authoritative analysis of Allowance levels and income tests and their implications for the likelihood of people living in poverty and for being able to study and take up employment opportunities.

We endorse and support the ACOSS submission and all its recommendations for changes to Allowance payments.

## Recommendations - Allowances

1. a) Allowance payments for single people (other than those on student payments) should be increased by \$50 per week from January 2014, and benchmarked to 66.3% of the combined married couple rate of Allowances as is the case for pension payments (and a higher rate in the case of sole parents).  
This applies to recipients of Newstart Allowance, Widow Allowance, Sickness Allowance, Special Benefit, Crisis Payment, and Youth Allowance (Other) recipients living independently of their parents.
- b) Allowance payments for single people on student payments (Austudy Payment, Abstudy Payment and Youth Allowance Student) who are living independently of their parents should also be increased by \$50 per week from January 2014 and the benchmarking of those payments to 66.3% of the married rate (higher for sole parents) should be phased in.
2. From 2014, all of the above Allowance payments should be indexed at least annually to movements in a standard Australian Bureau of Statistics measure of typical fulltime wage levels (before tax), as well as six monthly to movements in the Consumer Price Index.

3. Over time, the present three tier system of income support payments for people of working age (pensions, employment-related allowances, and student payments) should be replaced by a system with:
  - a) a common base rates of payment for singles and partnered recipients respectively, based on a minimum acceptable standard of living;
  - b) common basic eligibility requirements such as residency;
  - c) activity requirements that adjust in flexible fashion (from none to regular job search) according to any constraints imposed by disabilities or caring responsibilities, and each individual's pathway to employment (including fulltime study where appropriate);
  - d) income tests that target individuals and families in greatest need of income support while encouraging transitions to part or fulltime employment as appropriate – including major reform of the complex and counterproductive income-test treatment of irregular employment;
  - e) supplements for additional non-discretionary costs experienced by a substantial minority of income support recipients including the costs of disability, caring, sole parenthood, and rent – while retaining a separate system of Family Tax Benefits to assist with the costs of dependent children.
4. From 2014, Job Services Australia services for disadvantaged jobseekers should be improved by:
  - a) increasing service fees and Employment Pathway Fund allocations for each year of the 'Work Experience Phase' for long term unemployed people, to at least the levels provided for Stream 3 clients in their first year of unemployment;
  - b) expanding the current wage subsidy scheme for 'very long term unemployed people' to 20,000 places a year and introducing a scheme that fully subsidises 6 months of paid employment (e.g. in the community sector or social enterprises) for deeply disadvantaged jobseekers.

## Recommendations – Employment services

There should be an early and extensive consultation and investigation involving all interested parties, to determine how to design the employment services system from 2015 onwards.

The consultation should include an assessment of:

- a) the role of employment services in the context of an economy in transition;
- b) the level of flexibility needed to foster innovation and ensure the system can adapt quickly to changes in economic conditions and the needs of employers;
- c) profiles of income support recipients, including an analysis of the pool of available workers now and in the future;
- d) how to give people who genuinely want to work more choice and control, so that our welfare and employment services systems cease to act as a de-motivating influence;
- e) the mix of 'carrots and sticks', including the pre-work and in-work benefits available, to re-motivate people who have learned to be dependent on welfare and ensure that people are always better off with a job.

The process should incorporate broad consultation with stakeholders and policy experts and report to Government within 18 months of its establishment.

# 1. Fairness

The idea that this is a fair country is one of our founding ideals as a nation. How we treat and support people who are not working – specifically, how many dollars and cents we decide is enough to live on week to week - is a key test of that ideal.

Australia is a relatively wealthy country by any account, and our economy ‘has been one of the most resilient in the OECD during the global economic and financial crisis’, according to the Secretary to the Treasury.<sup>1</sup> It is encouraging that this Inquiry is being conducted at a time of both economic prosperity as well as an extraordinary consensus that the Newstart Allowance is too low and should be increased. The welfare sector and the Business Council agree with the people trying to survive on Newstart that \$35 a day is too little.

Even the OECD found in its 2010 profile of Australia’s economy that ‘the transfer system could better tackle poverty while strengthening incentives to work... over time, the adequacy of Newstart Allowance should be examined’<sup>2</sup>, while a 2011 OECD report on Australian labour market underutilisation reported concern that the net replacement rate (ie Newstart replacing earnings for people who become unemployed) is below the OECD average for the initial stage of unemployment.<sup>3</sup>

In maximising wellbeing, inequality matters – because a dollar brings more happiness to a poor person than to a rich person.

