

Regulation Impact Statement Summary

JobSeeker Transition – Mutual Obligations

Regulation Impact Statement

Office of Best Practice Regulation ID NO: 43658

Introduction

This Regulation Impact Statement (RIS) has been prepared for the six-month intensive activity element of the JobSeeker Transition – Mutual Obligations proposal. The RIS has been prepared in accordance with the *Australian Government Guide to Regulatory Impact Analysis*.

The measure involves introducing an additional requirement for job seekers to participate in a compellable eight week intensive activity (such as a short training course, online learning modules, voluntary work or Work for the Dole), in addition to job search, at six months unemployment for all job seekers, and assessing job seekers for their suitability to relocate. This is an additional requirement to the intensive activity that already is required to be conducted at 12 months of unemployment. If job seekers are already undertaking work or training that meets activity requirements, they will be exempt from these requirements. These arrangements are time limited and would apply from 1 October 2021 to 30 June 2022. The time limited nature of these arrangements is due to the fact that the Government is implementing the New Employment Services Model (NESM) from July 2022. The design of activity requirements under the NESM will be announced along with other details of the new model later in 2021. Decisions on the NESM will be a decision of Government and could either continue some elements of the existing approach to activation or include a substantially different approach.

In developing this RIS two alternative options were considered:

- maintain existing mutual obligation and activation policy settings; or
- introduce an activity requirement at three months (instead of at six months)

This RIS addresses the following RIS questions and outlines the regulatory impact of the preferred and alternative options:

- What is the policy problem to be solved?
- Why is government action needed?
- What policy options are being considered?
- What is the likely net benefit of each option?
- Who did you consult and how did you incorporate their feedback?
- What is the best option from those you have considered?
- How will you implement and evaluate your chosen option?

The statement considers the impact of regulation on organisations and individuals of requiring job seekers to undertake an intensive activity after six months (Option 3) in jobactive (including Digital Services). Overall, the proposal has a regulatory cost estimated to be \$4.7 million over the life of the measure.

What is the policy problem to be solved?

COVID-19 had a significant impact on the labour market with the jobactive caseload increasing from around 600,000 job seekers prior to the onset of the pandemic to peak at 1.45 million at the height of the restrictions. As at end January 2021, the caseload had fallen to 1.3 million in January 2021, still around double pre-pandemic levels.

While around 93 per cent of the jobs lost between March and May have now recovered, the Australian economy is not yet generating enough jobs to employ all the individuals who lost their jobs during COVID-19.

The ABS Labour Force Survey for January 2021 indicates the current unemployment rate of 6.4 per cent is 1.1 per cent higher than the rate recorded in March 2020. In previous economic downturns it took several years before the unemployment rate

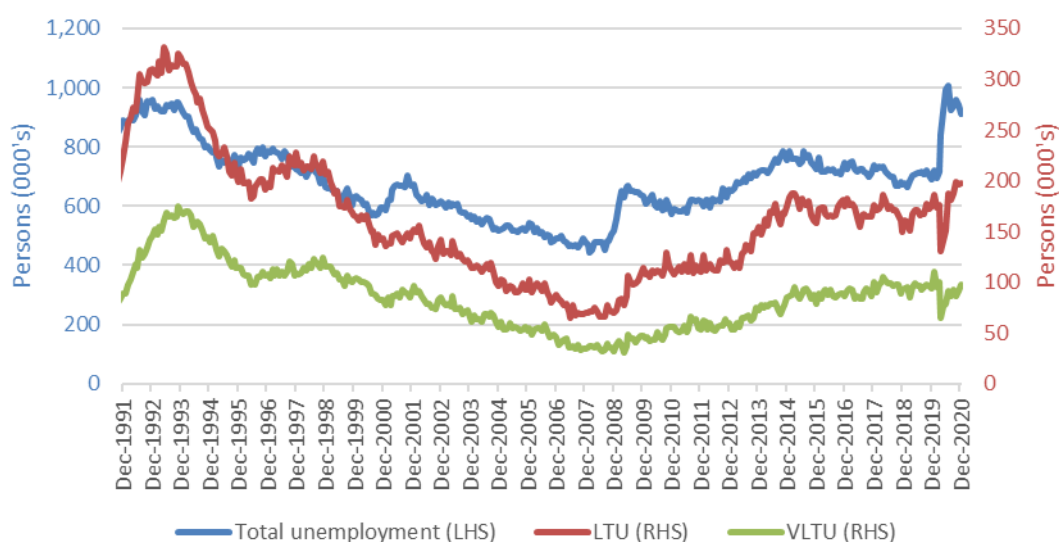
returned to pre-recession levels and this coincided with increases in long-term unemployment (LTU).

