

Vulnerable Job Seekers and the Ripple Effect of Systemic Intersections

Executive Summary

The Jobactive Initiative was designed as a mechanism for getting more Australians into work by providing them with case management support with the flexibility to tailor their services to a job seeker's assessed needs. This tailoring of services for job seekers means that the Jobactive providers interact with many other organisations in the provision of services including registered training organisations and not for profit work for the dole program providers. Jobactive providers also have a secondary function in ensuring that mutual obligation requirements with the Department of Human Services are met.

This system works well for the majority of job seekers; however, it has been identified that these systemic interactions for poorly educated and most vulnerable job seekers is having an unintended reverse effect in many cases with job seekers being driven out of education and training and into work for the dole programs potentially costing the government over \$316,000,000 every year.

How the system was designed to work

The Department of Employment's website promotes the Jobactive Initiative as the Australian Government's way to get more Australians into work. It connects job seekers with employers and is delivered by a network of Jobactive providers in over 1700 locations across Australia. Jobactive providers work closely with job seekers, tailoring their services to the job seeker's assessed needs so they can find and keep a job.

Jobactive providers work with clients to fulfil their Department of Human Services mutual obligations requirements to actively to apply for jobs or do training or study; which form part of the client's job plan which is aimed at helping the client become more job-ready and ultimately secure meaningful employment.

Jobactive providers work with registered training organisations (RTOs) to fulfil learning and education requirements of client's job plans often paying for course fees as well as assisting to facilitate enrolment of their clients into courses.

In NSW, the Smart and Skilled reform of the NSW Vocational Education and Training (VET) system is aimed at helping people in NSW get the skills they need to find a job and advance their careers.

Smart and Skilled provides eligible students with:

- an entitlement to government-subsidised training up to and including Certificate III;
- government funding for higher-level courses (Certificate IV and above) in targeted priority areas.

Approved Smart and Skilled training providers, including TAFE NSW Institutes, Adult and Community Education colleges and RTOs, are contracted to deliver government-subsidised courses. This means

that Jobactive supported jobseekers are able to access these courses with heavily subsidised course fee costs, for example an individual wanting to complete a Certificate II in Construction Pathways would have a course cost of \$160.00 and if they were a Jobactive client the course cost would often be \$0.

Individuals, registered with a Jobactive provider, who are not participating in approved training or education will need to participate in Work for the Dole for six months each year to keep receiving their income support if they have mutual obligation requirements. Work for the Dole activities can be hosted by not-for-profit organisations and government agencies. The programme gives organisations an extra set of hands to help to undertake activities that would not normally be done and can help job seekers:

- develop the skills that employers want;
- show they are ready to start work;
- meet new people and make contacts who can be a referee;
- get involved in their local community.

Systemic interaction issues for vulnerable job seekers

The above system has been proven to be highly successful in creating its intended outcomes of helping Australians to get into work and is assisting to meet COAG's 2020 targets relating to year 12 equivalency.

This system is unfortunately often failing those job seekers who are least educated and most vulnerable. The systematic interactions for individuals who have not completed any education beyond school certificate level becomes increasingly complex which means their pathways to employment can be lengthened and increasingly stressful which means compliance of clients with policy can become increasingly difficult to police.

The main issue with this system comes when a client who is studying a Certificate I or a Certificate II program, enters the Work for the Dole (WftD) Phase with their Jobactive provider in conjunction with their mutual obligation requirements.

During this phase, job seekers, not studying in approved courses must participate in a WftD program for 25 hours per week. According to the Department of Employment, if an individual is enrolled in an approved education course prior to this phase starting then they may continue and the hours spent at training form part of their mutual obligation requirements. However, the policies of many of the Jobactive providers state that Certificate I and II programs are not compliant during the WftD phase, regardless of when the client was enrolled and individuals are therefore being removed from these programs and placed into WftD programs.

The exact cause of this operational policy choice is not known however it is worth noting that Jobactive providers have large caseloads and it is more work to administratively manage a client who is in WftD phase who is completing a Cert I or II compared to one who is in a Cert III or above or those completing a WftD program. This is due to the fact that during this phase, the mutual obligation requirement is 25 hours of approved activity and not all Cert I or II programs fulfil this whole obligation meaning that a partial WftD program is needed for this client. This means the Jobactive provider is having to facilitate, plan, track and enforce attendance at two separate programs increasing the administrative load. If this increase in administrative workload is looked at on a wider scale it is easy to see why many Jobactive providers have made the operational decision to make it internal policy that during WftD phase, only Cert III or WftD programs are seen as compliant.

This stance against Certificate I or Certificate II programs puts the Job Active Providers at odds with RTOs. As the flow on effects of Job Active Providers pulling people out of Certificate I and Certificate II courses means that RTOs are losing people from these courses prior to completion reducing their organisations' profitability and reducing their ability and desire to run Certificate I or Certificate II programs. This in turn has an impact on the least educated and vulnerable job seekers as these are seen and used as pathways to further learning and job training, for example the Certificate II in Construction Pathways is a pre-apprenticeship course and often the precursor for the Certificate III in construction which is the apprenticeship course.