*Andrew Leigh<sup>5</sup>*

The federal MP Andrew Leigh has reported on the rise of personal wealth and growing income disparity in Australia.<sup>5</sup> He observes that the more unequal a society, the less mobile in it people can be. For people who rely on the Newstart Allowance, any capacity

to climb the ‘ladder of opportunity’ that a stable democracy is meant to offer anyone willing to work has to start from the most basic capacity to keep body and soul together.

Compared with other countries, our welfare system is well-targeted, so that taxes collected and spent on welfare payments redistribute income reasonably well to those who can most benefit from it. However the percentage of our GDP spending on social transfer payments is relatively low.

The social policy researcher and ex-OECD analyst Peter Whiteford cites the most recent data on social spending in OECD countries to show that in 2007 (before the global financial crisis) Australia spent 16 per cent of GDP on cash benefits (including pensions and unemployment payments, healthcare and community services) compared to an OECD average of just over 19 per cent.

We actually spent a little less than the United States and Japan, and the only countries that spent substantially less than we did were lower-income countries like Mexico, Chile, Turkey and Korea.<sup>6</sup> A nation as wealthy as our in absolute terms can afford to spend a higher proportion of its GDP on transfers.

The idea that a dollar brings more happiness to a poor person than to a rich person should give courage and guidance to the government as it sets levels for mining taxes, looks at superannuation tax concessions for high income people, and reviews the desirability of negative gearing for investment, especially in the light of the impact of the tax break on affordable housing.

<sup>1</sup> Australia's place in the new global economy, Address to CEDA State of the Nation, Dr Martin Parkinson, Secretary to the Treasury, June 2012

<sup>2</sup> Australia Economic Survey, OECD 2010, pp 18-19.

<sup>3</sup> Enhancing labour utilisation in a socially inclusive society in Australia, Vassiliki Koutsogeorgopoulou, OECD Economics Department Working Papers no. 852, 2011.

<sup>4</sup> Why Inequality Matters, and What We Should Do About It, Andrew Leigh MP, Sydney Institute, May Day 2012

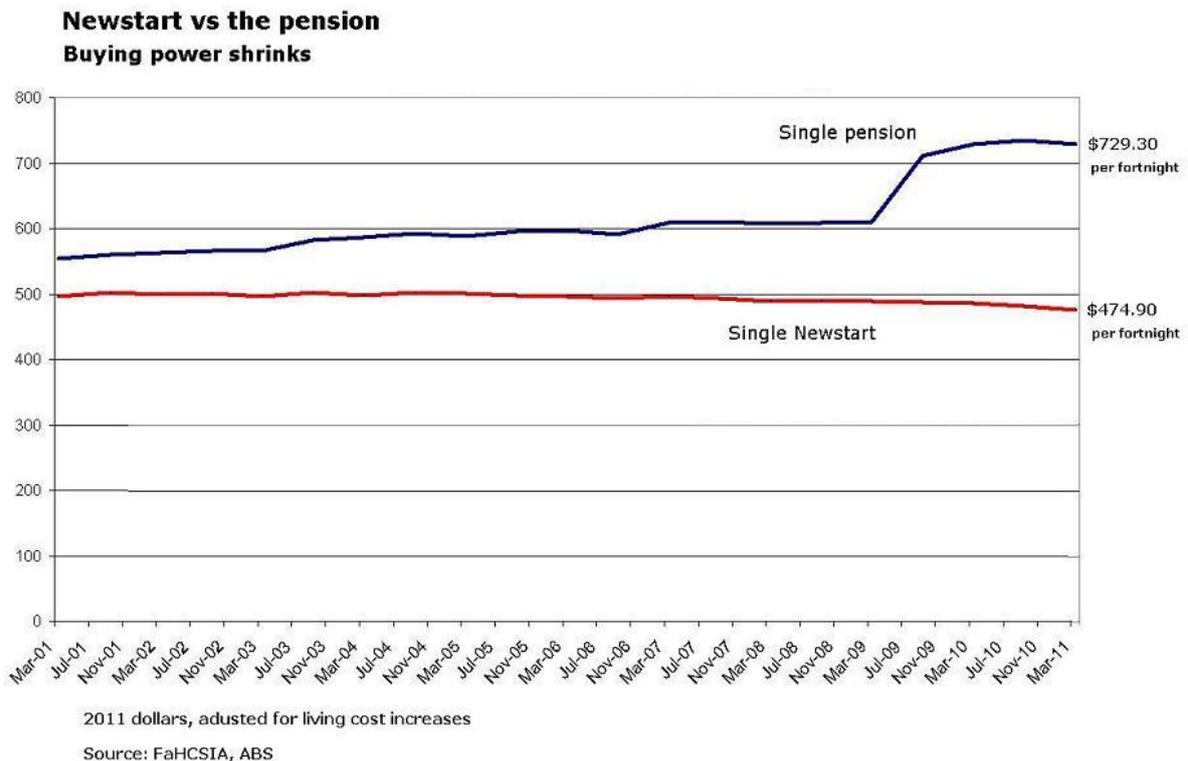
<sup>5</sup> Andrew Leigh, cited earlier