The key policy problem that options considered here address, is the problem of persistent and increasing long term unemployment.

Following the 1991 recession, LTU declined persistently until the Global Financial Crisis (GFC). It has remained elevated since. This elevated LTU is due to the economic growth rate lagging behind its long term (30 year) average. This has led to weaker labour demand, particularly following the winding-up of the second mining boom (in late 2012). In recent years, even prior to COVID-19, LTU has been exacerbated by structural dynamics, such as increasing automation, which has eliminated entry level jobs and created higher skills requirements for jobs.

The onset of COVID-19 saw unemployment rise sharply. LTU and very long-term unemployment (VLTU) initially fell as a result of workers leaving the labour force but have since increased as labour force participation has recovered.

Figure 1: Unemployment, Long-term unemployment (LTU), and VLTU



Source: ABS Labour Force, Detailed. Seasonally adjusted data.

Unemployment can have financial and social costs for individuals, their communities and government. The long-term unemployed can be particularly vulnerable because they tend to run down available assets during their period of unemployment.

According to the 2018 Productivity Commission report *Rising inequality? A stocktake of the evidence*, unemployed people are more likely to experience economic disadvantage and entrenched disadvantage in Australia. As a result, this limits their potential to seize economic opportunities or develop the skills with which to overcome these conditions. The Productivity Commission also finds in their report *Rising inequality? A stocktake of the evidence* that unemployed people in Australia are more likely to be at risk of multiple deprivations, including essential items such as medical treatment when necessary and a substantial meal at least once a day.

Without Government action there is a risk that many job seekers who found themselves unemployed due to the pandemic may become long-term unemployed. As summarised by the RBA¹ and others, irrespective of job seeker characteristics, being unemployed for longer durations is damaging as it can:

¹ RBA (2020), *Long-term unemployment in Australia*, RBA Bulletin – December 2020, <https://www.rba.gov.au/publications/bulletin/2020/dec/long-term-unemployment-in-australia.html>

- hurt employability of individuals as employers have negative perceptions and biases
- lead some individuals to become discouraged and put less effort into job search efforts
- lead to the erosion of technical and soft skills
- reduce the value of experience
- lead to loss of income and financial stress, and
- result in loss of productivity for the economy and lower social cohesion and equity.

The Government is committed to the introduction of the NESM, to replace jobactive from July 2022, that will provide more intensive non-vocational support for job seekers at risk of LTU or long-term participation in employment services. This is a transformative change that will allow job-ready and digitally capable job seekers to self-manage their job search online, allowing employment services providers to deliver more personalised support to disadvantaged job seekers.

In advance of the introduction of the NESM, it is important to take earlier action to support job seekers to engage in training, higher education, voluntary activity, community services, paid work and other activities that build their skills, reengage them in the labour market and thus reduce their risk of remaining unemployed and experience the erosion of skills, discouragement and other negative impacts arising from long term unemployment. Thus, the key policy problem is to provide the necessary activation settings to support those job seekers who in the coming months find themselves unemployed to remain engaged with the labour market so they would be in a better position to secure employment. By doing this it would help prevent the build-up and retention of a large pool of long-term unemployed. One way to address this is to provide more early intervention support sooner in a job seekers period of unemployment to ensure job seekers remain connected with the labour market and are able to fill jobs as they arise.

Why is government action needed?

Government action is needed to address the significant issue of long-term unemployment and the impacts it has on individuals, the community and the nation. Unemployed people are more likely to experience economic disadvantage and entrenched disadvantage in Australia. Government intervention in relation to mutual obligation can ensure job seekers remain skilled and ready to return to work when market conditions become suitable. The Australian Government provides a range of support to help individuals who find themselves unemployed to remain connected with the labour market and to find work. This support is provided through social security payments (JobSeeker Payment/Youth Allowance (other)) and the provision of individually tailored employment services (jobactive).

The Commonwealth Government is responsible for employment services and mutual obligation and is well placed to ensure that mainstream employment services can be utilised to provide more early intervention to job seekers.

Job seekers who receive JobSeeker Payment, Youth Allowance (other), Parenting Payment Single (if their youngest child is aged 6 or 7) or Special Benefit are required to undertake activities (i.e. job search, training, volunteering, Work for the Dole) in return for receiving their social security payment. Under existing jobactive arrangements, once a job seeker has been participating for 12 months (than annually thereafter) they enter the Work for the Dole Phase and are required to complete an Annual Activity Requirement (up to 650 hours depending on age, caring responsibilities or assessed work capacity).

