



OBLIGATION WITHOUT OPPORTUNITY

Issues in employment services



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About this paper

As Australia moves from pandemic to recovery, work has become a key indicator of how we are rebounding. The narrative has been one of success. Many commentators have been pointing to our strong recovery and low unemployment rate, and in recent months, both the Government and Opposition have signalled a move towards a strategy of full employment.

But there's something missing from this story. As of July 2022, there are over a million Australians on job seeking payments – more than before the pandemic first struck. Some have simply stopped looking work, and are no longer counted as part of the official unemployment figures.

For years, the Australian Government has pursued a confounding strategy with regard to these jobseekers. They have been forced to run a gauntlet of activities and obligations, subject to breaches and payment suspensions, and pursued relentlessly for small and relatively insignificant debts in order to 'maintain integrity in the system.' At the same time, large for-profit employment service providers have been continued to be paid enormous amounts of public funds in spite of their repeated, careless errors and poor outcomes. Put simply, the system funds employment service providers to harm vulnerable people while failing to deliver outcomes.

Workforce Australia is the current iteration of this system, a network of privatised employment services agencies contracted to support job seekers into work. In spite of the billions of dollars invested in them, privatised employment services in Australia have repeatedly shown to be entirely unfit for purpose,¹ failing those who need the most help.² This is the model that the new Government has inherited, and ahead of the upcoming Jobs and Skills Summit, Anglicare Australia is releasing this issues paper to prompt a re-think of this approach.

In this paper, we highlight three concerns with the current system:

- » It is failing to place people in work
- » It is rampant with errors; and
- » It is open to abuse.

Our hope is that we can work with the new Government to address these issues. The regime of punishment and compliance that has grown up around the current system should be replaced with a system that is tailored and person-centred. Using the principles of human centred design it should look more like the system that those seeking work want, with less busywork and more genuine support, including support to turn jobs into lasting opportunities. People's efforts should be valued and enabled by a system that is designed to truly help them, instead of punishing them. It is time to overhaul the system and realise that vision.

Part I: Issues in employment services

Ineffective, costly and cruel

Employment services have been constantly growing and evolving since the Howard Government first introduced the Job Network. The current system, Workforce Australia, was developed by the previous Morrison Government and inherited by the current Albanese Government in July 2022. The system's architecture is based on job seeking activities, mutual obligations, and breaches for non-compliance which providers are paid to administer. The new system enacted in July introduced a digital portal and more automated services for some job seekers, eliminating the need for an employment services provider for the most work-ready job seekers. In spite of the digital portal, there remain many opportunities for for-profit providers to generate revenue streams through administering breaches and obligations.

Anglicare Australia notes that the pandemic saw the former Government spend staggering amounts in payments to providers for 'job placements' that were already being guaranteed by the Australian Government's JobKeeper payment.³ This highlights the power of the industry, and the willingness of Government to support providers to generate income and provide them with revenue streams. The for-profit employment service sector is now a multi-billion dollar industry.

A system that fails to help people find work

Anglicare Australia's research shows that the employment services system is not delivering for those facing the greatest barriers to work – for example people who may not have qualifications or experience to draw on, those trying to re-enter the workforce after a long break, or those living in regional or remote areas. Our annual Jobs Availability Snapshot, released in October 2021, shows a grave situation for people facing these barriers to work. In spite all of the changes to the workforce over the past year, the number of people with barriers to work has barely budged.

Even with a resurgence in the number job vacancies, people with the greatest barriers to work aren't getting them. The unemployment rate isn't low because everyone who wants a job has one. Instead, those who are long-term unemployed are giving up on looking for work and dropping out of the workforce entirely. Others are technically employed, but are working zero hours each week. The number of people in the labour force is dropping, and rates of underemployment remain high.

