



Australian Government  
Department of Employment

# Youth Employment Package 2016 – 2017 Regulation Impact Statement

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Office of Best Practice Regulation ID NO:  
20757

## Introduction

This Regulation Impact Statement (RIS) has been prepared by the Department of Employment (the Department) describing measures in the Youth Employment Package announced by Government in the 2016 – 2017 Commonwealth Budget.

The RIS has been prepared in accordance with the Australian Government Guide to Regulation 2014 and more recent guidance notes issued by the Office of Best Practice Regulation (OBPR).

The document addresses the seven RIS questions:

1. What is the policy problem to be solved?
2. Why is government action needed?
3. What policy options are being considered?
4. What is the likely net benefit of each option?
5. Who will be consulted and how?
6. What is the best option from those considered?
7. How will the chosen option be evaluated and implemented?

The statement considers the impact of regulation on organisations and individuals of policy options considered by Government in determining the measures in the package. Overall, the package delivers regulatory savings estimated to be \$3.7 million per annum.

The first measurement of the potential regulatory costs as a result of implementing the Youth Employment Package was first considered as part of the 2016-17 Budget announcement for the package. This was considered through an interim RIS, with OBPR considering the process as compliant.

This RIS defines the policy problems surrounding youth employment, the gaps in services that exist currently, and provides a full analysis of the potential regulatory costs as a result of implementing the Youth Employment Package.

## Background

This RIS outlines measures included in the Youth Employment Package announced by the Government in the 2016 – 2017 Budget:

- The core of the package is a new Youth Jobs PaTH (Prepare – Trial – Hire) comprising employability skills training; work experience through an Australian government supported internship; and a Youth Bonus wage subsidy providing an incentive to employers to hire eligible work ready young people.
- A suite of initiatives to expand self-employment opportunities and encourage entrepreneurship among young people. The number of places in the New Enterprise Incentive Scheme (NEIS) will be increased and eligibility expanded to include people not on income support, including recently retrenched workers.

- Changes to the Work for the Dole phase which will provide more time for jobactive providers to deliver more targeted services, strengthen job seeker activation and improve their ability to deliver more individualised and tailored services to meet the needs of job seekers.

The Package complements the Growing Jobs and Small Business Package measures announced in the 2015 – 2016 Budget. Key measures that year focussed on disadvantaged young job seekers through the introduction of:

- the new Transition to Work service, which supports young people aged 15-21 on their journey to employment, providing intensive, pre-employment support to improve work-readiness and help them into work or education.
- ParentsNext, which helps eligible parents to identify their education and employment goals, to develop a pathway to achieve their goals and to link them to activities and services in the local community.
- Empowering YOUth Initiatives which support innovative approaches to help unemployed young people improve their skills and move toward sustainable employment.

These measures are now giving young people, and in particular disadvantaged young job seekers, opportunities to succeed in the world of work. The Youth Employment Package represents a scaling up of efforts to improve the employment prospects of a much larger number of young job seekers.

## **Description of the problem (What is the policy problem to be solved?)**

### **Youth unemployment**

The current youth unemployment rate of 12.8 per cent continues to be higher than that experienced during the Global Financial Crisis of 2008, when it was recorded at 8.8 per cent<sup>1</sup>. Across the regions of Australia, youth unemployment rates are typically around double the all-ages unemployment rate. Youth unemployment rates are particularly high in some regional areas, including Queensland – Outback (37.2 per cent), Cairns (27.3 per cent), Mid North Coast, NSW (21.5 per cent) and Wide Bay, Queensland (21.5 per cent). This demonstrates an increased risk of long-term welfare dependence of Australian youth unless the problem is addressed.

Research indicates that long-term unemployed people face far greater difficulty finding subsequent work due to skill depreciation, the discouraged worker effect and marginalisation from the labour market. Accordingly, youth unemployment imposes immediate economic costs which arise from lower workforce participation and related income support costs.

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<sup>1</sup> Australian Bureau of Statistics, 6202.0 Labour Force, Australia. Table 13. Labour force status for 15-24 year olds by Sex - Trend, Seasonally adjusted and Original, August 2016.

Added to this are whole of life costs to the individual, their families and the economy, including reduced future earnings and employability<sup>2</sup>.

Due to lower levels of skills and experience, young people who do not successfully transition from school to the workforce are at high risk of long-term unemployment and welfare dependence<sup>3</sup>. Whilst youth long term unemployment has declined from 13.1 per cent to 12.8 per cent between August 2015 and August 2016, the number of long-term unemployed young people has increased significantly since September 2008, up by 28,300 (or 178.7 per cent) to stand at 44,200 in July 2016. While young people comprised around 16 per cent of the total population aged 15 years and over in July 2016 (down from 17.3 per cent in September 2008), this cohort accounts for 26 per cent of the total long-term unemployment pool, well above the 22.6 per cent recorded in September 2008 (albeit, down from a recent peak of 30.6 per cent in July 2014).

### **Industry Sector Skills Shortages**

There is considerable evidence that there is a mismatch between the skills that young people possess, and the skills that industry needs and existing employment services are not fully addressing the skills needs of young job seekers. While the current suite of employment services provide excellent results for many unemployed people, they are not sufficient to meet the needs of young job seekers, who often need to increase their employability skills before being considered for engagement by businesses. This is especially the case for the industry sectors that traditionally employ young people in entry-level or customer service roles. Most industries report that they would be willing to employ young people in entry level roles if they displayed a better understanding of the industry they are seeking to work in, coupled with important employability skills that allow them to deliver sound customer service, present well, be reliable and be an effective member of a team.

The tourism and accommodation industry is one such industry that reports considerable staff shortages, has welcomed the Youth Jobs PaTH, given it will have a focus on ensuring young people are 'job ready.' Specifically, it has commented that the ability of the industry to co-design work placement opportunities with young job seekers through the Youth Jobs PaTH will provide an important mechanism in upskilling and encouraging young people to pursue a career in tourism.

Supporting this argument is the hospitality industry, which in itself is facing considerable skills shortages, particularly in rural and remote Australian regions. The Northern Territory Branch of the Australian Hotels Association has commented that severe skills shortages in this industry, particularly as it often uses workers on temporary working visas, indicates a strong need to provide more specialised options to build the local staffing sources. In short, the AHA NT indicated that as of December 2015, there were more than 500 unfilled positions across entry level and supervisory positions in the industry.

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<sup>2</sup> OECD (2016), Investing in Youth: Australia, Investing in Youth, OECD Publishing, Paris.

<sup>3</sup> Department of Employment, Improving the employment prospects of young Australians: a closer look at employer responses, 2014

Additionally, the National Retail Association reports that its industry has considerable skills shortages with many positions that need to be filled with young people, particularly as it is an industry that young people gravitate towards as their first exposure to employment. This first exposure to employment provides an important opportunity for young people to learn and apply key employability and workplace skills, such as team work and communication, while also offering a structured career path. While most employers demand ‘job-ready’ workers from vocational training programs, many retail employers state that they would be willing to employ young people, if they had a better understanding of the industry, the sales process, and the specific roles and responsibilities of working within a retail business. The retail industry believes that the introduction of the Youth Jobs PaTH will provide itself as an enabler to the development of a much needed employability skills set that will assist them securing employment in the retail industry.

### **Employability skills and work experience among young people**

Employability skills are the non-technical skills, knowledge and understandings that underpin successful participation in work. They include skills such as problem solving, collaboration, self-management, communication and information technology skills. Employability skills are closely linked to work experience, since it is in the work context that employability skills are best developed.

A mismatch of skills in the labour market appears to be an issue particularly affecting young people, with employers reporting considerable difficulty filling vacancies for entry level jobs. Employers often report that this is a result of young people not displaying core workplace skills and behaviours. This includes showing a positive attitude, reliability and presenting well, and displaying other non-technical skills.

