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FIGHTING INEQUALITY IN AUSTRALIA

MUTUAL OBLIGATION AFTER COVID-19: THE WORK FOR THE DOLE TIME BOMB

A PER CAPITA DISCUSSION PAPER

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About Per Capita

Per Capita is an independent progressive think tank, dedicated to fighting inequality in Australia. We work to build a new vision for Australia based on fairness, shared prosperity, community and social justice.

Our research is rigorous, evidence-based and long-term in its outlook. We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy.

Our audience is the interested public, not just experts and policy makers. We engage all Australians who want to see rigorous thinking and evidence-based analysis applied to the issues facing our country's future.

About the author

Simone Casey is a Research Associate at Per Capita, with a diverse portfolio of responsibilities including unemployment, mutual obligation, social security, tax transfers, workforce participation, and the structural discrimination perpetuating the social and economic inequality of women and people with disabilities. She has been extensively involved in policy initiatives relating to welfare reform, unemployment, and employment services.

In May 2018 Simone was awarded a PhD on the topic of 'Resistance in Employment Services' which was a critique of social policy relevant to the political economy of welfare redistribution and public policy governance. Her priorities at Per Capita include reform of employment services.

Executive Summary

During the economic lockdown that was instituted during the COVID-19 pandemic, 'mutual obligation' requirements for people in receipt of unemployment benefits were suspended. For three months, unemployed people were exempt from the usual requirements to look for work, attend appointments with *jobactive* providers, and engage in other compulsory activities. From 9 June 2020, these mutual obligation requirements were re-introduced in a phased approach.

In this discussion paper we argue that we cannot return to the system of mutual obligation that was in place before the lockdown. The current mutual obligation framework is inflexible and ineffective: a return to this system would impose strict job search requirements that are unreasonable in a labour market where competition for jobs will be fierce. It also currently imposes a requirement that unemployed people undertake Work for the Dole once they have been unemployed for 12 months and after that once for every six months of unemployment that follows.

Current labour market data indicate that there are already 1.6 million people on the *JobSeeker* payment.[1] With the economic recovery expected to proceed slowly over coming months, it is feasible to expect that there could be as many as one million people remaining on the payment even after COVID-19 related restrictions are lifted.

Our conservative calculation suggests that, in a year's time, a quarter of those will be required to undertake Work for the Dole under the Mutual Obligation system currently in place. The cost to Government of these additional Work for the Dole placements would be $22 million[2] on top of the averaged six-monthly $300 administration fee jobactive agencies will receive for the one million unemployed people enrolled on their books.[3]

This time bomb will cost the Australian taxpayer $322 million and some of this will be on top of the already allocated $1.3 billion annual *jobactive* appropriation. But the benefit of this expenditure is doubtful because Work for the Dole reduces work availability and causes harm to people who are already suffering from unemployment related poverty and financial stress. Numerous studies have shown that Work for the Dole does not significantly improve the chance of getting a job.[4] There are also significant concerns about the safety of people participating in Work for the Dole, who do not have the same protections as 'workers' under industrial relations legislation.[5]

Instead of a return to existing requirements, we recommend that the current system of mutual obligation should be adjusted to be proportionate and personalised to individual circumstances and work history. This means developing individualised Job Plans comprising a range of elements that reflect life trajectory and vocational goals. Per Capita is concerned that the current *jobactive* system no longer has the

[1] https://parlinfo.aph.gov.au/parlInfo/download/committees/commsen/b913893e-51b9-402e-ab95-3de8f4bb58b5/toc_pdf/Senate%20Select%20Committee%20on%20COVID-19_2020_06_02_7747.pdf;fileType=application%2Fpdf#search=%22committees/commsen/b913893e-51b9-402e-ab95-3de8f4bb58b5/0000%22

[2] We have calculated this number based on an estimate of 22 per cent of 1 million unemployed people being required to do Work for the Dole.

[3] See page 18 for the detailed methodology for this calculation

[4] Borland & Tseng, 2004 https://minerva-access.unimelb.edu.au/handle/11343/33797

[5] https://www.employment.gov.au/evaluation-work-dole-2014-15

capability to do this well and we have already called for an urgent review of the employment services system.[6]

Our key recommendation is that Work for the Dole be disbanded and replaced with a genuine work experience program for people experiencing long term unemployment. A work experience program could be established through community economic regeneration grants for job creation projects.

List of recommendations

1) Disband Work for the Dole and replace it with a genuine work experience program for people experiencing long term unemployment
2) Review mutual obligation requirements so that they can be personalised according to each unemployed worker's individual circumstances and work history
3) Introduce job search requirements that are proportionate to labour market conditions
4) Ensure that points-based activation is flexible and fair under the New Employment Services Model
5) Fund genuine job creation and skills development activities in areas, communities, and industries hit hard by the COVID-19 economic shock
6) Provide a "Youth Guarantee" to young unemployed people,[7] and similar measures to support older unemployed people who are at risk of long-term unemployment
7) Investigate job service provider errors in Social Security Law decision-making and introduce process improvements

[6] https://percapita.org.au/our_work/redesigning-employment-services-after-covid-19/
[7] https://percapita.org.au/our_work/coming-of-age-in-a-crisis-young-workers-covid-19-and-the-youth-guarantee/

Introduction

This discussion paper is intended to inform debate about the role of 'mutual obligation' in Australia's employment services system as the economic shock resulting from the COVID-19 pandemic sees the numbers of people experiencing unemployment swell.

It is widely anticipated that a full economic recovery will take years rather than months, and that a significant proportion of those who have been let go from their jobs or had their hours of work reduced during the pandemic will find it hard to obtain secure, ongoing employment as the economy reopens. Economists expect a prolonged period of relatively high un- and under-employment to follow the COVID-19 economic shutdown: some expect unemployment to remain at over 10 per cent for at least two years, while the extent of underemployment is likely to grow and persist. Youth unemployment and underemployment is expected to be particularly problematic.