Despite a decrease in the official unemployment rate over the last decade, evidence suggests that the mutual obligation regime does little to help people. Government data shows that those in the greatest need of support from employment services are those facing the greatest competition

for work.⁴ This is backed by academic research which shows that people are actually likely to be unemployed longer if they are subject to mutual obligation activities or Work for the Dole, and if they participate in employment services.⁵

Government and parliamentary reviews have also shown that programs such as youth internship programs,⁶ Work for the Dole,⁷ and the Community Development Program⁸ are failing to place people in work. Research also suggests that employment services have been failing in its aims for years, with a recent parliamentary inquiry reporting that “participants are gaining employment in spite of [the system], not because of it.”⁹

This is likely because the causes of unemployment tend to be structural, and much deeper than the factors that Workforce Australia was established to solve. Anglicare Australia’s Jobs Availability Snapshot has found that people in the highest needs category for support stay in the employment services system for an average of five years.¹⁰ This is well beyond the definition of long-term unemployment, which is twelve months.¹¹ Those unemployed for five or more years are much less likely ever to find work again.¹² The number of people in this category has been trending upwards as a proportion of the employment services caseload.¹³ The rate of long-term unemployment has almost doubled over the past ten years, while the proportion of unemployed people who are long-term unemployed continues to climb. The growth in long-term unemployment has been universal, affecting all demographics,¹⁴ although it is notable that many people in this cohort are people with disabilities and older Australians.

Anglicare Australia’s research also shows that entry-level jobs, which are best suited to those with barriers to work, have been slowly disappearing and becoming harder to compete for. These entry level roles made up 13.5 percent of all vacancies in July 2022, compared to 22 percent when records began in January 2006. In 2021, there were 27 job seekers for every entry-level job.¹⁵

Job seekers themselves understand the futility of this equation. A recent survey from Anglicare Australia showed that in spite of a high level of compliance with Centrelink obligations and jobseeking activities, many respondents did not consider these activities to be useful in helping them find work (Table 1).

Table 1. Attitudes to mutual obligations

	My activities are helping me find paid work	My activities are tailored to my situation	My activities stop me from doing things I find meaningful	My activities feel pointless	I find it easy to engage with the system	I am getting the support I need to find paid work	I am confident that I will find paid work
Strongly Agree	3%	9%	12%	34%	3%	5%	20%
Agree	8%	10%	44%	45%	9%	8%	18%
Neutral	19%	31%	25%	12%	3%	2%	27%
Disagree	33%	31%	16%	6%	48%	49%	25%
Strongly Disagree	37%	19%	3%	3%	37%	36%	10%

Question: Rate your agreement with these statements. You can skip any that don't apply to you

When asked about their attitudes to their obligations, very few respondents agreed that their activities were helping them find paid work (11 percent), that their activities and obligations were tailored to their needs (19 percent), or that they were getting the support they needed to find work (13 percent). Responses to the latter were particularly damning, with a staggering 85 percent of respondents disagreeing with the statement that Centrelink is supporting them to find work. This includes 36 percent of respondents who strongly disagreed.

Overall, participants in our study were not positive about their prospects for finding paid work in the future. 35 percent of survey respondents disagreed that they would find paid work again, and 27 percent gave neutral responses. 38 percent believed that they would find paid work in the future. These responses were influenced by the age of respondents. Respondents aged 45 and over were significantly more likely to be pessimistic about their future work prospects, disagreeing with the statement that they will find paid work (52 percent) compared to those aged 44 and under (15 percent). Those aged 18 to 35 were the most likely to agree that they will find paid work.

These sentiments were echoed by interviews conducted with Anglicare Australia staff and clients, who also commented on the ability of both Centrelink and employment service providers to deal realistically with people with mental health and trauma issues and the usefulness of many activity requirements, such as short courses. One told us that:

The requirements of these job networks where people get these certificates which they never use. They bring in folders of them because it's a requirement for their Centrelink payments. They have to do this course and this course. They say I can't do anymore because I'm not getting a job. It's a revolving door, they are trapped.

Our survey shows that people’s experiences of their obligations, and to the system itself, were overwhelmingly negative. 79 percent believed that their Centrelink activities are pointless, while 56 percent thought these obligations prevent them from participating in more meaningful activities. Just 12 percent found the system easy interact with. In spite of this, as Table 2 shows, the overwhelming majority of people we surveyed told us they want to do activities that lead to work (75 percent). This result is a damning indictment on the failure of employment services to provide meaningful support and useful activities.