Departmental research has shown that just over one quarter (27 per cent) of all employers recruiting for entry-level jobs reported difficulty filling their vacancies and 13 per cent of vacancies remained unfilled. Some 43 per cent of employers who had difficulty recruiting reported it was due to the skill requirements of the position, with 23 per cent employers citing employability skills requirements as the cause of recruitment difficulty. Furthermore, recruitment difficulty for lower skilled vacancies was evident across most industries, and was particularly high in the Transport, Postal and Warehousing (35 per cent), Administrative and Support Services (34 per cent), and Construction (32 per cent) industries. Employers who had recruited for entry-level jobs particularly emphasised the importance of people skills, with reliability, motivation, willingness to work and good personal presentation regarded as essential.<sup>4</sup>

Employers across all industry sectors consistently report that to improve their job prospects, young people need to show a positive attitude, be reliable, present well, have realistic expectations, improve their job search skills, and increase their level of work experience. This issue has been raised in particular by the Business Council of Australia and the Australian Chamber of Commerce and Industry. The Department’s research shows that this view is

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<sup>4</sup> Department of Employment, Survey of Employers’ Recruitment Experiences, 2014-2015.

widespread among employers. As part of the Department's Surveys of Employers' Recruitment Experiences, when asked what they thought could be done to improve the employment prospects of young people, employers emphasised that young people need to have a positive attitude to work, motivation, reliability and good personal presentation.<sup>5</sup> Additionally, many employers emphasised the importance of work experience as it develops a young person's understanding of workplace expectations, develops skills and demonstrates commitment.

Australian Bureau of Statistics data shows that of the 254,000 young people who were unemployed in May around 105,000 had never worked before. Accordingly, they do not have any work experience which would increase employers' confidence to hire them.

While macroeconomic policies can create an environment conducive to employment growth, a more targeted response is required to address the labour market disadvantage faced by young people.

### **Entrepreneurship among young people**

Self-employment and entrepreneurship are effective options for overcoming unemployment, however only a very small number of job seekers pursue this pathway. Many young job seekers have business ideas but require further support to develop their ideas into successful enterprises.

Australia is ranked third out of 130 countries nationally and first in the region according to the Global Entrepreneurial Index<sup>6</sup> and suggests Australia has a healthy rate of entrepreneurial participation<sup>7</sup>. However, youth participation in entrepreneurial activities (8.7%) is significantly lower than the average rate across all age groups in Australia (13.1%) and lags behind most other entrepreneurial countries.

Programmes to support and promote entrepreneurship have the potential to increase job creation for disadvantaged workers and thus labour market demand. From an employment perspective, the benefits of entrepreneurial activities may be best realised as a response to instances where labour market supply exceeds demand, whether that be in particular geographical regions or among cohorts of job seekers. It may also offer more flexible employment options for disadvantaged groups who cannot work full-time through self-employment or new venture models that involve either remote work or flexible hours (for instance, 'share economy' new ventures).

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<sup>5</sup> Department of Employment, Improving the employment prospects of young Australians: a closer look at employer responses, 2014.

<sup>6</sup> The Global Entrepreneurship Index is an annual index that measures the health of the entrepreneurship ecosystems and ranks 120 countries. It is based on data on the entrepreneurial attitudes, abilities and aspirations of the local population weighed against the prevailing social and economic 'infrastructure'. This process creates 14 'pillars' which are used to measure the health of the regional entrepreneurial ecosystem. [The Global Entrepreneurship and Development Institute](http://thegedi.org/countries), webpage <http://thegedi.org/countries>, accessed 16/9/2015

<sup>7</sup> [Global Entrepreneurship Monitor](http://www.gemconsortium.org/country-profile/37), webpage <http://www.gemconsortium.org/country-profile/37>, accessed 15/9/2015

The existing New Enterprise Incentive Scheme (NEIS) is a long-standing and successful program which provides training, mentoring and NEIS allowance for job seekers wanting to establish their own business. It has assisted more than 150,000 people to establish a viable small business. However, the criteria for young people to access the NEIS program only applies to those who are receiving income support, and despite young people under the age of 25 years making up 20 per cent of the jobactive caseload, only 13 per cent of NEIS participants are in this age group<sup>8</sup>.

Research shows that many young job seekers have business ideas but lack the capacity and support to develop these ideas into successful businesses<sup>9</sup>. They are often confronted by barriers such as: lack of business training and access to finance, lack of business networks and inability to explore and select sustainable business ideas<sup>10</sup>. Policies to overcome these barrier have the potential to encourage youth entrepreneurship and allow young job seekers to create their own job.

### **Work for the Dole phase**

Since the implementation of jobactive on 1 July 2015, Work for the Dole has been the default activity of the Government's six month activity requirement each year for job seekers aged 18 to 49 years. While the measure has received community and participant support, Work for the Dole could be refined by aligning the Work for the Dole phase entry point for Stream A job seekers with that for Stream B and C job seekers, while ensuring that resources are being directed so that the more job ready job seekers are focused first on securing employment.

### **Existing employment services for youth**

#### **jobactive**

The introduction of jobactive as Australia's national employment services model represented a root and branch reform of how employment services are delivered nationally. The model includes considerable incentives for jobactive providers to achieve employment outcomes, including higher incentives for more disadvantaged job seekers. A job seeker's level of labour market disadvantage is determined using the Job Seeker Classification Instrument (JSCI) which categorises job seekers into one of three streams: A, B or C. Categorisation is based on a job seeker's individual circumstances, and takes account of both vocational (employment related) and non-vocational barriers that impact on the chances of a job seeker securing employment. Those in Stream A have the least barriers to employment, with those in Stream C requiring greater assistance to become 'job ready.'

However, in general the model does not prescribe the type or intensity of services and assistance to be provided to particular cohorts of job seekers. Since its commencement on 1 July 2016, jobactive has achieved good outcomes for young people, including more than 115,000 placements of job seekers under the age of 25 years into jobs. However, the

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<sup>8</sup> Department of Employment, jobactive Caseload Breakdown, August 2016

<sup>9</sup> ASEM, 5<sup>th</sup> Asia-Europe Meeting (ASEM) Labour and Employment Ministers' Conference, December 2015.

<sup>10</sup> Brewer, J., & Gibson, S. W. (2014). *Necessity Entrepreneurs: Microenterprise Education and Economic Development*. Cheltenham, UK: Edward Elgar Publishing Limited.

persistently high rate of youth unemployment, combined with consistent feedback from employers that young people need to improve their employability skills and level of work experience, suggests that more needs to be done to assist young people into employment. Jobactive providers are, however, well placed to facilitate the placement of young unemployed people in the programs offered through the Youth Jobs PaTH, as they will be aware of the specific needs of the job seekers on their caseload. Jobactive providers will also have the tools necessary to make considered assessments of the skilling needs of young people that come through their doors.

### **Transition to Work**

The new Transition to Work service announced in the 2015-16 Budget has been progressively rolled out since February 2016. It provides intensive pre-employment assistance to young people who have disengaged from work and study and are at risk of long-term welfare dependence. However, the service is only available to job seekers aged 15 to 21 years of age who meet certain criteria, and is expected to service around 29,000 job seekers each year once fully established. In particular, Transition to Work is not available to young Stream A job seekers (around 80,000 job seekers as at 31 August 2016) or those aged 22-24 years (around 25,000 job seekers).

To put this into context, on the basis of the caseload data described above, the Transition to Work service is not available to approximately two thirds of unemployed youth enrolled in jobactive. While Transition to Work provides an excellent service in assisting the most disadvantaged of young job seekers, it does not provide additional opportunity to the majority of young people who are seeking to boost their employability skills to increase their prospects of securing employment.

### **Objectives of government action (Why is government action needed?)**

The Australian Government has policy responsibility for the development and operation of employment services for unemployed people across Australia. It will invest approximately \$7.5 billion over the five years to 2019-20 in mainstream employment services in non-remote Australia. Youth under the age of 25 years represent around 20 per cent of job seekers in the Government's mainstream employment service, jobactive. While many young people gain employment without Government assistance, market mechanisms and existing Government programs to assist young people into work have not been enough to address persistently high levels of youth unemployment.