<sup>6</sup> *How fair is Australia's welfare state?* Peter Whiteford, Social Policy Research Centre, UNSW, 2011.

## 2. Income adequacy

Newstart Allowances are inadequate in both absolute terms and relative terms. In absolute terms, the amounts of the payment are simply not adequate to meet the most basic costs of living. This is most acute for people on the single rate of Newstart.

The rate of Newstart Allowance is declining significantly in relation to pensions, because they are increased in line with average male earnings while Newstart increases in relation to the consumer price index.



It is not necessary to undertake research to know what it might be like to try to survive on \$35 a day. With costs of rent (rising alarmingly), food, power, and transport a matter of concern even for people who are in work, it is not hard to see how for people on Newstart Allowance, it simply does not add up.

A cooperative research project led by Melbourne University and funded by the Australian Research Council and Jobs Australia between 2007 and 2009 gathered extensive accounts of the day-to-day realities of life on income support. One hundred and fifty low income Australians were interviewed, with follow-up interviews one and two years later. We recommend the resulting book *Half a citizen: Life on Welfare in Australia* (2011) for the richness of understanding it provides about what it is like to survive on income support.

I tend to think that people aren't even – theoretically they may be, but in practice they're not – considered a citizen. They're completely undeserving for it, and because they don't take any taxes and [take] everything off the system, then they don't even qualify as a citizen who is entitled to basic rights.

*Chloe, aged 42<sup>7</sup>*

<sup>7</sup> Half a citizen: Life on Welfare in Australia, John Murphy, Suellen Murray, Jenny Chalmers, Sonia Martin, and Greg Marston, Allen and Unwin, 2011.

The impact of inadequate levels of income support can be characterised in both material and psychological terms. In material terms, there are the obvious problems of not being able to afford stable, safe accommodation,<sup>8</sup> to buy enough food to keep hunger and malnutrition at bay, or to pay for power, or transport. Further out, there are 'luxuries' like clothes, shoes, or dental treatment. Even more remote for interviewees on income support were the chances of leisure and recreation. Especially painful too were all the accounts given by parents who were not able to pay for their children to participate in discretionary extras at school, sporting activities, or other things that are considered to be a normal part of childhood.

I mean, we sort of manage but god, it's like sitting on a chair with three legs all the time.

Michelle<sup>9</sup>

The psychological impacts of surviving on inadequate income are obvious. Interviewees spoke of a pervasive sense of deprivation, coupled with shame, feelings of powerlessness, and anxiety about the future. Much of this sense of precariousness revolves around the lack of a real home – not only in the physical sense. At the same

time, we learned from the research that many people on low incomes demonstrate stoicism, ingenuity and tenacity in making ends meet. That personal capacity for resilience under such circumstances is a fine human resource, and signals hope for outcomes for suitably designed and resourced employment services.

*We recommend raising the level of Newstart by \$50 for single people and single people on student payments and to index this allowance annually to typical full time wages. (The full recommendation is at the top of this submission.)*

### 3. Recognition and respect

The psychological impact on unemployed people of living on Newstart Allowance is largely due to the inadequacy of the allowance. Further negative experiences and causes for stress, depression and anxiety arise from the stigma of being on unemployment benefits. To the shame of not having enough money is added the possible perception that one has 'chosen' to become, or to remain unemployed.