Table 2. Usefulness of activities and obligations

	I am willing to do Centrelink activities that are fair	I am willing to do Centrelink activities that help me find paid work
Strongly Agree	36%	37%
Agree	38%	38%
Neutral	14%	17%
Disagree	6%	3%
Strongly Disagree	6%	5%

Question: Rate your agreement with these statements

A system that promotes errors

In a perverse set of decisions, for-profit providers have been entrusted with the responsibility to issue breaches and penalties in order to give them a new funding stream,¹⁶ because the new model has reduced their client pool with more people being placed in the online portal.

There is widespread evidence of system errors that penalise people who have not done anything wrong. Many are unfairly enduring a loss of income as a result of flawed systems by their providers. Some have reported being breached for missing appointments that had not even happened yet. Others were breached after providers refused to reschedule appointments that clashed with training, job interviews, or even casual work. The system routinely punishes people without due process, yet it has endless tolerance for mistake-prone providers. Those who bear the brunt of the system’s errors cannot afford to be breached, with the JobSeeker payment already well below the poverty line. The inaccuracy of this system, and the role providers play in errors, are of major concern to Anglicare Australia. People who have done nothing wrong are having their income support suspended because of administrative errors. Data reviewed by a recent Senate inquiry into employment services heard that the error rate for penalties was around 50 percent in 2016.¹⁷

In the years since this data was generated, it has become harder to judge the accuracy of breaches. This is because in 2018 the government restricted the power of Centrelink to overturn penalties and review the accuracy of breaches. This means that people who may have done nothing wrong are having their income support suspended, suddenly and without any warning, and with little recourse. Yet there are indications that the system remains rife with error. Of 744,884 participants in the system, 581,866 had their payments suspended by their provider in the 2020-21 financial year.¹⁸ More than one in five people who had their payments suspended were found not to be at fault. This is likely to be a conservative number, as there is limited public information for jobseekers on how to challenge a breach.

This is supported by Anglicare Australia’s recent survey, with many of our participants having incurred a debt (58 percent). This number appears to be large, but it is difficult to verify to whether it is an overrepresentation. Information is not published on the percentage of people who have incurred debts.

Table 3. Experience incurring debts

		(%) Participants
Incurred a debt	Yes	58%
	No	42%
Reason for debt <i>Base n = 358</i>	Client at fault	33%
	Centrelink or provider at fault	47%
	Not sure	20%

Questions: Have you ever incurred a Centrelink debt? Was the debt: 1. Because of an error Centrelink made; 2. Because of an error you made; or 3. Not sure

Worryingly, of those who had incurred a debt, nearly half (47 percent) believed it to be the result of an error on the part of their employment service provider or Centrelink. Another 20 percent were unsure who was at fault. This highlights a feature of Australia’s compliance framework that is unique by international standards – governments in other developed countries do not levy debts on people who have been overpaid through no fault of their own due to system errors, much less pay third parties to administer these breaches and levy these debts.¹⁹

People interviewed by Anglicare Australia described how a change in circumstances, difficulties in the regular reporting of income, errors on the part of Centrelink and miscommunications with providers meant they had acquired debts which then had to be repaid. Miscommunications were often the result of not reporting changed circumstances due to uncertainty about what the process was and how to navigate the system. Even when the error was the fault of their provider, people reported rarely getting an apology, leaving them to manage the consequences of system errors.

Debts may also be triggered by changed to eligibility, and this in turn can be the product of breaches and ‘demerit points.’ These breaches can also lead to payments being suspended. This regime is thought to be unreliable. For example, there have been reports of employment service providers breaching clients for failing to attend meetings that have never been scheduled, or scheduled without notice. Around one in three respondents (31 percent) have incurred such a breach while receiving payments (Table 10). Of those, nearly half have had their payments suspended as a result of being breached (54 percent).

Table 4. Experience with breaches and demerit points

		(%) Participants
Incurred a breach	Yes	31%
	No	69%
Breach led to a suspension <i>Base n = 358</i>	Yes	54%
	No	46%

Questions: Have you ever been breached by Centrelink? Did that breach lead to your payments being suspended or cut-off?

Only a third of those who had been breached agreed that they had been given enough warning before Centrelink took action (34 percent), and fewer still agreed that they had been given a clear, fair reason for the suspension (28 percent). Less than a quarter believed they had an opportunity to show that they had done nothing wrong (24 percent). Most respondents reported that they had to turn to charity or personal connections for help as a result of having their payments suspended (54 percent). Very few believed that being breached made it more likely that they would find work (9 percent), and an overwhelming majority rejected this statement (69 percent).