The nature and extent of these requirements can influence an individual's level of attachment with the labour market, and therefore the likelihood of them finding work. Mutual obligation is the responsibility of the Commonwealth and is one policy lever which can be used to ensure job seekers are doing all they can to find work.

The OECD (OECD 2013) found that countries with a well-developed system of income support for unemployed people can benefit from a strong employment-focused activation system which assists with job search and reduces barriers to employment. Activation strategies are strengthened by mandatory referrals, enforced by benefit sanctions, to employment and training programmes (e.g. Work for the Dole).

Job seekers have a personal responsibility to do all that they can to support themselves through work and not rely on taxpayer-funded unemployment payments (JobSeeker payment, Youth Allowance and activity-tested Parenting Payment and Special Benefit).

There is an opportunity for job seekers who are currently unable to find work to remain engaged and motivated by undertaking training to upskill or reskill, or to give back to the community through volunteering or Work for the Dole. These activities can keep job seekers engaged, minimise skills atrophy, and improve job seekers' employment prospects when the economy recovers. Upskilling would have significant productivity benefits and would help meet the economy's skills needs, particularly in areas of demand such as aged and disability care.

What policy options are being considered?

In seeking to address the policy problem of supporting more job seekers to remain engaged with the labour market to support the broader economic recovery three options are considered:

- **Option 1 – Maintain existing mutual obligation and activation policy settings**
 - Continuing to require job seekers to enter the Work for the Dole Phase in jobactive after 12 months and meet their Annual Activity Requirement. Job seekers can choose the activity they wish to participate in during this phase from a menu that include: training, paid work, voluntary work and participating in the Work for the Dole program.
 - The Work for the Dole program is the centrepiece of the Government's employment activation policy. As part of the implementation of jobactive, Work for the Dole became the default 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 (after 12 months in jobactive and then annually thereafter) while at the same time providing a benefit to the local community.
- **Option 2 – Introducing an activity requirement at three months**
 - In addition to the existing trigger point of 12 months when job seekers enter the Work for the Dole Phase, option 2 would introduce a requirement at three months in employment services for job seekers to participate in an intensive activity (such as a short training course or Work for the Dole), in addition to job search, for all job seekers in jobactive and Online Employment Services. This would also include

assessing a job seeker's recent job search efforts and providing them with advice on employment options that could involve relocation.

- Intensive Activity would last for up to 25 hours per week for up to eight weeks (subject to a job seeker's individual circumstances and activity). Job seekers can choose to meet this requirement by participating in a range of approved activities such as short training courses, Employability Skills Training, Career Transition Assistance program or Work for the Dole).
- jobactive providers and the Digital Services Contact Centre will help identify, refer, and place job seekers in suitable activities.

- **Option 3 – Introducing an activity requirement at six months**

- In addition to the existing trigger point of 12 months when job seekers enter the Work for the Dole Phase, option 3 would introduce a requirement at six months in employment services for job seekers to participate in an intensive activity (such as a short training course or Work for the Dole), in addition to job search, for all job seekers who have been participating in jobactive or Online Employment Services (from 1 October 2021 to 30 June 2022). This would also include assessing a job seeker's recent job search efforts and providing them with advice on employment options that could involve relocation.
- Intensive Activity would last for up to 25 hours per week for up to eight weeks (subject to a job seeker's individual circumstances and activity). Job seekers can choose to meet this requirement by participating in a range of approved activities such as short training courses, Employability Skills Training, Career Transition Assistance program or Work for the Dole).
- jobactive providers and the Digital Services Contact Centre will help identify, refer, and place job seekers in suitable activities.

What is the likely net benefit of each option?

Option 1 – Maintain existing mutual obligation and activation policy settings - Benefits

As this option does not change existing program settings it will not impose any new additional requirements or servicing expectations on jobactive providers or job seekers.

This option will not impact the broader community sector as it does not involve an increase in the numbers of job seekers undertaking Work for the Dole. The existing activation framework and job search requirements will continue to ensure that job seekers are looking for work. There may be some avoidance of deadweight costs, as compared to Options 2 and 3, as this option avoids diverting some job seekers at three months (option 2) or six months (option 3) to activities who would otherwise have exited employment services entirely (refer the data on exit rates from current employment services under Option 2 discussion below).