The primary aim of the package is to improve the employment outcomes of the more than 150,000 job seekers under the age of 25 years registered with jobactive. The Government seeks to increase youth employment through better matching of employers' demands for a skilled and dependable workforce with a supply of young people who possess the requisite skills and experience. This will enhance young people's readiness to take up any suitable employment but in particular will assist them prepare for further structured employment and training, especially through apprenticeships and traineeships.



Re-designing wage subsidies to make them more streamlined will reduce regulatory costs for providers and employers. Wage subsidies are an effective tool for supporting disadvantaged job seekers to get a foothold in the labour market. Domestic and international evaluations of wage subsidy programs have found that wage subsidies improve the employment prospects of disadvantaged job seekers.

Research shows many young job seekers have business ideas but lack the capacity and support to develop these ideas into successful businesses. In addition, self-employment and entrepreneurship are effective options for overcoming unemployment. Accordingly, Government assistance for young people to develop a sustainable self-employed future is warranted. For over 30 years, the Government has funded NEIS and assisted more than 150,000 people to establish a viable small business. Young people under the age of 25 years account for around 20 per cent of the jobactive caseload, but in the 2014 – 2015 Financial Year, only 13 per cent of NEIS participants were under 25 years. The Encouraging Entrepreneurship and Self Employment measure aims to address this underrepresentation in NEIS and to increase the number of young people having the opportunity to pursue a business idea.

As part of the implementation of jobactive, Work for the Dole became the priority activity of the Government's mutual obligation requirements for job seekers aged 18 to 49 years. The overall objective of Work for the Dole is to provide work-like experiences for job seekers as a means of improving their job prospects and meeting their Annual Activity Requirement while at the same time providing a benefit to the local community.

As outlined in the problem description section of this RIS, however, while the measure has received community and participant support, the Government seeks to change the commencement of the Work for the Dole phase for the most job ready job seekers to provide more time for providers to better target job seekers, strengthen job seeker activation and improve their ability to deliver more individualised and tailored services to better meet the needs of job seekers. As part of the 2016-17 Budget, from 1 October 2016, the most job ready job seekers (Stream A and Stream B SPI) will enter the Work for the Dole Phase at 12 months rather than the current six months, aligning entry into the phase for all job seekers in jobactive with an Annual Activity Requirement. The Work for the Dole program is the principal (default) activity for job seekers aged 18 to 49 in jobactive when they reach the Work for the Dole Phase. The measure will reduce Work for the Dole places by around 60,300 annually (on average).

Industry feedback has indicated that the expansion of the Work for the Dole program to cover a wide range of job seekers from 1 July 2015 diluted the original focus of the program. The measure also recognises that a large proportion of the most job ready job seekers tend to exit employment services within their first 12 months of service.

Through the measures outlined, therefore, the Government is seeking to address the problems identified in the section above in a targeted and fiscally responsible package.

The measures were announced on 3 May 2016 in the Commonwealth Budget.

## Youth Employment Package

The Australian Government is focussed on getting more young Australians into work. The Government recognises that the best way to do this is to build a strong economy that enables employers to be more productive, more competitive, more innovative and to create more job opportunities.

To give young Australians the right assistance and encouragement to learn new skills, become job ready, get a job, and stay in a job, the Government is investing \$853 million over four years from 2016–17 in the Youth Employment Package.

At the core of the Youth Employment Package is the Youth Jobs PaTH – an investment of \$761 million that will help young job seekers, under 25 years, to move off welfare and into employment. This pathway provides:

- Employability Skills Training to assist young job seekers understand the behaviours expected by employers in the recruitment process and in the workplace.
- Voluntary internships of four to 12 weeks duration that will provide young job seekers with a chance to show what they can do in the workplace.
- A new youth bonus wage subsidy to support the employment of young people and the provision of further enhancements to existing wage subsidies.

The Youth Jobs PaTH will:

- Enhance opportunities for young people to gain the employability skills that employers want.
- Provide incentivised work experience.
- Encourage more businesses to open their door to young people.

As part of the Encouraging Entrepreneurship and Self-Employment measure the Government is investing an extra \$89 million in supporting job seekers, including young people, who wish to start their own business. The measure includes four key elements that will be available from December 2016:

- Two week ‘Exploring Being My Own Boss’ workshops and complementary internships, for up to 12 weeks, that will support young people in gaining a greater understanding of what self-employment entails.
- Entrepreneurship Starter Packs and online content to bring together information about existing services and programs in a way that will engage young people.
- Appointment of Inclusive Entrepreneurship Facilitators in three labour market regions with high youth unemployment to promote entrepreneurship and join up available services and programs (such as jobactive, New Enterprise Incentive Scheme (NEIS), microfinance services, and start-up incubators).
- 2,300 additional places each year and broadening of eligibility for NEIS to accommodate the resulting rise in young people’s interest in pursuing entrepreneurship. NEIS is a

longstanding and successful program that promotes self-employment to job seekers but needs to be available to a wider range of people and to be better promoted to youth.

The package also includes a change to the commencement of the Work for the Dole phase to provide more time for jobactive providers to deliver more targeted services, strengthen job seeker activation and improve their ability to deliver more individualised and tailored services to meet the needs of job seekers.

## Budget Implications

Expense (\$million)*	15-16	16-17	17-18	18-19	19-20	Total over four years from 2016-17
Youth Employment Package - Youth Jobs PaTH	0.1	12.1	70.1	83.8	83.4	249.4
Youth Employment Package - Encouraging self-employment and entrepreneurship	0.0	16.2	24.2	24.0	24.2	88.6
Youth Employment Package - Work for the Dole - reform	0.0	-128.1	-120.7	-123.0	-122.5	-494.2

\*there is some minor related capital.

## Policy Measures

### Youth Jobs PaTH (Prepare – Trial – Hire)

#### Options

1. Government seeks to introduce a flexible three stage pathway to work designed to improve the work-readiness of job seekers under the age of 25. The new pathway will be known as Youth Jobs PaTH (Prepare – Trial – Hire).

#### *Prepare*

The Prepare stage of the pathway will comprise intensive employability skills training, developed with industry, over two blocks of three weeks. The first block of training will focus on the behaviour expected by employers and the second on job search skills. The training will be developed with industry to ensure job seekers are meeting the needs and expectations of Australian businesses. Young job seekers can participate in either block of training, depending on their circumstances, from day one in jobactive, but the training becomes compulsory after five months in jobactive unless extenuating circumstances exist. This timeframe is optimal as it allows work ready young people an appropriate length of time to find employment but, at the five month point, provides a structured and relevant intervention to arrest erosion of key skills.

### *Trial*

The Trial stage is voluntary internship placements of 4 to 12 weeks, available to job seekers aged 17 to 24 years who have been in jobactive, Transition to Work or Disability Employment Services for six months or more. Internships will be between 15 to 25 hours per week (depending on employer needs). Job seekers will receive a \$200 per fortnight incentive to participate in addition to their income support payment. Businesses that host an internship will receive an up-front payment of \$1,000 in recognition of the cost of managing the placement, including supervision and on-the-job training. Employment service providers brokering the internship will be eligible to receive an 'Internship Outcome' payment. These incentive payments will enhance the attractiveness of the program for job seekers, employers and providers, while increasing the likelihood of job seekers benefiting from and completing the internship.

### *Hire*

The third element of PaTH – Hire – would be for the young job seeker to enter wage subsidised employment. This element is discussed in more detail later in this RIS.

The Youth Jobs PaTH is expected to be an effective means of providing young job seekers with the employability skills and work experience they need to gain and retain employment. In order to have a discernible impact on youth unemployment, the measure's benefits will be promoted nationally to large employers and employer groups as well as regionally and locally, including through jobactive. Furthermore, because the Youth Jobs PaTH will be rolled out nationally and has designed to be responsive to the needs of job seekers and local labour markets, the program will flexibly meet relevant industry and regional needs.

The employment preparation and internship elements of PaTH do not have regulatory costs. The assumptions underpinning this assessment are:

- The Prepare and Trial elements of the Youth Jobs PaTH will not have a regulatory impact on job seekers as participating in these activities is not considered a regulatory burden. There is also no burden on organisations delivering the Prepare and/or Trial elements as monitoring of job seekers would fall within part of their contractual requirements.