That anyone would choose to rely solely on Newstart is unlikely in view of the experiences of people reported above. However, even the Australian government has at times contributed to the risk of further stigmatising people who claim unemployment benefits. A study that investigated the attitudes and motivation of job seekers in 2002 sought to distinguish between types of job seekers according to their levels of motivation and openness towards job search and the types of jobs they would consider.<sup>10</sup> Based on a sample of 52 people, 8 varieties of job seekers were characterised.

<sup>8</sup> Homeless services and housing affordability are rightly a high priority for governments, and the 2010 VCROSS investigation into rooming houses is an illustration of the vulnerability of low-income people to unscrupulous and exploitative treatment from landlords.

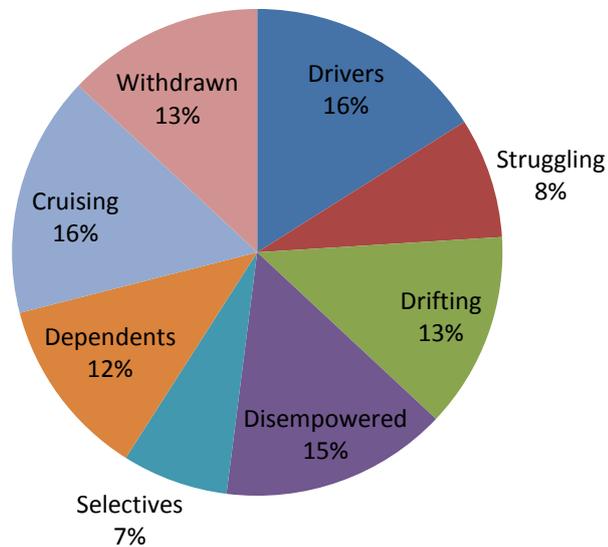
[http://vcross.org.au/documents/VCROSS%20docs/Submissions/2011/SUB\\_111013\\_RTA%20RIS.pdf](http://vcross.org.au/documents/VCROSS%20docs/Submissions/2011/SUB_111013_RTA%20RIS.pdf).

<sup>9</sup> *Half a citizen*, cited earlier, p 22

<sup>10</sup> *Job seeker attitudinal segmentation: An Australian model*, Colmar Brunton Social Research & DEEWR, 2002

## Job seeker type segments

Colmar Brunton/DEEWR 2002



Jobs Australia believes that studies of attitude and behaviour can be useful in understanding how to optimise employment services. However in 2002, the greatest interest was taken in the discovery of the category of ‘cruisers’ claiming income support – and with the greatest consequences. The then Employment Services Minister, the Hon Mal Brough, said at that time: "These people are content to collect a benefit from the Australian Taxpayer and feel that work would have a negative impact on their quality of life and free time. They give genuine job seekers a bad name and deserve to be called dole bludgers."<sup>11</sup>

Though the Minister himself distinguished ‘cruisers’ from ‘genuine job seekers’, it seemed that the Active Participation Model for employment services introduced in 2003 was designed for cruisers. This model mandated all job seekers to comply with a regime of contacts and activities and was intended, as the Minister put it at the time, to be an ‘embuggerance’ to people who thought they could get away with failing to look for work.

Social justice requires both redistribution and recognition. People in poverty suffer from cultural harms too: powerlessness, humiliation, disrespect, shame and other indignities... their worth and particularity go unrecognised, which is damaging to their life trajectories.

Zoe Morrison<sup>12</sup>

The DEEWR/Colmar Brunton research was perhaps the most potent manifestation of a more generalised idea that people claiming unemployment benefits are, ipso facto, ‘dole bludgers’, and certainly, that is the way that interviewees in ‘Half a Citizen’ feared they would be perceived.

Towards people who are unemployed, the State has two obligations: not only to provide an adequate level of income support for people who are unemployed and in need, but also to recognise that the conditions of payment acknowledge the willingness, intentions, and motivation of those

<sup>11</sup> The Guardian, May 29, 2002.

<sup>12</sup> ‘Social inclusion, diversity, and the politics of recognition’, [Zoe Morrison](#), Insights, Volume 10, Nov 2011, Melbourne University.

people to help themselves, to learn, to reskill, to get work, and to participate. Further below we will consider how well the employment services system does that.