Option 1 has clear benefits including building work habits and self-confidence as articulated in the data box on Work for the Dole below. However, in the absence of additional and earlier activation there is a risk that many job seekers who found themselves unemployed due to the pandemic will become long-term unemployed. This will have social and financial costs for the individual and will also have fiscal costs for Government through higher welfare outlays. There is evidence that the numbers of

long-term unemployed are increasing and those who were long-term unemployed are becoming very long term unemployed (Figure 1 above).

Work for the Dole

Work for the Dole is a work experience program designed to give participants work-like experiences and the opportunity to make a positive contribution to their local community. It helps participants build work-like habits and soft skills to help progress them on their journey towards employment.

Satisfaction with Work for the Dole has improved over the life of jobactive. Over the period from 1 July 2015 to 31 December 2019:

- The number of participants who reported an increased desire to find a job, after participating in Work for the Dole increased from 72.4 per cent to 76.8 per cent.
- The number of participants who reported an improvement in their self-confidence after participating in Work for the Dole increased from 68.7 per cent to 72.9 per cent.
- The number of participants who reported that participation in Work for the Dole increase their chances of finding a job from 54.2 per cent to 62.1 per cent.

Regulatory impacts

The existing Work for the Dole phase at 12 months has regulatory impacts on individuals, providers and host organisations. Pre Covid around 17,500 job seekers were undertaking Work for the Dole on a given day. With the advent of the pandemic, face-to-face activities were suspended and are only gradually returning where it is safe to do so. This makes it difficult to project the number of referrals to activities in the Work for the Dole phase going forward. It will take some time for hosts to return to previous levels due to the need to ramp up activities again after a long period when these activities were suspended. Between January and May of 2021, the Department projects that 100,000 participants in online employment services and 160,000 stream A participants in provider servicing will pass the 12 months in service mark. Beyond the end of 2021 we project numbers of LTU in the caseload to gradually decline. There are also a large number of stream B and C participants in provider servicing who are LTU and would have entered the 12-month mark during the period post COVID when face-to-face servicing was suspended. The Department is currently working through operational decisions around how many job seekers will be referred to the "Work for the Dole" phase, to ensure that providers and hosts can manage the workload involved in restarting face-to-face activities.

Given the large number of job seekers who have participated in the "Work for the Dole phase" in the past and who are likely to participate going forward, there are clearly significant impacts on individuals (particularly to the significant time commitment with 650 hours spent in activities during the phase, and for providers (due to the costs conducting WHS assessments and managing referrals to activities); and for activity hosts. These impacts are explored below as they are present in both Options 2 and 3.

Option 2 – Introducing an activity requirement at three months - Benefits

In order to reduce the risk of job seekers remaining in employment services and becoming long term unemployed, it is appropriate that mutual obligation requirements again increase to ensure that job seekers do all that they can to support themselves

through paid work. Combined with job search requirements bringing forward intensive activation to three months in employment services, with a focus on increasing job seekers' skills, will increase the likelihood of job seekers finding work.

There are many benefits of a balanced activation approach (including requiring job seekers to undertake an Intensive Activity after three months unemployment):

- job seekers remaining actively engaged with the labour market;
- prevents skills atrophy and the build-up of a pool of long-term unemployed;
- allows the labour market to operate as efficiently as possible by allowing vacancies to be filled as they arise; and
- prevents the emergence of widespread labour shortages as businesses are able to secure their workforce needs.

Given the shorter period for activation (200 hours over eight weeks) training and short courses, and preemployment programs will form a larger share of activities. The Government's JobTrainer program will be a source of these programs. Under JobTrainer, free or low fee accredited qualifications and short courses in areas of identified and genuine skills needs (as determined by the National Skills Commission) have been made available to jobseekers and young people. The short courses will give job seekers the specific competencies needed to move quickly into jobs in demand. This support also targets young people and school leavers who may not have access to work in the short term, to engage in training or study until the labour market improves. The Department considers that the returns to the individual of studying a VET courses, in terms of increased chances of employment, are well documented. For example, the National Centre for Vocational Education Research findings shows that 65.8 per cent of VET graduates improved their employment status after training, and 87.7 per cent of apprentices and trainees who completed their training were employed afterwards (Osborne, Loveder and Knight, July 2019).

As part of implementation for this measure the Department will ensure a range of pre employment programs meeting the eight week requirements will be available to job seeker, in addition to training and higher education options. Work for the Dole with suitable adjustments to meet the eight week requirement will continue to be an option but will be a smaller part of the activities taken up by job seekers than under option 1. Work for the Dole has been shown to have positive impacts on job seekers with the interim evaluation of jobactive finding that participants in Work for the Dole reported:

- 56 per cent indicated that participation in the program improved their chances of finding work;
- 66 per cent indicated that it improved their desire to find work and improved their self-confidence
- 62 per cent indicated that it improved their work skills
- 67 per cent indicated that it improved their ability to work with others
- 71 per cent indicated that assisted their ability to keep a routine.