During the economic lock-down instituted in March, mutual obligation requirements for people in receipt of unemployment benefits were suspended. For three months, unemployed people were exempt from the usual requirements to look for work, attend appointments with *jobactive* providers, and engage in other compulsory activities while receiving the *JobSeeke*r payment and the temporary 'coronavirus supplement' of A$550 per fortnight.

Mutual obligation requirements recommenced on Tuesday 9 June. From that day on, all those in receipt of *JobSeeker* have been required to abide by limited mutual obligation requirements in order to continue to receive these benefits, even though the coronavirus supplement is currently not scheduled to end until September 2020.

Mutual obligation requirements are a core feature of Australia's privatised employment services system, but there are inherent weaknesses in their design that are likely to hamper the ability of unemployed people to find work in a depressed labour market. These weaknesses include the incentives built into the contracts between government and private employment services providers, as outlined in our companion discussion paper released in April 2020,[8] as well as a lack of investment in demand side initiatives that can provide real work experience and a pathway to employment. Further, the implementation of mutual obligation requirements, especially the controversial 'Work for the Dole' program, incurs significant costs to government, while failing to measurably improve the prospects of most participants of finding work.

The analysis that follows outlines the nature of the mutual obligation framework in place in Australia today, and demonstrates why that framework is likely to be ineffective in addressing the challenge of achieving full employment in the wake of COVID-19. It also highlights the potential for further harm to individuals engaged in the *jobactive* system who are required to comply with mutual obligation in a severely depressed labour market, with a special focus on Work for the Dole.

The paper concludes with recommendations for reform of the mutual obligation framework. We argue that it is time to review the system so that it is fair and effective, and to ensure that government expenditure on labour market programs achieves the aim of helping people get jobs. Investment is needed to resource job creation in communities hit hard by the COVID-19 economic shock and to allow for true skills development rather than a recommencement of Work for the Dole.

[8] https://percapita.org.au/our_work/redesigning-employment-services-after-covid-19/

What is mutual obligation?

Most governments that distribute social security payments require recipients to meet certain conditions to remain eligible for those payments. This is known as 'welfare conditionality'. In Australia, we use the term 'mutual obligation' to describe the activities people receiving social security payments as a result of being unemployed must complete in order to keep receiving those payments.

As currently defined in the Guide to Social Security:

> *Mutual obligation requirements are designed to ensure that unemployed people receiving activity tested income support payments are actively looking for work and are participating in activities that will help them into employment.*[9]

Such requirements are sometimes alternately known as 'activity requirements', 'the activity test', or simply 'activation'. The term 'mutual obligation' has been used since the 2000 McClure review[10] and is intended to evoke a sense of reciprocity of obligation between unemployed people, employment services agencies, the government, the business sector, and civil society.

While Work for the Dole is perhaps the most well-known example, Australia's Social Security Law includes a number of complex mutual obligation requirements for unemployed people. These requirements are determined by the Secretary of the Department of Employment according to legislative instruments or are prescribed through the guidelines that employment services providers are directed to implement. In general, the first mutual obligation is met by participating in the employment services system: that is, there is a requirement for unemployed people to attend appointments with *jobactive*, Disability, or *ParentsNext* employment services providers.

While various government-funded employment programs include mutual obligations (or conditions), this discussion paper focuses mainly on those within the *jobactive* system, which is the largest of these programs both in terms of expenditure and of the numbers of unemployed people who are required to enrol with them. Before COVID-19, mutual obligations in *jobactive* involved attending appointments with providers face-to-face, providing proof of up to 20 job applications per month, and participating in activities such as Work for the Dole. Some of these requirements were suspended or reduced during the economic shut-down caused by the COVID-19 pandemic, but they have recommenced as of 9 June 2020.[11]

Since July 2018, a document called the Targeted Compliance Framework (TCF) has been used to assess whether job seekers should be penalised when they do not meet a mutual obligation. The stated aim of the TCF is to encourage job seekers to meet their mutual obligation requirements and stay connected with employment services. Failure to do so results in a payment suspension and a 'demerit point'. If a job seeker accrues enough demerit points, they may incur stronger financial penalties.[12]

When an unemployed person first attends an appointment with an employment services agency, providers are required to give them a Job Plan. From a legal point of view, the Job Plan provides notification under

[9] https://guides.dss.gov.au/guide-social-security-law/3/11
[10] McClure (2000)
[11] https://jobsearch.gov.au/covid-19-information
[12] http://www.nssrn.org.au/social-security-rights-review/social-security-rights-and-the-targeted-compliance-framework/

Social Security Law of what unemployed people are required to do to keep receiving unemployment benefits. The Job Plan contains a warning about the consequences of not complying with those requirements. Signing a Job Plan is a compulsory condition for receiving unemployment benefits from the Commonwealth.

Australian Government

Australian Government
Department of Human Services
centrelink

jobactive

Job Plan

I understand that my primary goal is to gain and maintain employment. I am aware that I have mutual obligation requirements that I must undertake in return for receiving income support payments. These include undertaking job search and/or other activities as specified in this plan that will assist me in finding and keeping a job, as well as attending appointments, job interviews and accepting any offer of a suitable job. I am aware that if I can't attend my appointments, activities or job interviews I must contact my provider (or the Department of Human Services, if I don't have a provider) before the appointment, activity or job interview is scheduled to occur.