Many RTOs have expressed their frustrations with this process with one RTO Managing Director stating:

“For many years Certificate II or pre-employment programs were highly sought-after programs for those responsible for case-managing unemployed clients. But the current system actually drives clients away from or literally out of these programs. I have seen clients have their Centrelink payments cut for refusing to leave a Certificate II course and start work for the dole, and this in my opinion, is one of the core reasons we are seeing this downward pressure on the uptake in these programs and a drop in young apprentices as a result... There are many opportunities for apprenticeships out there, but the sad reality is there has been a steep decline in the push for pre-employment solutions and pathways into trade areas.” - Andrew Park, Fusion Training Solutions

Below is an outline of the experience of one vulnerable jobseeker and the systemic interaction between the Department of Employment policies, Department of Social Services compliance requirements, Job Active Provider procedures and Registered Training Organisations which on a national scale has the potential to conservatively cost the Department of Human Services alone, millions per year.

Case Study: Dani's Story

Dani* is in her mid-20's and has suffered from long term mental ill health and narcotics abuse with past interactions with the criminal justice and child protection systems. Dani was on Centrelink payments, was being assisted by a Job Active provider and lived previously in social housing.

Dani decided to get her life back on track after a period of significant mental ill health and began a Certificate II in Construction Pathways through a small registered training organisation (RTO) in the Illawarra region of NSW. Despite having times of homelessness and continuing mental ill health, Dani consistently attended classes and even began doing volunteer construction projects with local nonprofit organisations.

Dani completed this certificate and felt that this training had not only given her new skills but a new self-confidence and self-worth. Because of this, Dani went on to enrol in a second course, a Certificate II in Cleaning Operations through the same RTO.

Six weeks before this course was to be completed, Dani's Annual Activity Date occurred meaning that she entered what is commonly known as the Work for the Dole (WftD) Phase with her Job Active Provider. Dani was asked to a meeting and told that despite being very close to completing the course and having a job lined up at completion, she was to cease attending this course and was to begin a WftD program the following week. Dani then went and spoke to the Manager of the RTO

and was assured that the program was compliant and fulfilled the need to complete 25 hours per week and therefore this meant that Dani was able to continue the course in this phase as she was enrolled and began the course prior to her annual activity date.

Following the RTO's advice, Dani did not begin the WftD program the following week and she continued to attend her course. She was then breached by the Job Active Provider and had her Centrelink payments suspended. Dani then went in to speak to her Job Active provider and their manager who told her that her course was not compliant with Centrelink requirements and that therefore meant she must attend the work for the dole program before her payments would be reinstated. Quite emotional, angry and confused, Dani left her provider's office and contacted Centrelink directly and after explaining the situation was told that the program would comply with their needs and as far as they were concerned, she was able to complete the course, even in this phase.

Dani had now been breached for over a week, was already behind in several bills and was one day away from needing to pay rent. This was particularly significant for Dani as she had just transitioned from social housing into the private rental market. Dani went back into her Job Active provider to try and resolve this issue and after waiting over an hour, was confronted with an Agreement and was told that if she signed the Agreement to cease her Certificate II and commence the WftD program, they would undo the breach and her payments would then be made the following week.

Dani refused to sign this and was very emotional as she knew what completing this program meant for her not only in terms of the job but for her own self-worth.

Following the weekend, Dani went to another meeting with the Jobactive provider where she was told that they would make an exception for her and she could complete her course despite being in this phase and that her breach would be lifted.

Dani went on to complete this program and gained a job with an industrial cleaning company.

According to the Commonwealth Department of Employment, Dani was within her rights to continue in her course despite entering the WftD Phase:

"Where a job seeker has already commenced in another approved activity prior to entering the Work for the Dole Phase, they can use participation in that activity to contribute towards their Annual Activity Requirement. In order for a job seeker's participation in part-time or full-time study or training to count towards meeting their Annual Activity Requirement, the study or training must meet approved short-course conditions (i.e. 12 months (two semesters) or less in duration and not a Masters or Doctorate course) and be:

- a Certificate III course or higher; or
- a Certificate I or II course commenced but not yet completed when the job seeker moves into the Work for the Dole Phase. For these courses, any hours completed once a job seeker enters the Work for the Dole Phase will count towards a job seeker's Annual Activity Requirement" - *Work Experience and Activities Team, Job Seeker Activation and Cluster Support Branch, Activation and Work for the Dole Group - Department of Employment.*

In spite of this, Job Active Providers continue to have strict internal policies that force people out of Certificate I and Certificate II training programs in order for them to complete WftD programs.

The flow on impacts of this have wider implications across the government and non-government sector with one such implication outlined below.

Housing Providers

The impact of the conflict that pulling people from courses can create often, as in the case above, results in Job Active Providers breaching individuals, therefore putting their Centrelink payments on hold or causing people to lose a portion of their payments entirely.