## 4. Capacity to look for work, participate and learn

People on Newstart Allowance are required to attend appointments at Centrelink and their Job Services Australia or Disability Employment Services provider, undertake job search and keep a diary of these efforts, as well as attend interviews, training, or other participation activities. They can be required to travel up to 90 minutes in each direction to meet job search requirements, and must meet the costs that this entails.

In some cases, at the discretion of Job Services Australia providers, assistance can be provided to support interview attendance and the clothing and equipment needed to qualify for consideration 'where the job seeker has no suitable clothes and is not in a position to purchase such clothes'.<sup>13</sup> Providers may assist with the purchase of mobile phones, phone cards and mobile phone pre-paid credit vouchers where the job seeker 'does not have access to a land line at their place of residence and only where a phone is required to maintain contact with the job seeker'. It is not difficult to see how such carefully phrased Guidelines might well make providers risk-averse in spending funds too readily for these kinds of discretionary purchases.

I really  
hugely  
want my own place.  
Also I want somewhere for my daughter –  
she hasn't actually got a home.  
Her father has gone,  
there's no space at his house.  
I would like to have my own place  
to provide somewhere for her  
to come and live with me.  
So I am worried that the rent...  
availability of rental properties,  
plus having the income to be able to do that...  
Yes.  
I do worry about that.  
*Leila*<sup>14</sup>

In this context it is worth noting that slightly more than a third of the DES ESS caseload (around 75,000 people at mid-2012) is on Newstart Allowance. These are people with permanent disability who have been assessed as having ongoing support needs in the workplace. Such numbers will continue while government policy focuses on ability, rather than disability, in assessing people as eligible to work.<sup>15</sup> For this group, the problems of managing on the Newstart Allowance will be particularly acute.

The focus of Australian employment services on 'activation' is solidly endorsed by the OECD, which has found positive associations between 'active labour market policies' and reduced welfare dependency. However, the OECD has also raised concerns about the adequacy of the Newstart Allowance and has pointed out that 'beyond labour market policies, the multiplicity, inter-relatedness and complexity of social inclusion problems call for a comprehensive and integrated approach focusing on individual needs'.<sup>16</sup>

Certainly, many of the people on Newstart Allowances and other payments in 'Half a Citizen' feel that there is a great deal of 'rigmarole' and paperwork associated with their mandated job search.<sup>17</sup> Contact requirements are arbitrary and provider discretion about the nature, sequence, and

<sup>13</sup> Employment Pathway Fund Guidelines, DEEWR, 2011.

<sup>14</sup> *What body part do I need to sell? Poetic Re-Presentations of Experiences of Poverty and Fear from low-Income Australians receiving welfare benefits*, Jobs Australia, 2010

<sup>15</sup> DEEWR slide presentation, consultation session on Disability Employment Services Request For Tender, 2012.

<sup>16</sup> Vassiliki Koutsogeorgopoulou, OECD, cited earlier.

<sup>17</sup> See *Half a Citizen*: Chapter 6, 'Barriers to and support for Working, and Chapter 7, 'Welfare as work'.

intensity of support is very constrained. In any case, the opportunity to provide something different is limited by an increasingly narrowing base of JSA fees. Originally determined in 2008, these are set to remain at the same levels until 2015, and 2012 Budget cuts are forcing redundancies for many provider.

With 15 years of active labour market policy experience, and an ever-growing burden of compliance requirements on employment services providers, as well as on job seekers, it is time to investigate whether universal rules for service contacts, job search, and activity requirements really are warranted.

A quarter of the Newstart claimants interviewed for the 'Half a citizen' research spoke about how mental health problems, usually depression, were affecting their search for work. 'These are not just "internal", personal problems carried by individuals', note the researchers, 'they in turn encounter a barrier erected by the employment system, which is often insensitive to, or inflexible about these problems'.<sup>18</sup>

All this raises a question about the way that the administration of Newstart can simultaneously focus on job seeker compliance (which implies a common regime of mandated activity) and on optimising human resource development for the future workforce needed by Australia's growing economy (which would focus more on self-directed approaches to managing life and learning opportunities). To illustrate that point, here is what Australian industry leaders have said are the core skills they are looking for in their workers.<sup>19</sup>

The Core Skills Framework describes performance in ten Skill Areas, grouped under three Skill Clusters:

**Cluster 1 - Navigate the world of work**

- a. Manage career and work life
- b. Work with roles, rights and protocols

**Cluster 2 - Interact with others**

- a. Communicate for work
- b. Connect and work with others
- c. Recognise and utilise diverse perspectives

**Cluster 3 - Get the work done**

- a. Plan and organise
- b. Make decisions
- c. Identify and solve problems
- d. Create and innovate
- e. Work in a digital world

## 5. Incentive

We argued earlier that the Newstart/Youth Allowance should be increased to a level that enables people to meet the most basic costs of living. Even with this increase, there is little risk that incentives to take up paid employment will be threatened. The base rate of Newstart Allowance is so low that moving to a full-time minimum wage would double a claimant's disposable income.

From the perspective of an unemployed person, the incentives to get part time work are harder to understand, given the mix of fortnightly income free areas, taper rates, and the Working Credit of up

<sup>18</sup> 'The stories of 150 welfare recipients in Australia', John Murphy et al, Research report, Melbourne University, 2010

<sup>19</sup> *Core skills for work: Overview of the framework*, Department of Industry, Innovation, Science, Research and Tertiary Education and the Department of Education, Employment and Workplace Relations, August 2012.

to \$1000. The online Department of Human Services rate estimator for Newstart Allowance is preceded by 430 words of disclaimers and caveats. This will not generate confidence and certainty about the degree to which a person contemplating temporary, short term, or part-time work really *would* be better off in work.

That situation is compounded by our system of payments, which has tied different activity test requirements, payment levels, and free areas for earnings to different pensions and allowances. This means that not only are anomalies created between payment *entitlements* (for example, as if younger people eat less or take up less room in the house), there is in play an additional set of *employment incentives*. Given that *activity test* requirements also differ, we can only acknowledge the logic of people wanting to remain on the more favourable conditions of DSP or Parenting Payment. That is, the entire system of income support, the treatment of allowable earned income, and activity test requirements still effectively incentivise people to emphasise their *inability*, despite the government's policy intention to promote participation and employment based on ability.

Though the terms of current Job Services Australia and Disability Employment Services contracts pay the most for full time employment outcomes leading to people going off income support for at least 26 weeks, the incidence of casual, temporary and seasonal work indicates a much greater likelihood of part-time work and work earnings that will be 'lumpy' over the course of a year, as this table shows.

#### Labour Market Assistance Outcome December 2011, DEEWR

	Permanent employees (%)	Casual, Temporary or Seasonal employees (%)	Self Employed (%)
<i>December 2011<sup>1</sup></i>			
JSA Stream 1-4	37.2	54.3	8.5
JSA Stream 1	39.1	52.1	8.8
JSA Stream 2	39.7	52.3	8.1
JSA Stream 3	29.8	62.3	7.9
JSA Stream 4	34.1	56.0	10.0
JSA Stream 1 (Limited)	36.8	56.1	7.1
DES - Employment Assistance/Post Placement Support	32.3	60.5	7.2
DES - Ongoing Support	49.1	47.4	3.5

For these reasons, we endorse the ACOSS recommendation that from March 2014, the following changes should be made to the income test for the Newstart Allowance and Youth Allowance (Other) payments in order to encourage participation in casual employment, simplify the system for unemployed people, and reduce over and under-payments:

- a) The working credit should be replaced by a simpler system where allowance recipients can 'bank' their fortnightly income test 'free area' for up to 26 weeks;

- b) The free area should be increased by \$9 per week to \$40 and the 50% and 60% taper rates replaced by a consistent 60% taper rate;(c) the 'free area' should subsequently be indexed to the CPI.

Jobs Australia also supports the longer term goal articulated by ACOSS in its submission to this Inquiry, to replace the different payments (pensions, employment-related allowances, and student payments) with:

- a) a common base rate of payment for singles and partnered recipients;
- b) common basic eligibility requirements;
- c) activity requirements that adjust in flexible fashion (from none to regular job search) according to any constraints imposed by disabilities or caring responsibilities, and each individual's pathway to employment (including fulltime study where appropriate);
- d) income tests that target individuals and families in greatest need of income support while encouraging transitions to part or fulltime employment as appropriate – including major reform of the complex and counterproductive income-test treatment of irregular employment;
- e) supplements for additional non-discretionary costs experienced by a substantial minority of income support recipients including the costs of disability, caring, sole parenthood, and rent – while retaining a separate system of Family Tax Benefits to assist with the costs of dependent children.