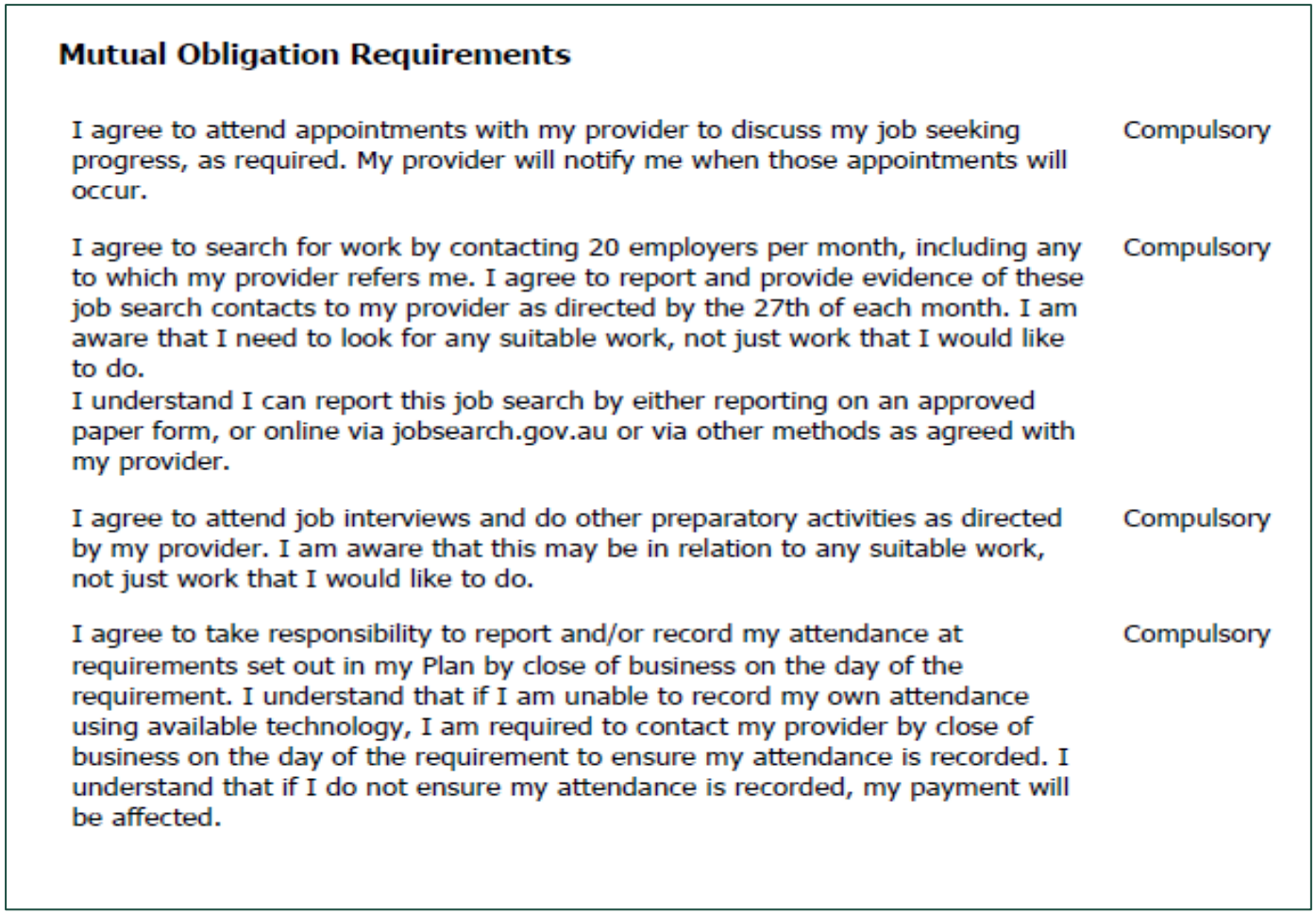
I understand that if I don't comply with my mutual obligation requirements, including those as set out in the items marked as compulsory below, my income support payments will be suspended. If I persistently fail to comply with my requirements, I understand my income support payments may be reduced or cancelled.

Figure 1: Social Security Law notification from an actual Job Plan

Under Social Security Law the Job Plan is supposed to be negotiated between the employment services agency and the unemployed person seeking income support and assistance to find work. However, the legislation and the *jobactive* guidelines prescribe a minimum number of appointments and activities that people in receipt of unemployment benefits must complete. Because unemployed people are assigned to different 'streams' within the *jobactive system*, requirements vary between Job Plans according to the relevant stream, as well as by age and caring responsibilities. Unemployed people who sign up to digital employment services are required to sign a Job Plan that is pre-filled with default requirements such as those shown in Figure 2.

The Job Plan can also include activities that are relevant to the individual social or health needs of unemployed people, such as mental health counselling, allied health treatments, or treatment for drug or alcohol addiction. The Job Plan is supposed to be updated at every appointment with the *jobactive* provider, in order to reflect any change in the circumstances of the person seeking work.

In *jobactive*, providers are required to meet with unemployed people at least monthly, but they can and sometimes do insist on meeting more frequently. Providers record attendance at these appointments and can also require unemployed people to attend activities such as job search training. Unemployed people are required to report their own attendance at these appointments using the *jobactive* job seeker app or computers with access to MyGov.



Mutual Obligation Requirements

I agree to attend appointments with my provider to discuss my job seeking progress, as required. My provider will notify me when those appointments will occur.	Compulsory
I agree to search for work by contacting 20 employers per month, including any to which my provider refers me. I agree to report and provide evidence of these job search contacts to my provider as directed by the 27th of each month. I am aware that I need to look for any suitable work, not just work that I would like to do. I understand I can report this job search by either reporting on an approved paper form, or online via jobsearch.gov.au or via other methods as agreed with my provider.	Compulsory
I agree to attend job interviews and do other preparatory activities as directed by my provider. I am aware that this may be in relation to any suitable work, not just work that I would like to do.	Compulsory
I agree to take responsibility to report and/or record my attendance at requirements set out in my Plan by close of business on the day of the requirement. I understand that if I am unable to record my own attendance using available technology, I am required to contact my provider by close of business on the day of the requirement to ensure my attendance is recorded. I understand that if I do not ensure my attendance is recorded, my payment will be affected.	Compulsory

Figure 2: List of default requirements from an actual Job Plan

If attendance is not recorded or reported, social security payments are automatically suspended unless the unemployed person was able to provide a 'valid reason' for not attending. A list of such reasons, as set out in the relevant social security legislation, is provided to *jobactive* agencies by the Secretary of the Department of Education, Skills and Employment.[13]

Job search requirements involve providing proof of job applications such as emails to employers, or job application acknowledgement messages on job search websites. Employment services providers are directed to identify appropriate job search requirements by referring to the Social Security Guide, which suggests they should be customised to be relevant to labour market conditions.[14]

After 12 months of continuous unemployment, all participants in the *jobactive* system are assigned an Annual Activity Requirement (AAR). The AAR sets a minimum number of hours per week during which the person in receipt of unemployment benefits must be engaged in approved activities to demonstrate their compliance with the mutual obligation framework.