Breaches can be made on the following grounds:

- Non-attendance failure: payment will restart when the client attends a new appointment with their provider, where needed. If they get a non-attendance failure, they may not be fully back paid.
- Connection failure: client payments are restarted once reconnection requirements are met.
- Reconnection failure: clients may lose some or all of their payment until they meet their requirements.
- No show, no pay failure: This may mean clients lose a day's payment for each day they fail to meet their requirements.
- Serious failure: Clients may get a serious failure if they don't accept a job offer or don't start work that they have accepted. A serious failure means payments will be suspended for 8 weeks. During this time, payment may start again if the client agrees to do a compliance activity. – *Department of Human Services.*

In Dani's case, she was breached with a connection failure. This meant that she did not receive payments for 15 days and was unable to pay her rent for two weeks. However, Dani could have been breached under a serious failure and would have not received payments for 8 weeks.

As it was, Dani was in rental arrears by two weeks by the time her payments were reinstated. Dani had recently transitioned from social housing to the private rental market however she was still being supported by a NSW Department of Family and Community Services (FACS) housing support officer. This meant that FACS was then involved in a process to resolve the rental arrears with her new private tenancy potentially in jeopardy. Had Dani still been living in social housing, her two weeks rental arrears would have still resulted in a process which would have put her tenancy in jeopardy.

*The name has been changes to protect the identity of the individual.

Ongoing Implications

Dani's story is not unique, every day vulnerable people are missing out on opportunities because of the interplay of Commonwealth and State government policy and internal non-government organisation procedures. The flow on effects of this can be felt not only in the areas explored above but also:

- by teens and adults who are forced to do WftD programs instead of finishing qualifications that increase their ability to get a job therefore reducing their job prospects for the future which can significantly impact their self-confidence and self-efficacy;
- by small businesses who can't access skilled apprentices;

- by the social services system which must continue to support these individuals into the future as they do not have the skills or confidence to gain meaningful employment.

Most single people on Newstart Allowance are entitled to \$535.60 per fortnight or \$13,925.60 per year, which means that if someone were to gain full time employment and no longer needed to claim this entitlement. If you also add the savings from rental assistance as well as the tax benefits from the income earned by the individual, there are significant incentives for empowering, upskilling and encouraging people into employment, especially those who are vulnerable, long term unemployed or from families of intergenerational unemployment.

Table 1 and 2 below explore the costs* associated with 24 months for a single individual on two alternative trajectories using the Dani case study as the example. It looks at Dani’s trajectory from the commencement of the Certificate II program with Table 1 exploring completing the program and taking on the job, and Table 2 exploring entering the Work for the Dole Program.

Net cost to government in Trajectory 1 over this 24-month period, using this very basic calculation is \$6,643.60 whereas Trajectory 2 over the same time period is \$37,064.80. This clearly shows the benefit of having an individual empowered into employment as Trajectory 1 saves the government \$30,421.

Table 1: Trajectory 1- Certificate II in Cleaning Operations

	Cost to government	Income for government	Income for Individual
Certificate course costs	\$1,400	-	-
Newstart Allowance for duration of course and two weeks post prior to commencement of employment (40 weeks)	\$10,712	-	\$10,712
Rental assistance for 40 weeks (single, sharer)	\$1,762.60	-	\$1,762.60
Income from new position in Cleaning Operations (\$800 per week over 64 weeks)	-	\$7,232.00 (\$113 tax per week)	\$51,200.00
Total	\$13,874.60	\$7,232.00	\$63,674.60

Table 2: Trajectory 2 – Compliance with WftD phase as dictated by the Jobactive provider

	Cost to government	Income for government	Income for Individual
Certificate course costs (60% payments only to RTO)	\$840	-	-
Newstart Allowance for duration of course and ongoing during WftD phase	\$27,851.20	-	\$27,851.20
Rental assistance for 104 weeks (single, sharer)	\$6,874.40	-	\$6,874.40

Cost of WftD program (assuming single place cost of \$1000 with travel subsidy of \$20.80 per week for 24 weeks)	\$1,499.20	-	\$499.20
Total	\$37,064.80	-	\$35,224.80

* data based on Centrelink, Department of Educations and Training and Department of Employment websites

A Department of Employment report shows that those who complete WftD programs have a 2% increase in the probability of job seekers having a job placement where studies have shown that those who engage in further education, even at a Certificate II level have between an 8% and 17% increase in the probability of having a job placement or continuing to further study which results in a job placement. Further, TAFE NSW reports that Certificate II graduates earn an income on average of \$44,200.

As the systems in play are national, the negative impacts on the vulnerable job seeker community are on a similar scale, this systemic barrier to empowering individuals for employment has the potential to cost the government hundreds of millions of dollars that could otherwise be spent in other areas. In 2016, a Senate Estimates hearing heard that 52,000 people participated in a WftD program over a 6-month period. Although there is no way of knowing how many people were in situations like Dani's, if even 10% of this number were, the potential costs savings over a 6-month period, just from the simple factors above would be \$158.2million

Addressing the systemic barriers to people gaining employment not only creates economic benefits for the Government and the individuals, but creates significant levels of positive social outcomes for individuals including self-confidence, empowerment, independence and self-reliance that then benefits families and wider communities.