Table 5. Experience with breaches and demerit points

	I was given a clear explanation for the breach and the reasons were fair	I was given enough warning before Centrelink took action	I was given enough warning before my payments were affected	I was given a chance to show that I hadn't done anything wrong	Being breached has made me feel pressured to get off Centrelink payments	Being breached has made it more likely that I will find paid work	Being breached meant I had to turn to family, friends, or charity for help
Yes	28%	34%	42%	24%	38%	9%	54%
No	62%	49%	45%	73%	37%	69%	46%
Not sure	10%	17%	13%	3%	25%	22%	0%

Question: Do you agree with these statements? You can skip any that don't apply to you

In light of these findings, it is staggering that the Workforce Australia system continues to allow providers issue rigid penalties, such as payment suspensions and cancellations, without review. It does not provide any new recourse, punishment, or penalty for providers who continually abuse this power or issue incorrect penalties carelessly. This is a major failure to learn the lessons of the previous JobActive regime.

Years of research and experience have shown that breaching someone does not help them gain a job. Yet paying for-profit providers to administer these breaches in order to give them a funding stream all but invites abuse of the system.

A system open to exploitation

Despite some minor improvements, many of the worst features of the old JobActive system remain. Billions of dollars' worth of new contracts to support this scheme were signed by the Coalition just months before it lost government. The new Workforce Australia model is ostensibly based on the work of the Employment Services Expert Panel, which collected evidence from service providers, users, peak bodies and labour market experts. Yet the model only cherry-picks from the Panel's recommendations, ignoring calls to favour specialist and locally-based providers over for-profits, end excessive compliance and penalties for people, and end avenues for exploitation of the system.

Under new terms being kept by Labor, the notorious Work for the Dole program will remain. So will other mandatory activities, such as Employability Skills Training (EST) for younger jobseekers or Career Transition Assistance (CTA) for those aged over 45. When job network providers offer these services for people receiving welfare payments, like JobSeeker or Parenting Payment, they are paid additional fees. For example, every unemployed person placed in a Work for the Dole program earns the job provider a \$500 placement fee. PaTH internships and National Work Experience Program placements are worth \$1000 to a job provider. Participants referred for EST are either partly or fully funded with public funding at \$1250 each, with a \$250 placement fee to the job network provider. CTA fees are between \$1800 and \$2250, fully funded by the government.

All of this promotes churn, and the design of the system all but invites abuse. As the Australian Human Rights Commission has noted, services can 'cream' and 'park' clients based on what is profitable for them.²⁰ Creaming refers to provider behaviour that prioritises attention for clients with fewer barriers, and who are easier and cheaper to move into employment. Parking is behaviour that

deliberately neglects giving time, energy or resources to clients with more barriers. This is because it requires considerable, and usually expensive, support to assist them into work.²¹ This highlights how open the system is to abuse, incentivising providers to provide a minimal and substandard service.

In many cases, providers profit by simply doing nothing. Job seekers who successfully find work for themselves, get themselves work-ready in spite of the system, and do this while complying with their obligations, are highly profitable for providers. Providers are paid for holding appointments with the job seeker and having them on their caseload. They are then also paid bonuses when the person finds work, regardless of the role they played in that process.

Another aspect of the system open to exploitation is training. Under current Workforce Australia contracts, there are various ways job agencies can claim payments from the taxpayer for referring jobseekers into courses, including those run by the same company or a related entity. These include outcome payments for when a jobseeker completes an eligible course, while in some cases job agencies can claim the cost of the course through a reimbursement pool of funds. There is almost no quality assurance on these courses. According to recent media reports, one job agency claimed more than \$100,000 by referring jobseekers to its own online short courses, which included topics such as “body language” and “making decisions.” Anglicare Australia’s own research and interviews shows that many of these courses are unhelpful and in many cases pointless.²²

This kind of short-term training does not secure people work or ensure there are jobs available for them. Tellingly, The Brotherhood of St Laurence found that young people struggling to get into the workforce are not being well-served by training unlinked to viable job opportunities, with 20 percent of young job seekers they studied having completed three or more courses in the last five years.²³ Instead of linking training and work experience to a real job placement, training has simply become another income stream for providers.