When *jobactive* commenced in 2015, the AAR for adults aged between 30 and 50 was 15 hours per week. In September 2018, this was increased to 25 hours per week, while AAR hours were also increased for

[13] See the Targeted Compliance Framework Guidelines for more information on Valid Reasons: https://docs.employment.gov.au/documents/job-seeker-compliance-framework-guideline

[14] https://guides.dss.gov.au/guide-social-security-law/3/2/9/30

those aged over 50.[15] These 'strengthened participation requirements' were introduced as part of a package of welfare 'reforms' by the Coalition Government after its victory at the 2013 Federal Election.

The AAR applies different requirements to unemployed people engaged in the *jobactive* system according to their individual circumstances. For unemployed people under 50, the requirement is for 50 hours per fortnight of approved activity, with the default activity being Work for the Dole. For unemployed people between 50 and 60 the requirement is for 30 hours per fortnight of approved activity, which can include an element of volunteer work, while for those aged between 60 and the age of access for the age pension (currently 66), the requirement is 10 hours per fortnight. There is currently no Annual Activity Requirement in the Disability Employment Services system, or in the New Employment Services Trials.

Work for the Dole

The Government describes Work for the Dole as an activity at which unemployed people "can gain skills and experience that give back to the community and can help you find a job".[16] It involves unpaid service in a host organisation, usually a charity.

Work for the Dole has been a feature of Australian employment services since it was introduced by the Howard Government in 1997. It was originally targeted at young people aged 25 and under but following the McClure welfare review in 2000 it became a mutual obligation activity for unemployed people of all ages.[17]

The evolution of Work for the Dole administration and associated mutual obligation policy settings occurred in three stages.

In the first stage, Work for the Dole obligations were limited to young unemployed people. The program was then expanded in the latter part of the Job Network era which ran between 1998-2009. Agencies called Community Work Coordinators managed Work for the Dole projects through not-for-profit organisations hosting placements, and funding was based on the numbers of unemployed people who commenced and completed those activities. At this stage Work for the Dole activities included a variety of projects such as community gardens and environmental regeneration activities.

In the second stage, Work for the Dole was wound back considerably under the Rudd and Gillard Governments between 2007 and 2013. Funding for the small number of activities available during this era was provided by Job Services Australia (JSA) providers directly to a host organisation. The numbers in Work for the Dole grew towards the end of JSA, reflecting its use as a compliance activity for unemployed people to 'work off' the 8-week payment penalties that existed then.

In the third stage, Work for the Dole was expanded in 2015 during the current *jobactive* era of employment services. The latest version of Work for the Dole is enforced through the Annual Activity Requirement for six months of every year of unemployment.

[15] https://www.employment.gov.au/understanding-changes-your-participation-requirements
[16] https://www.employment.gov.au/work-dole-information-job-seekers
[17] (McClure, 2000)

Employability Skills Training

Employability Skills Training (EST) is another program that newly unemployed people may need to do to meet mutual obligation requirements. EST is part of the Coalition's Youth Jobs Path Package. As described on the Department's website:[18]

> *EST gives young people the opportunity to enhance their work readiness through two different blocks of targeted training. Participating in training will help young people understand the expectations of employers in both the recruitment process and as a new employee in the workplace.*
>
> *Depending on a young person's situation there are two types of EST courses available, each designed to build upon differing skill sets, both which will help improve their chances at getting a PaTH internship or job. Young people can do one or both of the courses. Each block is 75 hours of face-to-face training over three weeks.*

In 2016, EST became a compulsory activity for unemployed people aged under 25.

[18] https://www.employment.gov.au/employability-skills-training

What is wrong with mutual obligation today?

There are a number of concerns commonly expressed about the fairness and effectiveness of current mutual obligation requirements. Some examples of these were documented in our 2018 report *Working It Out*, which presented the lived experience of unemployed workers engaging with the *jobactive* system (see box below).[19]

Quotes from focus group participants interviewed for Working It Out

"I had to do a Work For the Dole and you just sit there, doing nothing for 6 hours a day. We just sat there and those who dropped us off, they save that money. We were just warehoused there, literally." Joseph, unemployed worker, Sydney, NSW. July 2018.

"I was treated shocking…I agreed to an activity to do and this woman's coming in, I don't even know who she really was in the organisation, just talking down to us, and saying, while I'm sitting there, saying to someone else who's running the kitchen, 'oh get the people in the Work for the Dole to do it'. It's just that kind of attitude…she wanted me to go do something and I said 'I haven't been shown how to do that' and she said 'you don't need to be, just go do it'. So it's just the way you get spoken to." Claire, unemployed worker, Geelong, VIC. July 2018.

"My sister did Work for the Dole and she'd be coming home and she was crying. She was bullied…she didn't want to go there. She was upset about the whole thing." Adam, unemployed worker, Geelong, VIC. July 2018.

The following analysis will address some of these concerns, including examples where mutual obligation activities have been enforced by private employment services providers making flawed Social Security Law decisions. It will also highlight significant concerns about the current funding and administration of Work for the Dole that demand urgent attention in the face of the influx of newly unemployed workers into the *jobactive* system as a result of COVID-19.