### Regulatory Burden and Cost Offset (RBCO) Estimate Table

Average Annual Compliance Costs (from Business as usual)

Sector/Cost Categories	Business	Not-for-profit	Individuals	Total by cost category
Administrative Costs	\$0	\$0	\$0	\$0
Substantive Compliance Costs	\$0	\$0	\$0	\$0
Delay Costs	\$0	\$0	\$0	\$0
Total by Sector	\$0	\$0	\$0	

### Annual Cost Offset

	Agency	Within portfolio	Outside portfolio	Total
Business	\$0	\$0	\$0	\$0
Not-for-profit	\$0	\$0	\$0	\$0
Individuals	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0

Proposal is cost neutral?      Yes

Proposal is deregulatory      Yes

Balance of cost offsets      \$N/A

While the Youth Jobs PaTH represents a significant investment of \$761 million over four years, it is important to outline this in respect of the possible benefits that will be experienced by young job seekers, employers and the Government. To put this in context, Australian Bureau of Statistics data show that of the 254,000 young people who were unemployed in May around 105,000 had never worked before. The Youth Jobs PaTH therefore represents an opportunity for the Government to invest in developing the employability skills of young Australians who have never worked before, thereby assisting them securing long term employment and off welfare payments. Assisting young people to transition into the workforce will ensure that this cohort of job seekers are less likely to be at risk of long-term welfare dependency and reduce the costs to government in terms of welfare expenditure and possible public health expenditure in the long run to a reduction in general wellbeing.

For businesses, the Youth Jobs PaTH provides an opportunity for employers to be able to meet their immediate and future skills needs for entry level roles they would not have been

able to fill previously. Industry groups have consistently indicated that while there are skills shortages they are seeking to fill, young people who would usually be suitable for these roles need to improve their employability skills and their level of work experience. The Youth Jobs PaTH will assist young job seekers in building skills that employers are seeking when hiring staff, with training through PaTH to be industry endorsed, evidence based and allow young people to demonstrate these new skills and be more competitive in the labour market.

2. In order to improve young people's work readiness, Government could instead consider expanding the existing National Work Experience Program (NWEPP) to also include 17 year olds (who would be eligible for the Trial stage of PaTH).

Currently, NWEPP is only available to job seekers 18 years of age and over. Expansion of NWEPP would not represent a change to regulatory burden as the program is in the existing suite of employment services programs. However, this option is not likely to deliver the intended impact as NWEPP only provides work experience for up to four weeks and does not include employment preparation for job seekers or incentives for employers. Some stakeholders have advised the Department that four weeks may not be long enough to assess a job seeker's suitability for on-going employment nor is it long enough for a job seeker to develop workplace specific skills.

3. Alternatively, the Government could instead not implement additional or changed measures in respect of young job seekers but wait until the long-term impacts of recent changes have been evaluated.

From 1 July 2015, jobactive represented a fundamental re-design of the previous Job Services Australia system. The jobactive reforms, including greater emphasis on outcomes in the payment and performance frameworks and Indigenous outcomes targets, were introduced to encourage providers to better meet the needs of employers and place job seekers into sustainable work.

In the 2015-16 Budget, the Government announced the \$331 million Youth Employment Strategy which was targeted at delivering assistance to early school leavers, youth at-risk of long-term welfare dependency and young parents in disadvantaged locations. This measure has progressively commenced over the course of 2015-16.

While maintaining the status quo would, by definition, represent no additional regulatory burden, Government considers that more could be done to create further opportunities for all young job seekers under 25 to improve their job readiness, obtain real work experience and move from welfare to work.

### **Consultation**

The Department consults often with business and community peak bodies about improving job seekers' work readiness, work experience programmes and wage subsidies. In January/February 2016, the Department consulted on these issues with the:

- Australian Chamber of Commerce and Industry (ACCI).

- Business Council of Australia (BCA).
- Australian Council of Social Service (ACOSS).
- National Welfare Rights Network.
- Australian Council of Trade Unions (ACTU).
- National Employment Services Association.
- Jobs Australia.

The PaTH measure incorporates aspects of ACCI's recommendations for assisting young people into work. In its policy publication *Learning to work – A helping hand for young Australians*, ACCI outlines the five key elements to support young Australians facing the challenge of transitioning from learning to work as industry career development; employability skills; apprenticeships and traineeships; employer facing employment services; and changes to workplace regulation. As noted above, individual employers, through the Department's survey of employers' recruitment experiences, consistently state young people need to improve their employability skills and have recent work experience.

BCA's emphasis on work readiness is reflected in its 2014 Memorandum of Understanding with the Foundation for Young Australians, and its 2016 publication *Being Work Ready: A Guide to What Employers Want*, which is designed to show the minimum standard of skills that employers expect from job applicants soon after they have started the job.

The Department is consulting on the implementation of the Youth Jobs PaTH with a wide range of stakeholders, including BCA, ACCI, ACTU, welfare organisations, employment services peaks and providers, state government agencies, Commonwealth government agencies and training organisations to obtain their views and to identify operational considerations.

In order to obtain a wider range of stakeholder views, on 19 August 2016 the Department released a Consultation Paper on the first element of the Youth Jobs PaTH – employability skills training.<sup>11</sup> The Department received more than 70 submissions in response to the Consultation Paper, most of which were positive and constructive. The main issues raised in submissions were that the training program needs to provide additional flexibility to meet industry's skill needs, and that the proposed fee to be paid to training providers is too low. The Government is currently considering options to respond to these issues.

## Implementation

Employability skills training (Prepare) will commence in April 2017 following a procurement process to select a panel of training providers. Employability skills training will be endorsed by industry to ensure job seekers are learning what businesses need.

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<sup>11</sup> [Department of Employment Youth Jobs PaTH](http://www.employment.gov.au/youth-jobs-path), available from <http://www.employment.gov.au/youth-jobs-path>

The voluntary internships (Trial) will commence in April 2017, following consultation with employers, employment service providers, State and Territory governments and job seekers to finalise the program design prior to implementation.

The Hire stage of the pathway (the Youth Bonus wage subsidy) will commence on 1 January 2017 (see following section).

## Youth Bonus Wage Subsidy

### Options

1. Government proposes to introduce a Youth Bonus wage subsidy (the Hire element of PaTH) while further streamlining wage subsidies for job seekers of all ages. Employers would be eligible for a Youth Bonus wage subsidy (\$6,500 for job ready job seekers - Stream A, and \$10,000 for other job seekers – Stream B or C) if they hired a young job seeker under the age of 25 years who is in jobactive or Transition to Work and who has been in employment services for six months or more. Under the proposal to streamline wage subsidies (available to employers of young people, the mature-aged, Indigenous people, parents and long-term unemployed), employers and providers will have more flexibility, particularly in relation to commencements and time-frames for finalising agreements. Other benefits of the proposal include wage subsidies being paid as a flat rate and online administration of the entire process would be improved. Wage subsidies would be paid to the employer over a six month period (instead of 12 months) with flexibility to negotiate the frequency of instalments. The minimum number of hours per week will also be lifted to 20 hours per week (averaged over the six month term of the agreement), to ensure more job seekers move off income support.

Paying wage subsidies over a six month period, rather than over a 12 month period, in effect doubles the week-to-week value of the subsidy, providing a strong incentive for employers to take on eligible job seekers. In addition, to drive an increase in job seekers' take up of apprenticeships and traineeships, the Government will allow employers to receive both the new Youth Bonus wage subsidy and existing incentives provided through the Australian Apprenticeship Incentives Program. This programme provides a number of incentives to assist employers who take on an Australian Apprentice, particularly where the Australian Apprenticeship is in a trade experiencing a skills shortage. More information on the program is available from <http://www.australianapprenticeships.gov.au>

Wage subsidies are an effective tool for supporting disadvantaged job seekers to gain work experience and get a foothold in the labour market. Surveys of employers who received an Employment Pathway Fund wage subsidy under Job Services Australia show that in 70 per cent of cases the subsidy meant job seekers got jobs they would not have otherwise, or employees received better employment conditions such as more hours (this includes substitution effects). These employers also reported secondary benefits which enabled them to employ other staff, retain existing staff or increase hours of other staff.