The ACOSS submission explains and analyses in considerable detail the operations of the current system, how payment incentives currently work, and how these can and should be streamlined to provide better incentives to undertake paid work. We commend this to analysis to the Inquiry.

## 6. Reciprocal support

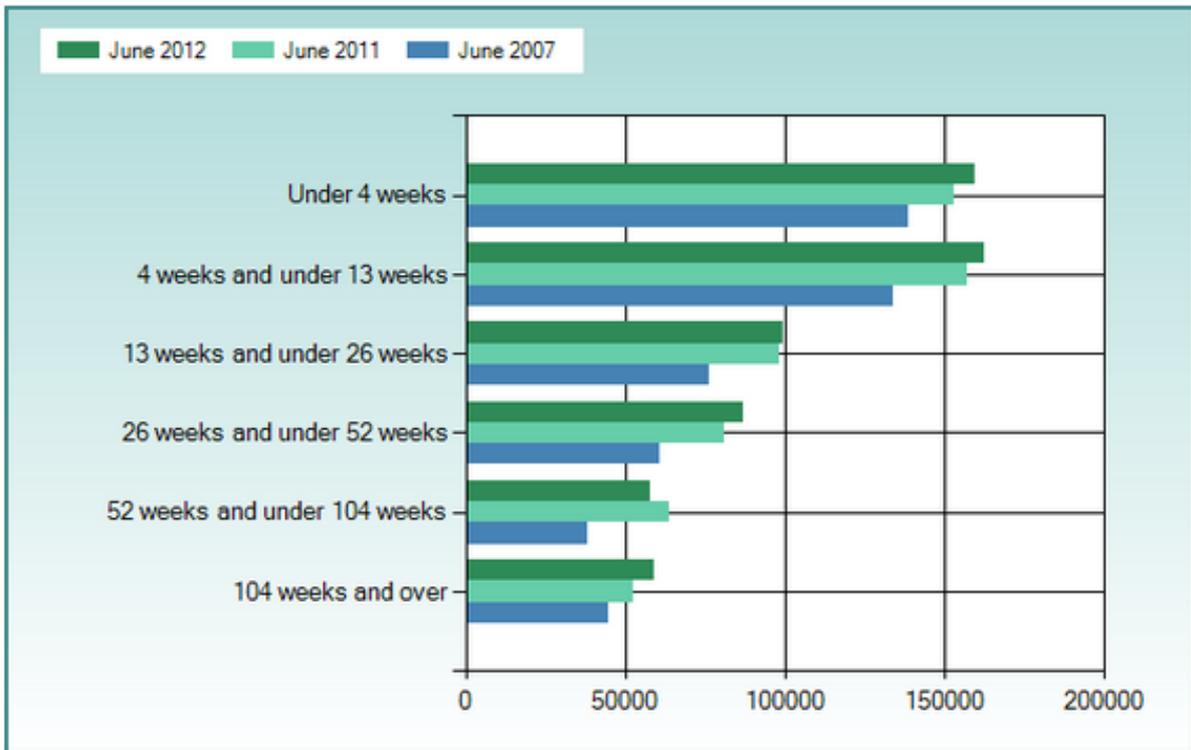
Our current employment service system is meant to offer choice to service users, competition between providers, service flexibility and innovation, a diverse provider base, and a focus on outcomes, with incentives for providers to work with people who were harder to place.

Despite this, there are growing numbers of people unemployed for more than two years, as this table shows. It appears that people without employment prospects are stuck in poorly resourced cycles of unpaid work experience, now extended to 11 months of the year.

The most obvious reason why people receiving income support are in poverty is the inadequacy of payment levels. Means testing means that poverty is the qualification for benefits, but the level of payment is then not enough to keep many from poverty.

*John Murphy et al*<sup>20</sup>

<sup>20</sup> *Half a citizen*, cited earlier, p 23-24.



### Unemployed persons by duration of unemployment

Unemployment Duration	June 2012	June 2011	June 2007
Under 4 weeks	159,600	153,000	138,800
4 weeks and under 13 weeks	162,500	157,400	134,100
13 weeks and under 26 weeks	99,700	98,600	76,700
26 weeks and under 52 weeks	86,900	81,300	61,000
52 weeks and under 104 weeks	58,200	63,800	38,100
104 weeks and over	59,200	52,900	45,100

Chart Source : ABS Labour Force Survey, 12 month average original data.