Mutual obligations are unfairly onerous

There is no gold standard available for designing mutual obligation requirements. In Australia, they have evolved to become unfairly onerous and demanding.[20] While the high level of activity prescribed by Australia's mutual obligation requirements may be effective at helping some unemployed people reconnect to the labour market if they have been out of work for some time, there is now a body of evidence that suggests the pendulum has swung too far in the direction of 'activity for activity's sake'. Mutual obligation requirements have become a 'blunt tool' that disempowers unemployed people while also requiring them to undertake activities that do not help them get jobs.

[19] http://www.bit.ly/working-it-out
[20] Raffass (2017); Immervoll & Knotz (2018)

Unemployed workers regularly report feeling that mutual obligation requirements are unfair.[21] They describe the requirement to attend appointments as unhelpful and the list of 'valid reasons' for missing appointments as inflexible and unrealistic. They do not believe that Work for the Dole helps them in their search to become employed. They report being demoralised and frustrated by the requirement to complete high numbers of job searches and job applications when their job application efforts have not been successful. Most of all, they describe the unfairness of 'mutual' obligations in terms of not receiving mutual effort in return from their *jobactive* providers. Instead, they feel their providers punish them for being unemployed.[22]

One example of an unfairly onerous mutual obligation requirement is the high number of job applications unemployed workers are required to make per month. There is no international benchmark or evidence-based standard for determining the right number of job applications required to maximise effectiveness of a job search. In practice in Australia, there is very little customisation of job search requirements to match labour market conditions. Instead, a default approach is used, with over half of *jobactive* Job Plans requiring 20 job applications each month, and a further 30% of Job Plans requiring 6-10 applications per month, which is the default number recommended for people with caring responsibilities or a partial capacity to work.

Table 1 – Number of job applications per month required in Job Plans at December 2019

Number of job applications required	1-5	6-10	11-15	16-19	20
Percentage of all job plans requiring	6%	30%	7%	0%	56%

Data adapted from Department of Employment, Skills, Small and Family Business Question No. EMSQ19- 001223, presented to Senate Estimates

If unemployed people fail to provide evidence that they have completed these applications, their payments are suspended until they do. This means unemployed people are forced to apply for jobs they know they are not qualified for. Employers have also reported this obligation as a source of frustration and a reason they are less likely to use *jobactive* to find employees, as they receive a large number of unsuitable applicants.[23]

Mutual obligations are often enforced coercively or unlawfully by private providers

There is also evidence that unemployed people are coerced into signing Job Plans they are not happy with.[24] Under Social Security Law unemployed people are supposed to be given 48 hours of 'think time' to decide whether they are comfortable with the Job Plan given to them by their provider, but in practice this often doesn't happen or doesn't change the fact that the requirements in the Job Plan do not suit that unemployed worker. There is also evidence to suggest that *jobactive* workers make mistakes when they assign requirements in Job Plans and that these decisions are overturned when they are reviewed by

[21] O'Halloran, et al, 2019

[22] Eg. jobactive Senate Inquiry Parliament of Australia, 2019, Working it Out http://www.bit.ly/working-it-out

[23] See for example the Social Research Centre Report The Next Generation of Employment Services: summary of consultation responses: https://docs.jobs.gov.au/node/46031

[24] jobactive Senate Inquiry, Parliament of Australia, 2019

someone with more knowledge of Social Security Law. These factors are often a point of conflict between unemployed workers and their employment service agency.

Provider decisions are overall a significant issue in the current mutual obligation system. Job Plan administration must be compliant with complex Social Security Law, but the National Social Security Rights Network identified that 40-50% of provider-initiated breaches reviewed by public servants in Centrelink are overturned.[25]

This error rate is further illustrated by Table 2, which shows the low rate of payment suspensions that were ultimately converted into confirmed Demerits because, in the vast majority of cases, the unemployed worker was found to have had a 'reasonable excuse' for not fulfilling the requirement after having their social security payment suspended. This low confirmation rate supports observations that employment service providers are making mistakes when implementing Job Plans and suspending payments, from failing to administer notifications of appointments properly to suspending payments without notice or lawful reason.[26,27,28]

Table 2: Income Support Payment Suspensions and Confirmed Demerits—1 July 2018 to 30 June 2019[29]

Income Support Payment Suspensions	Confirmed Demerits	Confirmation rate
2,696,196	654,732	24.3%

Work for the Dole is ineffective and unsafe

As we outlined above, one of the most common mutual obligation requirements is participation in Work for the Dole. This is despite the fact that there have been numerous studies showing that Work for the Dole does not significantly improve the chance of getting a job. For example, Borland and Tseng's 2004 study showed that Work for the Dole does not lead to significant improvements in employment outcomes for unemployed people who have been required to participate in it.[30] The evaluation of the pilot phase of the current iteration of Work for the Dole also found very low employment outcomes could be attributed to the program.[31]

The following chart compares recent data from the Department of Employment on labour market program outcomes in *jobactive*. The table shows the employment status of unemployed people three months after they have participated in *jobactive* programs. It suggests that unemployed people who participate in Work for the Dole are more likely to return to unemployment than the general rate of those in *jobactive*, or those who do training instead.