European and OECD studies have found that wage subsidies improve the employment prospects of disadvantaged job seekers, such as youth and the long term unemployed, by allowing them to regain, or acquire, human capital and on-the-job skills valued by employers (A. Brown, 2015; P. Martin, 2000). This is broadly supported by a New Zealand study which also found job seekers were more likely to be employed and off income support up to seven years after starting a subsidised job (Crichton & Mare, 2013). Participating businesses were also found to have higher employment levels (additional jobs) for at least 3 years.

Comparable countries around the world provide similar amounts to those proposed. For example, Ireland's JobPlus programme wage subsidy provides up to €10,000 and France's 'Jobs for the Future' programme paid 75 per cent of the wage for young job seekers hired by voluntary organisations or councils. The Victorian Government also recently introduced wage subsidies of up to \$12,000 for job seekers unemployed for six months.

Increasing wage subsidies to \$10,000 (from the current \$6,500) is expected to increase take-up from current rates. Research by Taylor Nelson Sofres found that it was very difficult to convince many employers that a subsidy of \$6,500 is sufficient to overcome the risk associated with hiring the wrong person. Employers are disproportionately more motivated by a wage subsidy of \$10,000. It could also mitigate employer concerns about reduced productivity for more disadvantaged job seekers. The Youth Bonus of \$10,000 paid over six months is equivalent to 86 per cent of the full-time minimum wage for an 18 year old, and 59 per cent of the minimum wage for a 24 year old (as well as for older job seekers).

Around 52,000 job seekers, including 17,000 young people, are expected to benefit from the new arrangements.

The Youth Bonus measure will likely result in more employers taking up wage subsidies. A 20 per cent increase on the number of employers who have utilised the current Youth Wage Subsidy would result in about 1,274 additional employers utilising the Youth Bonus over 12 months. Based on one agreement per employer, and using the same assumptions for time taken to enter into a wage subsidy agreement outlined in the RIS to quantify savings, this would result an additional cost of \$48,640.25 over 3.5 years (assuming only one agreement per employer).

Additionally, processing costs for employers and providers will be significantly reduced through the removal of pro-rata payments, greater online functionality and more flexible commencement arrangements for wage subsidy agreements.

OBPR has agreed that, if implemented, the measure would deliver regulatory savings of around \$1,579,611 per annum. There would be no additional regulatory imposts on job seekers.

These reductions are well in excess of any increase in employer usage (compared with current usage) which is why this measure is a regulatory saving.

**Regulatory Burden and Cost Offset (RBCO) Estimate Table**

Average Annual Compliance Costs (from Business as usual)

Sector/Cost Categories	Business	Not-for-profit	Individuals	Total by cost category
Administrative Costs	-\$1,579,611	\$0	\$0	-\$1,579,611
Substantive Compliance Costs	\$0	\$0	\$0	\$0
Delay Costs	\$0	\$0	\$0	\$0
Total by Sector	\$0	\$0	\$0	

Annual Cost Offset

	Agency	Within portfolio	Outside portfolio	Total
Business	\$0	\$0	\$0	\$0
Not-for-profit	\$0	\$0	\$0	\$0
Individuals	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0

Proposal is cost neutral? No – this is a savings measure

Proposal is deregulatory Yes

Balance of cost offsets \$1,579,611 per annum

Assumptions:

- The impact of this change is a reduction in the number of wage subsidy agreements expected to be entered into by jobactive providers from 1 January 2017. This is driven by a change in the key assumptions underpinning the wage subsidy expenditure forecast.
- The primary driver of the savings under the Youth Bonus measure is a reduction in wage subsidy take-up from a high level forecast at the previous Budget to a more realistic level.
- This reduction generates significant regulatory savings which more than compensate for an increase in take-up from the current low level.
- It is assumed that it takes jobactive providers and employers each five minutes to enter into a wage subsidy agreement (therefore 10 minutes in total).

- The hourly cost is assumed to be \$65.45 per hour (including on-costs) and this rate was used in the 2015-16 Budget context in relation to the Further Strengthening Job Seeker Compliance Arrangements measure<sup>12</sup>.
- There would be no additional reporting requirements on jobactive providers, job seekers or employers.

<b>Item</b>	<b>Figure</b>
Current Wage Subsidy Agreements Forecast (from 1 January 2017 to 30 June 2020)	359,323
New forecast wage subsidy placements over 4 years	207,360
Wage subsidy agreements that will no longer occur	151,963
Original time taken to enter into wage subsidy agreement	20 minutes
Revised time take for jobactive and employers to enter into a wage subsidy agreement	10 minutes <sup>13</sup>
Hourly Rate – Employment/jobactive	\$65.45
Regulatory Costing over 4 years <sup>14</sup>	-\$5,528,639
Regulatory Costing annualised	-\$1,579,611

2. The Government could alternatively seek to maintain the ‘status quo’ and maintain wage subsidies at the current level of \$6,500, paid over a period of 12 months. However, as demonstrated by the research by Taylor Nelson Sofres, employers will be less incentivised to take up the wage subsidies as employers have indicated that \$6,500 is not sufficient to overcome the risk associated with hiring the wrong person. Furthermore, business will not benefit from any of the regulatory savings and reduction in red tape burden experienced for employers, as:
  - Increasing the time allowed for employers to commence wage subsidy agreements from the current 28 days to 12 weeks, incentivises businesses to keep an employee they may be considering laying off and for whom they are not already receiving a wage subsidy. This also allows greater use of paid work trials and gives additional time for jobactive to work with employers to lift hours for eligible pre-existing employees.
  - Paying wage subsidies as flat rates removes confusing pro-rata calculations and the requirement for employers to provide regular evidence of hours worked.
  - Improving online functionality for employers and providers simplifies the entire wage subsidy eligibility, agreement and payment processes.

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<sup>12</sup> This figure is based on to the costs for jobactive providers for the Youth Bonus Wage Subsidy measure and the Encouraging Entrepreneurship and Self Employment measure and is consistent with the hourly cost for providers used for measures in the 2015-16 Budget.

<sup>13</sup> The time taken to enter into a wage subsidy agreement is based on the new electronic system of entering into wage subsidy agreements. This formed part of the original costing assumptions.

<sup>14</sup> Regulatory saving has been calculated on the basis of four years as agreed in the 2016-17 Budget.

- Improves employer awareness through a comprehensive communications strategy (included in the Three Stage Pathway to Work proposal).
- Broadens the pool of eligible vacancies.

The proposal will also lift the amount of earnings declared by lifting the minimum number of hours per week from 15 to 20 hours (averaged over the agreement), which will encourage more job seekers to move off income support.

Finally, an alternative option would be to consider removing wage subsidies altogether from the range of support options available. Job seekers are already eligible for substantial assistance through employment services providers to address their vocational and non-vocational barriers to work. This assistance includes employment preparation, access to training and skills development, active identification of suitable employment and matching job seekers to available work. Providers are already remunerated to provide appropriate services to job seekers. Providers can draw on the Employment Fund, for instance, to provide targeted individual assistance but not wide scale wage subsidies. While removing wage subsidies would be beneficial in terms of delivering substantial Budget savings, it would restrict the ability of jobactive providers to achieve employment outcomes for the most disadvantaged job seekers. The odds of being off income support 12 months after a job placement were approximately 14 per cent higher for job seekers who received a wage subsidy compared to job seekers who received a job placement without a wage subsidy.<sup>15</sup>

In addition, Government expects there would be substantial stakeholder opposition if wage subsidies for disadvantaged job seekers were discontinued. Any perceived benefit in ceasing wage subsidies altogether would be outweighed by the genuine benefit afforded to job seekers who gain employment through a subsidy.

Removal of wage subsidies would reduce regulatory burden by \$3.9 million by 30 June 2020.