Unemployed people in the main share the same aspirations that the government has for them: to learn, to get paid employment, and to improve their capacity to earn income and to advance in life. However contractual conditions and existing performance definitions in the employment services market do not support the best use of that energy and capacity for engagement, and there is an emerging consensus between providers and job seekers that red tape and complexity are choking the system.

The 5 key design principles upon which our competitive employment service market was founded have been realised in the following ways. Despite the best intentions of DEEWR and providers, it appears that too much of the available resources in the system are being applied to the purchasing and compliance regime, both for providers and job seekers.

Principle	How this has been realised	The result
1. Competitive market	Competitive tendering Star ratings to inform service users	<ul style="list-style-type: none"> <li>Star ratings inform purchasing, not service users</li> <li>Non-existent or poor collaboration between providers due to intense competitive pressures</li> </ul>
2. Choice of provider	Choice offered at point of claims or initial assessment Star ratings intended to inform choice	<ul style="list-style-type: none"> <li>Star ratings not understood by service users</li> <li>Convergence of service approach due to contract prescription makes choice less meaningful</li> </ul>
3. Service flexibility and innovation	Employment Pathway Fund (EPF) Prescribed contact regime and participation requirements	<ul style="list-style-type: none"> <li>Employment Pathway Fund rules tend to drive service offerings</li> <li>Service points are prescribed. Employment Pathway Plan must be achieved in an arbitrary timeframe; providers have limited discretionary capacity to design service users' participation plan based on their own judgements.</li> <li>Resources are applied to meeting job seeker and contract compliance rather than employment outcomes</li> <li>Service innovation comes second to contract compliance</li> <li>DEEWR contract managers subject to centrally determined policies and guidelines have limited capacity to apply their local knowledge</li> <li>DEEWR contracts separately for innovation projects</li> <li>De-professionalisation and churn at the frontline</li> </ul>
4. Provider diversity	400 Job Network providers in 1997, down to 116 contracts awarded to operate 2009-2012 It is expected that the 2012 Disability Employment Services (DES ESS) tender process will result in some rationalisation of provider numbers	<ul style="list-style-type: none"> <li>Conditions of tender process prohibit market entry with loss of specialist and alternative service options</li> <li>Market conditions favour economies of scale achieved by medium and larger organisations</li> </ul>
5. Outcomes focus	144 types of employment and other outcomes in the 2009 JSA contract	<ul style="list-style-type: none"> <li>Outcome definitions and evidence requirements distort service to employers</li> </ul>

We believe that it is vitally important to consider how well the system is serving the nation's most disadvantaged people, and from the lens of their greatest need to earn income, to understand how the skills, social services, housing, health and other services can best support them, and how to maximise their access to the increasing opportunities for employment that are signalled in Australia's future economy.

**For these reasons, we recommend:**

There should be an early and extensive consultation and investigation involving all interested parties, to determine how to design the employment services system from 2015 onwards.

The consultation should include an assessment of:

- a) the role of employment services in the context of an economy in transition;
- b) the level of flexibility needed to foster innovation and ensure the system can adapt quickly to changes in economic conditions and the needs of employers;
- c) profiles of income support recipients, including an analysis of the pool of available workers now and in the future;
- d) how to give people who genuinely want to work more choice and control, so that our welfare and employment services systems cease to act as a de-motivating influence; and
- e) the mix of 'carrots and sticks', including the pre-work and in-work benefits available, to re-motivate people who have learned to be dependent on welfare and ensure that people are always better off with a job.

The process should incorporate broad consultation with stakeholders and policy experts and report to Government within 18 months of its establishment.

I haven't seen a film for 8-9 years.  
It's \$12 –  
I just can't.  
I have no social life  
unless it's free.  
I can't afford to go to a café  
and drink coffee –  
I just can't.  
I tried putting \$3 a day into my budget.  
I felt a little more human,  
existing within society...  
I had to stop doing it,  
I couldn't live anymore.  
Like being invited out to dinner  
or a friend saying,  
'do you want to catch up for a meal?'  
I just can't, no.  
I miss it.

*Tracey*<sup>21</sup>

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<sup>21</sup> What body part do I need to sell? Cited earlier.