The system must exist to support people who are out of work to achieve their goals, rather than to create artificial pathways for providers to generate profits.

Part II: Recommended Actions

Integrity in employment services

Anglicare Australia recommends the immediate removal of breach powers from private employment service providers, returning them to Services Australia. If the Government believes this cannot be done under current contractual arrangements, then it must create real, financial consequences for providers who issue incorrect breaches, wrongly suspend payments, and fail to advise clients of their rights to appeal decisions and change providers. It must also play a more active role in which training programs can be reimbursed based on areas of actual need and employer demand, and undertake regular quality assurance of the courses jobseekers are being directed to take.

In the longer-term, the Government must end its dependence on for-profit providers once the current round of contracts expires.

Abandon mutual obligations and develop a tailored system

Activity requirements for people out of work in Australia are among the strictest and most punitive in the world. These obligations include searching for up to twenty jobs a month, participation in courses or programs, and for some people, Work for the Dole. If these obligations are judged not to be met, people's payments can be suspended, leaving them without income.

With so few jobs available or attainable for people with barriers to employment, mutual obligation requirements are pointless and demoralising for job seekers. People are being forced to submit applications for jobs they will never get, or participate in training that will do little to improve their job prospects.

Overwhelmingly, participants in this study did not believe that their obligations were tailored to their needs (just 19 percent agreed), or that they were being given the support they need to find work. Even fewer (11 percent) believed that these activities were helping them find paid work. A large number thought their activities and obligations were pointless (79 percent), and a majority saw them as obstacles preventing them from finding work or participating in more meaningful activities (56 percent).

People subject to mutual obligations search just as intensively for jobs, but take longer to find employment and are less likely to be employed twelve months later. Even for those who do manage to find work, after one year they are in lower quality jobs in terms of hourly wage, hours worked and weekly wage, than other Australians who had not been subject to mutual obligations.

The regime of punishment and compliance that has grown up around the current Jobactive system should be replaced with a system that is tailored and person-centred. It should look more like the system that job seekers want, with less busywork and more genuine support, including support to turn jobs into lasting opportunities.

Make employment services voluntary

Initial feedback from the Workforce Australia rollout shows it is adding an extra layer of automation that risks a harsher, less flexible, and less person-centred system of mutual obligations.

Over the last two decades successive governments have subjected people to more and more rigid and arbitrary punishments. At the same time, increasingly large amounts of money have been paid to employment service providers. This is a failing strategy, with the rate of long-term unemployment continuing to grow.

Employment services simply aren't working. People should not be forced to participate in this failing system, and Anglicare Australia recommends an end to compulsory participation. Those who do choose to seek support from employment services should be assured of regulatory oversight through a third-party independent body. This body should also provide advocacy for the people who choose to engage with the sector. The system must also be redesigned to include penalties and consequences for providers who show patterns of recklessly breaching their clients.

Conclusion

As we move into the next phase of our recovery, it is clear that the workforce is leaving many people behind. The recovery is being driven by the most employable jobseekers taking the most easily available jobs. Those with barriers to work are still without job.

Many commentators are focusing on the positives. The caseload in employment services has declined. In spite of this, the number of job seekers with barriers to work has barely budged. Those who need the most help to find work, and those who are long-term unemployed, are not benefitting from the recovery in the labour force.

Our research shows that instead of helping them, the system commodifies them.

People are stuck on payments below the poverty line that are being delivered by a flawed system that assumes the worst of them. This regime has been littered with reporting, meetings, and even government-directed labour. At the same time it has become more and more difficult for people who are out of work to get real help. The irony is that while adopting the language of 'mutual' obligation, the system has focused on increasing the obligations on people while reducing the support it offers them.

Reimagining this system is a challenge, but as this paper shows, it also an opportunity to rethink our approaches. We must redesign our systems to put the needs of people, not the profitability of providers, at the centre.

As we approach the new Government's highly anticipated Jobs and Skills Summit, our hope is that they will work with us, and with people caught up in the system, to reimagine how it looks and what it can achieve.

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