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<sup>15</sup> Source: Department of Education, Employment and Workplace Relations, 2012, *Employment Pathway Fund, Chapter 2: Wage Subsidies*, DEEWR, Canberra.

### *Regulatory Burden and Cost Offset (RBCO) Estimate Table*

Average Annual Compliance Costs (from Business as usual)

Sector/Cost Categories	Business	Not-for-profit	Individuals	Total by cost category
Administrative Costs	-\$1,119,890	\$0	\$0	-\$1,119,890
Substantive Compliance Costs	\$0	\$0	\$0	\$0
Delay Costs	\$0	\$0	\$0	\$0
Total by Sector	\$0	\$0	\$0	

Annual Cost Offset

	Agency	Within portfolio	Outside portfolio	Total
Business	\$0	\$0	\$0	\$0
Not-for-profit	\$0	\$0	\$0	\$0
Individuals	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0

Proposal is cost neutral? No – this is a savings measure

Proposal is deregulatory Yes

Balance of cost offsets \$1,119,890 per annum

Assumptions:

- Wage subsidy agreements will cease from 1 January 2017.
- It is assumed that it takes jobactive providers and employers each five minutes to enter into a wage subsidy agreement (therefore 10 minutes in total).
- The hourly cost is assumed to be \$65.45 per hour (including on-costs) and this rate was used in the 2015-16 Budget context in relation to the Further Strengthening Job Seeker Compliance Arrangements measure.

<b>Item</b>	<b>Figure</b>
Current Wage Subsidy Agreements Forecast (from 1 January 2017 to 30 June 2020)	359,323
Time take for jobactive and employers to enter into a wage subsidy agreement	10 minutes
Hourly Rate – Employment/jobactive	\$65.45
Regulatory reduction over 3.5 years	-\$3,919,615
Regulatory reduction annualised	-\$1,119,890

- Government could maintain wage subsidy arrangements in their existing form and allow more time for their impact to be assessed. This option is unlikely, however, to improve the uptake of wage subsidies. The Department has received feedback from employers and business groups that existing wage subsidies are relatively complex to access, are paid over too long a period and are not of high enough value to make them worthwhile.

It should also be noted that the updated forecasts that suggest lower take up of wage subsidies than originally envisaged, would also apply to this option and deliver a regulatory saving of \$473,618. However, maintaining the status-quo does not represent the preferred policy option as it does not provide businesses with extra incentive to employ disadvantaged young job seekers. This would mitigate against the policy intent of the Youth Bonus Wage Subsidy.

Maintaining the existing arrangements, however, could mitigate the risk of provider, employer and job seeker ‘change fatigue’. In addition, as noted above, jobactive represented a fundamental re-design of the previous Job Services Australia system. The jobactive reforms include greater emphasis on outcomes in the payment and performance frameworks to encourage providers to better meet the needs of employers and place job seekers into sustainable work. Government has invested substantial resources into promoting jobactive services and programs to employers.

Although there may be merit in not changing the existing arrangements for wage subsidies, the Department’s assessment is that change, as described above, is warranted to maximise the power of wage subsidies as an incentive to employers to hire disadvantaged job seekers.

### **Consultation**

Enhancements to wage subsidies follows consultation with BCA, ACCI, and ACOSS, who state that wage subsidies must be of high enough value to make them worthwhile, paid over the shortest appropriate time period and simpler for employers to access.

During the consultation phase of the Youth Jobs PaTH, stakeholders indicated their support of the policy enhancements, noting that they could be used as a mechanism to assist employers taking on young job seekers on a more permanent basis.

The Department will continue to consult with a wide range of stakeholders during the implementation of all three elements of the Youth Jobs PaTH to ensure its benefits are delivered. All stakeholders are expected to support the proposed changes to wage subsidies.

## Implementation

The new wage subsidy arrangements will come into effect on 1 January 2017 and will be monitored as part of the broader evaluation of jobactive.

## Encouraging Entrepreneurship and Self Employment

### Options

1. Government seeks to increase the opportunity for young people to participate in small enterprise development by using the expertise of existing NEIS providers to promote entrepreneurial behaviour and self-employment through access to training, support and experience. This would be an inclusive approach ensuring young Indigenous, migrant, refugee and disabled job seekers would have access. Government would provide additional funding to NEIS providers to conduct 'Exploring Being My Own Boss' workshops of two weeks duration. The workshops would be designed for participants to explore what it means to be self-employed. Following completion of the two week workshops, participants would have the opportunity to undertake a placement, where possible in existing NEIS businesses, to gain first-hand experience in running a small business.

Under this option, eligibility for NEIS would also be broadened to include job seekers, not in receipt of income support, who are not in employment, education or training, in particular youth and retrenched workers.

Government also seeks to appoint Inclusive Entrepreneurship Facilitators in three selected locations with very high youth unemployment to promote the potential of entrepreneurship, in line with the objectives outlined above. Self-employment starter packs will also be developed to provide information on what services are available to support young job seekers who wish to establish their own business.

Under these proposals, the number of NEIS places will be expanded by 2,300 annually (to a total of 8,600 per annum). Government expects 1,000 young people will participate in 'Exploring Being My Own Boss' workshops each year. These measures complement the Government's National Innovation and Science Agenda.

The Department estimates that the measures would result in increased regulatory costs of \$87,816 annually to business with these costs to be fully offset by the wage subsidy proposal. These costs are based on the following assumptions:

- There are expected to be an extra 8,240 job seekers in NEIS over the period from 1 December 2016 to 30 June 2020. NEIS providers will be required to screen, select and assess the suitability of each of these job seekers. Once in NEIS, the provider must enter relevant details into the IT system.
- The expansion of the program will not have a regulatory burden as there is no change to NEIS provider reporting arrangements.

The ‘Exploring Being My Own Boss’ workshops will be delivered by existing NEIS providers and monitoring activities will be small as the measure is limited to 1,000 young people per year. This is not expected to result in an additional regulatory burden for NEIS providers.

**Regulatory Burden and Cost Offset (RBCO) Estimate Table**

Average Annual Compliance Costs (from Business as usual)

Sector/Cost Categories	Business	Not-for-profit	Individuals	Total by cost category
Administrative Costs	\$87,816	\$0	\$0	\$87,816
Substantive Compliance Costs	\$0	\$0	\$0	\$0
Delay Costs	\$0	\$0	\$0	\$0
Total by Sector	\$0	\$0	\$0	\$0

Annual Cost Offset

	Agency	Within portfolio	Outside portfolio	Total
Business	\$0	\$0	\$0	\$0
Not-for-profit	\$0	\$0	\$0	\$0
Individuals	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0

Proposal is cost neutral? No

Proposal is deregulatory No

Balance of cost offsets \$87,816 per annum (offset by the wage subsidy proposal)

Assumptions:

- There are expected to be an extra 8,240 job seekers in NEIS over the measure duration. This means that NEIS providers will have to screen, select and assess the suitability for each of these job seekers, which on average takes 30 minutes at \$65.46 per hour (including on costs). Once in NEIS Assistance the NEIS provider must enter the bank account details of each job seeker into the system, which on average takes five minutes.
  - The estimates regulatory costs are:



- (35 minutes/60 minutes) x \$65.46 x 8,242 = \$314,673 (over 1 December 2016 to 30 June 2020).
  - The annualised impact is \$87,816.
- The expansion of NEIS will not have a regulatory burden as there is no change to NEIS provider reporting requirements. These requirements are counted as part of existing contractual activity and have been accounted for elsewhere.
- Under the jobactive Deed, NEIS providers are paid a fee to service participants (provide training, mentoring support) and report to the Department relevant financial and participant information as set out in the Deed.
- There are no additional reporting requirements for NEIS providers as a result of this measure and therefore there is no additional regulatory burden beyond what providers are already compensated for.
- As the Exploring Being My Own Boss workshops will be delivered by existing NEIS providers, and the measure is relatively small (1,000 participants per year) the marginal cost of reporting is small and difficult to estimate. There are 21 NEIS providers. Assuming one hour of additional reporting (using \$65.45 as the hourly rate), this would provide an additional total cost of \$1,374.65.
- The Department will work with providers to prevent any significant additional regulatory burden being placed on NEIS providers through the existing reporting requirements.