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[25] http://www.nssrn.org.au/wp/wp-content/uploads/2017/05/Budget-2017-new-compliance-system.pdf
[26] https://www.theguardian.com/australia-news/2019/oct/25/jobseekers-had-payments-suspended-for-breaching-rules-in-faulty-job-search-plans
[27] https://www.theguardian.com/australia-news/2019/aug/08/more-than-120000-people-whose-welfare-was-suspended-were-not-at-fault-data-shows
[28] https://thenewdaily.com.au/news/national/2019/08/07/newstart-unfair-suspensions/
29 TCF Public Data Report - July to December 2019
[30] Borland & Tseng, 2004 https://minerva-access.unimelb.edu.au/handle/11343/33797
[31] Work for the Dole pilot evaluation 2015

Table 3: jobactive outcomes 3 months after participation in particular employment services

	Employed (%)	In education or training (%)	Total 'positive' outcomes (%)	Unemployed (%)
Jobactive streams A, B, and C	48.6	15.3	58.6	33.9
Vocational training	33.5	29.3	57.2	56.6
Work for the Dole	24.4	8.7	31.8	68.9

Source: Data adapted from Employment Services Outcomes Report April 2018 to March 2019 - jobactive[32]

The main 'benefit' of Work for the Dole appears to be what is known as a 'referral effect'. The theory of the referral effect is that if an unpleasant requirement is placed on an unemployed worker, they will try harder to find a job or will stop claiming their social security payment in order to avoid the activity. It does not mean that the activity helps them find a job, especially when there are few jobs available for unemployed people to apply for. It undermines the purpose of the social security safety net if unemployed people exit from the employment services system altogether and stop claiming their benefit despite not finding work when mutual obligation requirements become too onerous or harmful.[33]

The ineffectiveness of Work for the Dole reflects some issues related to human motivation. Human beings are not empowered when they are forced into activities they do not want to do, especially when this is based on someone else's decision about what is good for them. Unemployed people need to be engaged as equal and active decision makers in the kinds of supports and services that will help them get jobs.

This link between coercive policy and human motivation was demonstrated in early research into unemployed people's experiences of Work for the Dole. Ziguras found that Work for the Dole was counter-productive in five significant elements of motivational theory – goals, self-efficacy, incentives, fairness, and self-determination – and the more so the longer someone had been unemployed.[34] Similarly, Marston and McDonald's research showed that Work for the Dole did not improve self-esteem, self-control, or motivation. [35]

The poor reputation of Work for the Dole and subsequent low level of motivation to participate in it can be discerned by analysing the commencement rate of diferent kinds of activities unemployed people are referred to. Table 4 shows that both Work for the Dole and PaTH EST have comparatively low referral to commencement rates. This reflects the low level of benefit people expect to gain from participation in the activity as opposed to ativites they choose to do themselves, such as training or voluntary work.

However, it is important to note that some Work for the Dole projects in the past have been appreciated by unemployed people. These rare benefits have mostly been reported by long-term unemployed people who had been experiencing social isolation and low self-esteem and did not have significant work experience. The lesson from this is that it is possible to design a work experience program for people experiencing long-term unemployment if the program is resourced appropriately. We will return to this point in our recommendations.

[32] https://docs.employment.gov.au/documents/employment-services-outcomes-report-april-2018-march-2019-jobactive
[33] Griggs & Evans, 2010
[34] Ziguras, 2004
[35] Marston & McDonald, 2008

Table 4: Referral to commencement rate of mandatory activities

Activity referral in AAR	Actual commencement rate (%)
Stream C non vocational interventions	98.3
Accredited education and training (vocational)	96.7
Voluntary work	95.9
Work for the Dole	74.9
PaTH – Employability Skills Training	62.3

Source: Data adapted from: Department of Employment Question No. EMSQ17-004468

Work for the Dole has also repeatedly been found to pose significant safety concerns.[36] Unemployed people participating in Work for the Dole do not have the same rights as paid workers, nor do they have the ordinary protections with regards to their working conditions.[37] This is a serious concern from a labour movement point of view, as well as an issue that affects unemployed people who are injured at Work for the Dole activities.

The consequences for unemployed people who are exposed to these risks can be devastating. A notable example in recent years was the death of Josh Park-Fing, whose death while attending a Work for the Dole activity was ruled by a Queensland court to be the result of negligence on the part of the Work for the Dole Host activity supervisor and the failure on the part of the *jobactive* provider to adequately screen for risks.[38] Despite this Court ruling, Josh Park-Fing's family have not received compensation and have initiated independent legal action.

Work for the Dole's funding arrangements are problematic

In the *jobactive* era, a new funding approach has been applied to create a 'Host market' for Work for the Dole activities. At the start of *jobactive*, the newly elected Abbott Government decided that most unemployed people who had been enrolled in employment services for more than a year would be required to do Work for the Dole.[39]

This created unprecedented demand for Work for the Dole activities, which the government set about creating a market of Work for the Dole Hosts to provide. The government created a new Work for the Dole Coordinator service, which recruited not-for-profit community service agencies to deliver a wide range of activities. A huge market of Host organisations was generated and there was a blossoming of creative activities. The starved charity sector was suddenly provided with funding for activities like recycling and upcycling, food recycling, and environmental regeneration.

Within a year, this market approach generated Work for the Dole activities for the 100,000 unemployed people who were required to undertake a Work for the Dole activity during that first year of these arrangements. The large volume of unemployed people meant that the Host organisations were allocated

[36] https://percapita.org.au/wp-content/uploads/2018/09/Working-It-Out-FINAL.pdf, page 31
[37] Gough, 2000; Paz-Fuchs & Eleveld, 2016
[38] https://www.worksafe.qld.gov.au/news/2018/regional-recruitment-specialist-fined-after-investigation-into-toowoomba-showground-death
[39] The term 'mandatory' was used in the guidelines and at a later stage changed to 'default'.

enough funding to purchase capital equipment like 3D printers or electrical tools that enabled them to run activities that had genuine skills development potential.

This high volume of activities continued the following year and between 1 September 2016 and 31 August 2017, there were 118,056 jobactive job seekers referred to Work for the Dole activities. Of these, 83,830 job seekers participated in Work for the Dole activities[40].

Table 5: ratio of unemployed people referred to Work for the Dole compared to other approved activities from January – September 2016

Activity type	Number	Percentage of overall AAR
Paid employment	118,037	40%
Work for the Dole	98,511	33%
Accredited education and training (vocational)	52,946	18%

Source: Department of Employment Question No. EMSQ16-000829 based on Department of Employment Administrative data, 2016

However, there was no commitment to the sustainability of this market, and because of the rushed implementation the rules relating to accountability for expenditure were unclear. A funding blowout occurred because of the high number of group-based activities funded by the first round of Work for the Dole: group-based activities attracted a fee of $3,500 compared to $1,000 for individual activities.