The Government will provide an additional \$88.6 million over four years from 2016-17 to expand the *New Enterprise Incentive Scheme* (NEIS) and to support self-employment opportunities for young people.

Self-employment and entrepreneurship are powerful options for overcoming unemployment, however only a very small number of jobseekers pursue this pathway.

NEIS has been in operation for over 30 years and has assisted more than 150,000 people to establish a viable small business. However, only around 13 per cent of these have been for job seekers aged under 25 years. While the additional NEIS places will be open to people of all ages, the 'Exploring Being My Own Boss' and work experience placements measures will target young job seekers to increase NEIS uptake among this group. These proposals complement the NEIS programme and offer additional flexibility and support to a wider range of job seekers and people wanting to establish a small business, with greater efforts to promote NEIS to youth.

Increasing awareness of self-employment and entrepreneurship by broadening NEIS eligibility will ensure a greater range of job seekers particularly young job seekers, including those not on income support, such as retrenched workers, will have access to assistance to help them become self-employed.

Research shows that many young job seekers have business ideas but lack the capacity and support to develop these ideas into successful businesses. They are often confronted by barriers such as: lack of business training and access to finance, lack of business networks and inability to explore and select sustainable business ideas. The packs and facilitators are a

way of connecting young job seekers with existing services and programmes rather than duplicating existing programmes. The Inclusive Entrepreneurship Facilitators will work with communities to encourage the entrepreneurial ecosystem and ensure these communities are agile enough to re-invent themselves and deliver a diverse range of jobs.

All these measures will complement the Government's National Innovation and Science Agenda. Unlike the Department of Industry's Entrepreneurs' Programme, which provides services at the firm level for businesses to boost their capabilities, commercialise their novel intellectual property, and connect with the research sector, this measure is targeted at individuals, specifically in terms of building entrepreneurial capability and promoting a culture of inclusive entrepreneurship. This measure will complement the services offered under the Entrepreneurs' Programme through encouraging more young people to start their own businesses and helping them develop the skills to succeed. After their business is successfully established, their business may then be eligible for support under the Entrepreneurs' Programme.

2. Increasing young people's participation in NEIS could instead be attempted by quarantining a proportion of total places specifically for the target age group. This would require NEIS providers to market more directly to the target group. However, as NEIS is a capped program, this runs a significant risk of NEIS providers being unable to secure commencements from the target group. Quarantining would mean that places not taken up by young people would be denied to other job seekers. This would be to the detriment of the goals of the program, especially as only those whose business idea has been assessed by the NEIS provider as meeting the scheme's eligibility criteria are accepted. Quarantining places under NEIS would not change regulatory burden.
3. There could be merit in maintaining NEIS in its current form as it is a demonstrably successful program with a long track record of helping people establish small enterprises. NEIS is not as effective, however, in meeting the needs of entrepreneurially minded young people. For example, in the 2014 – 2015 financial year, only 13 per cent of job seekers assisted were under 25 years. Maintaining the NEIS status quo would still allow suitable young people to benefit, while not imposing any additional responsibilities on providers.

As NEIS is a capped program, without any change, there is a risk that young people will remain underrepresented among NEIS participants if the program is over-subscribed.

Maintenance of the status quo would, by definition, represent no additional regulatory burden.

### **Consultation**

The Department has previously consulted with the Foundation for Young Australians (FYA), Enterprise Network for Young Australians (ENYA) and DICEKids on youth entrepreneurship. All organisations have been highly supportive of the government promoting entrepreneurship amongst this cohort.

In addition, the Department notes the National NEIS Association (NNA) would be supportive of more inclusive eligibility and increased NEIS places. The current providers are also likely to support the implementation of workshops and associated internships to better equip young job seekers with the skills and experience to establish a small business.

Prior to implementation, the Department will undertake wide-ranging consultation including with the NNA, NEIS providers, FYA, ENYA, government agencies, business training and start-up development organisations, National Employment Services Australia, Jobs Australia, the Australian Apprenticeship Support Network, and microfinance and co-working spaces institutions.

The Inclusive Entrepreneurship Facilitators will be appointed through a Purchasing Process. Eligible applications for funding to deliver Inclusive Entrepreneurship Facilitator Services will be sought from individuals, and non-government organisations including for profit organisations. Applicants to deliver services will be required to respond to selection criteria and provide all information required by the Guidelines.

As a procurement process consistent with Commonwealth procurement guidelines, this is exempt from regulatory cost assessment.

### **Implementation**

The enhancements to NEIS, including implementation of 'Exploring Being My Own Boss' workshops will be implemented from December 2016. These changes will require a variation to the jobactive Deed and the NEIS Guidelines.

It is not expected that changes to the Deed and guidelines will lead to additional regulatory costs as they will be variations to the existing Deed and NEIS guidelines and are minor in nature. Updates to the existing Deed and guidelines occur regularly to take account of policy and other changes and have been accounted for elsewhere.

Previous costing for the 2015 Employment Services RIS referred to a new Deed and guidelines for Employment Services 2015.

Entrepreneurship starter packs will also be launched in December 2016. This will allow time for consultation with relevant organisations and to research and design the packs, for example, to ensure suitability for specific youth cohorts and cultural sensitivity. The Department will maintain the content of the packs and online information to ensure currency and functionality.

Inclusive Entrepreneurship Facilitators will also be appointed in December 2016. The Department will determine the three locations in which to trial them based on data on youth unemployment and NEIS take up. The role of the facilitators will be devised through consultation with the community to determine their needs and expectations.

## Changes to the Work for the Dole Phase

### Options

1. Government proposes changing the commencement of the Work for the Dole phase to provide more time for jobactive providers to deliver more targeted services, strengthen job seeker activation and improve their ability to deliver more individualised and tailored services to meet the needs of job seekers. This is proposed by requiring that the most job ready job seekers (Stream A and Stream B SPI) enter the Work for the Dole phase after 12 months instead of six months. This would give those job seekers with relatively few barriers to employment a full year of individually tailored employment services thereby allowing them to focus on job search for 12 months before they need to undertake their six month approved activity (which could be Work for the Dole).

There will be a reduction of Work for the Dole places of around 60,300 annually (on average) as a result of moving the Work for the Dole phase from six to 12 months in employment services. This will generate a regulatory saving of \$2.2 million annually. The saving is based on regulatory costs agreed as part of the Employment Services 2015 RIS.

### *Regulatory Burden and Cost Offset (RBCO) Estimate Table*

Average Annual Compliance Costs (from Business as usual)

Sector/Cost Categories	Business	Not-for-profit	Individuals	Total by cost category
Administrative Costs	-\$2,180,930	\$0	\$0	-\$2,180,930
Substantive Compliance Costs	\$0	\$0	\$0	\$0
Delay Costs	\$0	\$0	\$0	\$0
Total by Sector	\$0	\$0	\$0	\$0

## Annual Cost Offset

	Agency	Within portfolio	Outside portfolio	Total
Business	\$0	\$0	\$0	\$0
Not-for-profit	\$0	\$0	\$0	\$0
Individuals	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0

Proposal is cost neutral? No – this is a savings measure

Proposal is deregulatory Yes

Balance of cost offsets -\$2,180,930

### Assumptions:

- The Reforming Work for the Dole proposal involves moving the commencement of the Work for the Dole phase from six to 12 months in employment services for the most job ready job seekers (Stream A and Stream B SPI). This means that there is a reduction in demand for Work for the Dole places of around 60,300 annually (on average).
- Under the regulatory costs estimated for Employment Services 2015, it was assumed that providers take 20 minutes to find a Work for the Dole place plus an additional 20 minutes to record details of the placement in the jobactive IT system.
- The regulatory reduction costs for the reduction in Work for the Dole places are calculated as follows:
  - 40 minutes (0.66 hours) x \$54.80<sup>16</sup> (provider average hourly rate) x -60,300 = - \$2,180,930.

### Benefits:

- The delay of Stream A job seekers in entering the Work for the Dole Phase from six to 12 months means that Stream A job seekers will be in the Case Management Phase for an additional six months.
- This aligns the servicing for Stream A with that of Streams B and C and allows for greater scope for jobactive to deliver individualised and tailored services that focus on finding a job before moving to the Work for the Dole phase.

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<sup>16</sup> This is based on the costings of the regulatory impacts of the “Reforming Work for the Dole” measure. In the Employment Services 2015 RIS, \$54.80 was the hourly rate used to cost the regulatory burden of Work for the Dole Coordinators finding Work for the Dole places. As the “Reforming Work for the Dole” measure reduces the number of places needed to be found by Work for the Dole Coordinators, for consistency the \$54.80 hourly rate was used.

- A reduction in the volume of job seekers undertaking Work for the Dole is also expected to reduce some of the administrative workload for jobactive providers, giving them more time to focus on better meeting the individual needs of jobseekers such as placing job seekers into jobs and developing more tailored Work for the Dole activities.
  - \$494.2 million will be saved over four years from 2016-17 as a result of reduced need for Work for the Dole placements. This is a fiscal saving.
2. Government could instead consider terminating Work for the Dole completely. Evaluations have shown that Work for the Dole participants have some of the highest levels of labour market disadvantage of any job seekers in jobactive. As a result, they experience relatively low outcome rates, whether in Work for the Dole or any other intervention.

Work for the Dole has significant support in the wider community and among job seekers. Job seekers often report that Work for the Dole activities give them a sense of purpose and belonging and increased self-esteem. The Work for the Dole 2014-15 Evaluation found that in general, job seekers who participated in Work for the Dole reported positive experiences. The most commonly mentioned positive outcomes related to “soft” skills such as confidence, self-esteem, and ability to work with a team, communication and workplace behaviour.

Work for the Dole has been a long standing component of Government funded employment services, most recently jobactive, and appears to enjoy support amongst the wider community as a component of the suite of mutual obligation activities. One of the impacts of Work for the Dole is its effect in encouraging job seekers to move off income support prior to commencing in the program, particularly for those who can most easily find jobs. This appears to be because referral to Work for the Dole can lead some job seekers to increase their job search activity or declare previously undeclared earnings.

Ceasing Work for the Dole altogether would deliver regulatory savings of over \$17 million to the end of the current jobactive contract.

### *Regulatory Burden and Cost Offset (RBCO) Estimate Table*

Average Annual Compliance Costs (from Business as usual)

Sector/Cost Categories	Business	Not-for-profit	Individuals	Total by cost category
Administrative Costs	-\$4,952,882	\$0	\$	-\$4,952,882
Substantive Compliance Costs	\$0	\$0	\$0	\$0
Delay Costs	\$0	\$0	\$0	\$0
Total by Sector	\$0	\$0	\$0	\$0

## Annual Cost Offset

	Agency	Within portfolio	Outside portfolio	Total
Business	\$0	\$0	\$0	\$0
Not-for-profit	\$0	\$0	\$0	\$0
Individuals	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0

Proposal is cost neutral? No – this is a savings measure

Proposal is deregulatory Yes

Balance of cost offsets -\$17,335,105 to the end of the jobactive contract (\$4,952,882 annualised)

### Assumptions:

- Ceasing Work for the Dole from 1 January 2017 would result in 479,294 places not being required to 30 June 2020.
  - Under the regulatory costs estimated for Employment Services 2015, it was assumed that providers take 20 minutes to find a Work for the Dole place plus an additional 20 minutes to record details of the placement in the jobactive IT system.
  - The regulatory reduction costs for the reduction in Work for the Dole places are calculated as follows:
    - 40 minutes (0.66 hours) x \$54.80 (provider average hourly rate)  
479,294 = \$17,335,105.
    - 136,941 places annually means an annualised saving of \$4,952,882.
3. An alternative policy option would be to maintain the current arrangements to allow more time for the program's implementation to settle and for its benefits to be assessed. Research conducted by the Australian National University early in the life of the Work for the Dole pilot (where providers were asked to place greater emphasis on referrals to the program and 18 – 29 year old job seekers went into the Work for the Dole phase at six months rather than 12 months) found that in comparison to non-pilot Work for the Dole, the pilot raised the program's outcome rate by two percentage points when measured across all eligible job seekers, including those who were never referred to Work for the Dole.

Maintaining the current arrangements could, however, leave the Government open to criticism about a lack of responsiveness in the face of industry feedback that indicated the expansion of the Work for the Dole program to cover a wide range of job seekers from 1 July 2015 diluted the original focus of the program. In addition, a large proportion of

the most job ready job seekers tend to exit within their first 12 months of service. Further, the Government could be seen to be not acting in a timely manner to realise savings where there is evidence that this could be achieved without disadvantaging individuals.

Maintenance of the status quo would, by definition, represent no additional regulatory burden.

### **Consultation**

Prior to the announced changes, the Government was aware of a range of stakeholder views in relation to Work for the Dole. Stakeholders representing job seekers have generally not been supportive of Work for the Dole, while stakeholders representing employment services have been mixed, focussing on the need to ensure the effectiveness of the program through ensuring strong labour market links. Both groups have been supportive of programs that seek to build job seekers' employability skills and work experience. These positions did not change in the response to the current consultation.

In response to the Employability Skills Training consultation paper, the National Welfare Rights Network and the Australian Council of Social Services' submissions noted support for the change to the Work for the Dole phase.

The two main representative bodies for employment service providers are the National Employment Services Association (NESA) and Jobs Australia. Neither directly commented on the changes to the Work for the Dole phase as part of their submission, however, they both made positive comments about the Work for the Dole phase changes as part of their responses to the 2016-17 Budget announcements. NESA stated "Investment in young people is a smart way to re-organise funding from the parts of jobactive administration that are not working as well as planned." Similarly, Jobs Australia's media release stated "The CEO of Jobs Australia, David Thompson AM, has welcomed key changes to employment services announced in the Turnbull Government's 2016-17 Federal Budget, including the move away from mandatory Work for the Dole in favour of voluntary participation in a program that offers experience in a real work setting."

### **Implementation**

The measure was announced in the 2016 – 2017 Budget and phased implementation of the new arrangements is expected to commence from 1 October 2016.

### **Conclusion**

The Youth Employment Package represents the Government's preferred option for addressing youth unemployment, which at more than double the national rate, is unacceptably high and must be addressed. Maintaining the status quo will not comprehensively address youth unemployment in Australia, particularly as it will not address the concerns that are consistently raised by industry and employment services stakeholders that young job seekers are not ready for employment as they lack the basic employability skills required to fill entry level roles.



The Youth Jobs PaTH will provide young job seekers with the employability skills and work experience they need to be more competitive in the labour market, while reducing employers' risk in hiring an untested job seeker, and providing employers with stronger incentives to take them on. Existing employment programs for young people and alternative policy options do not provide the required scope and scale to achieve the desired impact.

If the Government were to not proceed with additional reforms, or wait until the long-term impacts of recent changes to be evaluated prior to consideration of further initiatives to improve youth unemployment, it would not have a full suite of tailored and specialised services available and suitable for young people to increase their employment prospects.

In respect of the proposed Wage Subsidies changes, stakeholder feedback has indicated that the proposed changes, as described above, are warranted to maximise the power of wage subsidies as an incentive to employers to hire disadvantaged job seekers. Maintaining the status quo, therefore, would not improve the uptake of wage subsidies as they are currently paid over too long a period and are not of high enough value to make them worthwhile.

The suite of measures to encourage entrepreneurship will considerably broaden the range of people able to access assistance to become self-employed. In particular, expanding the eligibility criteria and places available for the NEIS program will allow more job seekers, particularly young job seekers, and including those not on income support, such as retrenched workers, to access assistance. Without the proposed expansion of NEIS, there is a risk that young people will remain underrepresented among NEIS participants if the program is over-subscribed noting that it is a capped program.