Table 6: Group-based and individual commencements in Work for the Dole from 1 July to 31 December 2015

Group-based activities	36,163	58%
Individual activities	26,461	42%
Total	**62,624**	**100%**

Source: Department of Employment Question No. EMSQ16-00015

In July 2017, new rules were introduced to contain the blow-out. The Work for the Dole Coordinator contracts were terminated and arrangements to generate Host activities were devolved to *jobactive* providers themselves, who were given small incentive payments out of the Host fees. Project funding rules were tightened so that there were limits on the well-funded group-based activities, making it difficult for Hosts to continue to offer the range of activities they had originally. Eventually, in the main, only the larger charity Host providers survived. This contributed to a deterioration in relationships between the community of Host organisation and *jobactive* agencies.

The latest Work for the Dole funding arrangement is set at $1000 for a 6-month individual activity place and most of the activities available now fit those parameters. However, Host organisations report that they often receive only $400 per place because *jobactive* providers are permitted to retain some of the fee for their own pre-placement costs. Work for the Dole places can be occupied by a number of unemployed people over that 6-month period and Hosts must ensure there are induction processes in place every time a new person enters the activity. With only $400 of funding, this creates quite a burden.

[40] Department of Jobs and Small Business Question No. EMSQ17-004469

In keeping with the original policy intent, the more generous $3,500 group-based activity place fees are now reserved for group-based activities intended for Stream C job seekers: those who have been assessed as having complex psycho-social issues. Many *jobactive* providers and Hosts have argued that these are not the right people to put into group-based activities, but to little avail. These funding arrangements remain the same for Work for the Dole in the New Employment Services Trials.

This latest Work for the Dole funding arrangement is indicative of how the current government may go about creating more activities for the new wave of workers enrolling with employment services as a result of COVID-19. Our conservative calculations suggest that there could be another 220,000 more people required to do Work for the Dole.[41]

The existing market design of the Work for the Dole Host funding arrangements is unsatisfactory. The *jobactive* era of Work for the Dole has shown that maintaining conditions that support the operating realities of Host organisations is necessary to ensure that quality work experience can be provided. Hosts require as much support as possible to compensate them for taking on the supervision, training, and substantial occupational health and safety obligations and risks that Work for the Dole places on them.

Existing mutual obligations serve young people poorly

As outlined above, Employability Skills Training (EST) is now a compulsory activity for unemployed people aged under 25. EST is another good example of the problems with the current design of mutual obligation.

Like Work for the Dole, EST is based on flawed assumptions about what young, unemployed people are motivated by and interested in. This was reflected in the experience of one young unemployed worker who generously shared his story with us:

> *"In the dying days of Port Adelaide TAFE, me and ten or so unemployed people found ourselves herded for three weeks of 'Business Employability Skills Training'. The instructor started by asking us to introduce ourselves, and what surprised me most was that virtually everyone in the 'class' had a tertiary degree or had been working since high school, yet we had all ended up at EST.*
>
> *The story that defines EST for me was the 'scavenger hunt' we were forced to do. With the holy grail of a chocolate 'Freddo Frog' on the line, we broke into groups of three and wandered the empty halls of the TAFE. Some of the tasks included: counting the number of carparks (144 from memory), naming all the (predictable) drinks in the canteen vending machine, finding a 'business book' in the library, and the pièce de résistance: "take a silly selfie with the security guard and instructor!"*

[41] We have calculated this number based on an estimate of 22 per cent of 1 million unemployed people being required to do Work for the Dole. This is lower than the ratio of those who were allocated to Work for the Dole during the early days of jobactive. Using Table 5 above as a guide, 400,000 will be in part time work, 330,000 will be in Work for the Dole or EST, but about one third will seek exemptions for medical or other reasons, so this would leave 220,000. The numbers could be higher because of the impact of COVID unemployment on young people who have recent work experience.

Besides scavenger hunts, we spent most afternoons watching old 1990s 'customer service skills 101' videos, where smiling cafe owners explained the importance of keeping up with the pace of the business world.

I vividly remember another young man I met. At 22 he had been caring for his severely disabled younger sister and terminally ill mother for the last few years. He'd been denied the Disability Support Pension and Carers' Payment, and despite having a significant intellectual disability himself, had been forced into the EST. He struggled with reading and walked away one day in tears of frustration at being unable to read the written component for one task. As a result, he had his payments suspended for failing to meet his mutual obligation requirements."

Alex North, EST participant

The Government published an evaluation of Youth Jobs PaTH (the program for young unemployed people of which EST is a component), but the evaluation did not track job outcomes.[42] What can be discerned from the evaluation is a weak employment effect of EST, which only increased employment longevity by 2 per cent compared to people who did not participate in EST.[43] Further, EST failed to convert training places into internships (the next step on the Youth Jobs PaTH), with only 31% of EST participants progressing to internships.[44] Most of the jobs gained within the PaTH program were attributable to the use of wage subsidies, rather than EST.

The level of dissatisfaction with both EST and Work for the Dole is reflected in the proportion of participants who stop attending those activities, which can be calculated by looking at the proportion of each activity's caseload who receive a financial penalty for failing to attend. Table 7 shows that such financial penalties are imposed on people participating in Work for the Dole at double the rate of the *jobactive* caseload as a whole. For EST, the penalty rate is tripled.

Table 7: Ratio of financial penalties in Work for the Dole and EST versus jobactive

	Caseload at December 2019	Total financial penalties Dec 2019	Penalty to caseload strike rate
jobactive	382327	34421	9%
Work for the Dole	26326	6138	23%
Employability Skills Training	10825	2966	27%

Source: Chart based on Per Capita's analysis of TCF data tabled to end Dec 2019 at the Senates Estimates March 202045

[42] Legislatively Required review of Youth Jobs Path Report: https://docs.employment.gov.au/system/files/doc/other/legislatively_required_review_of_youth_jobs_path_final_report_digital.pdf

[43] Department of Employment Annual Report 2018-2019: https://docs-jobs.govcms.gov.au/system/files/doc/other/annual_report_2018-19_combined_acc.pdf, p.14, 49:

[44] https://www.theguardian.com/australia-news/2018/dec/16/youth-internship-scheme-failing-despite-25m-advertising-blitz

[45] TCF data Tabled Senate Estimates March 2020

What should mutual obligation look like instead?

The issues with the existing mutual obligation system we have outlined so far will only be exacerbated by the post-COVID unemployment shock. Mutual obligations as they currently stand are unfair and ineffective, mostly because they are onerous and unreasonable in a context where there not enough jobs available for everyone looking.

We propose a review of the mutual obligation system with the goal of adjusting these requirements to match the realities of the post-COVID labour market and personalising them to individual circumstances. We also propose some new principles for a genuine work experience program to replace Work for the Dole.

Requirements adjusted to match labour market

In light of the protracted unemployment that is expected to follow the COVID-19 economic shock, mutual obligation requirements should be adjusted to be proportionate and personalised. This means that job search requirements, Annual Activity Requirements, and other mutual obligations should reflect both labour market conditions and the individual needs of every unemployed worker.

Establishing a formula for proportionate mutual obligations requires expert worker capability that the jobactive agencies have failed to provide. We outlined our arguments for the broader reform of the employment services market model in our previous discussion paper.[46]

Personalisation of activation requirements

Mutual obligation requirements should be personalised according to each unemployed worker's individual circumstances and work history. This means developing individualised Job Plans comprising a range of elements that reflect life trajectory and goals. As with the customisation of job search requirements, this approach requires the input of skilled workers, and should be undertaken in the form of a partnership

This personalised approach to mutual obligation is in direct contrast to the 'blunt tool' approach above. It is possible that employment services could become more individualised and personalised through participatory approaches such as co-design. Ultimately, the adoption of this approach will require a shift in how we govern and administer social security in general: from a transactional approach where success is measured in numbers, to a relational approach where success might be measured in wellbeing.[47]

Another element of this is customised approach would be to provide expert vocational counselling services under the mutual obligation requirements. Such a service should be established to guide unemployed workers to viable career paths relative to available quality training. It could be co-located with local vocational education services such as TAFEs and large private VET providers.

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[46] Redesigning Employment Services after COVID-19: https://bit.ly/jobactive-after-covid

[47] See for example Hilary Cottam in Radical Help: https://books.google.com.au/books/about/Radical_Help.html?id=XTFADwAAQBAJ&redir_esc=y

Principles for future resourcing of work experience programs

We have spent considerable time in this discussion paper outlining the many issues with Work for the Dole. However, we know that work experience programs can be an important human capital development strategy for people experiencing long-term unemployment who have very little work experience, particularly where they clearly lead to jobs.

One such approach to work experience activities is the 'Keep it Local' approach.[48] Jeff Borland's 'Keep it Local' strategy recommended creating a funding source that can be allocated to local community agencies for job creation projects: for example, community economic regeneration grants.

These need to be major grants to provide adequate funding for supervision, for capital equipment, and to provide for work experience employment that is consistent with industrial relations protections. Grants should be awarded to organisations with a track record of supporting the skills development of people who have experienced detachment from the formal education system or the labour market and with th ecapacity to develop projects and programs over the long term.

Another option is to significantly invest in work-focused social enterprises.[49] Social enterprises comprise a wide range of business models that redeploy their surplus or profit to support charitable or welfare related activities to those that focus on maximizing social return. Social enterprise investment could be stimulated through government procurement as well as through tax incentives.

Borland's vision is worth revisiting for the post COVID unemployment scenario because it would be flexible and organic, and would reflect community needs.

[48] https://theconversation.com/work-for-the-dole-doesnt-work-but-here-is-what-does-22492
[49] http://www.powertopersuade.org.au/blog/the-role-of-social-enterprises-in-a-full-employment-policy-agenda/25/5/2020

Conclusion

In this discussion paper we have provided an overview of the many problematic elements of the current mutual obligation framework. We have found them to unfairly onerous, enforced coercively, ineffective and unsafe, problematically funded, and poorly serving the people that are enrolled in employment services. As part of our analysis, we have estimated that the surge in unemployment related to COVID-19 will create a $22 million Work for the Dole time bomb, which represents a significant waste of government resources on a program that simply does not work.

Australia faces some difficult choices on how we approach the unemployment that will ensue post-COVID. The way we decide to deploy our social safety net over the coming years will affect the health, wellbeing, and social cohesion of Australian society for generations to come. It is important that the Australian government provides real support to people who need it following this economic shock.

This support must involve true reciprocity. It is time to review what is fair to require unemployed workers to do in exchange for social security payments, and what they are owed from the system in return. It is time to review the mutual obligation system so that it is fair for everyone, and to ensure that government expenditure on labour market programs achieves everyone's shared aim: helping people get into jobs.

List of recommendations

1) Disband Work for the Dole and replace it with a genuine work experience program for people experiencing long term unemployment
2) Review mutual obligation requirements so that they can be personalised according to each unemployed worker's individual circumstances and work history
3) Introduce job search requirements that are proportionate to labour market conditions
4) Ensure that points-based activation is flexible and fair under the New Employment Services Model
5) Fund genuine job creation and skills development activities in areas, communities, and industries hit hard by the COVID-19 economic shock
6) Provide a "Youth Guarantee[50]" to young unemployed people, and similar measures to support older unemployed people who are at risk of long-term unemployment
7) Investigate job service provider errors in Social Security Law decision-making and introduce process improvements

[50] https://percapita.org.au/our_work/coming-of-age-in-a-crisis-young-workers-covid-19-and-the-youth-guarantee/

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