Regulatory impacts

While there are many positive benefits arising from this option, the introduction of an intensive activity at three months will have a consequential impact for jobactive providers and Work for the Dole project hosts. Noting that this option is time limited to the period Oct 2021 to June 2022 only, under this option an additional 111,000 job seekers are expected to do Work for the Dole over the period 1 October 2021 to 30 June 2022. Over the life of the jobactive contract (from 1 July 2015 to 31 December 2020) over 554,000 job seekers have participated in 360,000 Work for the Dole places. This option involves a substantial increase on existing take-up with resulting additional impacts for providers and hosts.

As required by under this proposal, job seekers at the three-month point will now have to do up to 200 hours in intensive activity that was previously not required at this point. Individuals will experience the impact of an additional 200 or so hours of fulfilling participation in training and other activities resulting in the loss of the other alternatives for the use of this time. These alternatives could include job search or undertaken other activities that may already be occurring and be of benefit. It should be noted that job seekers who are already satisfying the same level of activity hours through part-time work or training will be exempt from this requirement. Around 40 per cent of people in their third month in services had an activity suspension or exemption and/or declared earnings. Among those who have been on the jobactive caseload for 12 months or longer, 22 per cent work part-time (have declared earnings), with this proportion being higher for women (29 per cent) than men (15 per cent). The activity requirements would occur in addition to other direct impacts, such as additional imposts on participants time from transiting to and from the location of the host organisation.

Impacts may also vary depending on whether the job seeker lives in a regional or urban area. Providers are required to take into account travel time for job seekers when referring them to activities to ensure that regional job seekers are not disadvantaged by having to travel for longer when participating in the program. The breadth of choice of activities may be narrower in regional areas although with increasing numbers of job seekers in Online Employment Services, the ability to access online training as an activity will mitigate this impact by providing wider choice to all job seekers regardless of location.

While the survey data outlined above indicates that some participants may welcome this new requirement (due to higher likelihood of securing employment, for instance), these requirements may be viewed as negative impacts on many individuals who desire to have flexibility in how they spend their time.

Given this change will capture individuals that have not otherwise performed these activities (as they would have left income support before their 12 month point), it means that a significant number of individuals would now be expected to perform functions they otherwise would not have. For example, learning the systems or procedures at a new organisation, learning how to work in a team or report to a manager, or perform duties at a volunteering centre to the standard the organisation requires. These are all examples of impacts on individuals that otherwise would not occur under the status quo.

Beyond the direct impacts on individuals, there are also likely to be flow-on impacts on registered training organisations, and organisations from which activities are sourced, For example, there would also be an increase in participants seeking to engage with a host organisation, where the host organisation has only a certain set capacity to take on people. One impost that this proposal will create for host organisations, for example, is a significant increase in applications as it would take organisations time to process and respond to. This time could lead to inefficiencies and a negative impost upon the organisation because of the time taken to answer and respond to those requests instead of spending that time and resources on usual functions.

Impacts on providers relate to the time taken to organise places in activities, refer job seekers and undertake monitoring and time reporting. Providers are well remunerated in a way that their revenue increases as additional job seekers are referred to activities that they have organised or supervise.

It is also likely that providing an intensive activity for job seekers after three months will have deadweight costs as some job seekers may have found work without the need for an intensive activity. One third of job seekers exit employment services in the first three months of service and one half of job seekers exit employment services in the first five months of service. This demonstrates that there are deadweight costs from

introducing an intensive activity at three months in service as those job seekers that would otherwise have exited employment services may be delayed from doing so due to their involvement in the eight-week activity.

In addition to these impacts, there are the following regulatory costs, noting that Work for the Dole is here used as a proxy to calculate costs (and creates an upper end estimate to regulatory burden given its relatively high regulatory burden compared to other activities). It is not possible to estimate in advance of implementation work what proportion of job seekers will be referred to training, preemployment training and other activities relative to an adjusted Work for the Dole activity):

- Under the regulatory costs estimated for Employment Services 2015, it was assumed that providers take 25 minutes to find a suitable Work for the Dole place (taking into account the job seekers capacity)/assess suitability for relocation (based on reviewing a job seekers job search efforts) plus an additional 20 minutes to record details of the placement in the jobactive IT system. There would be an additional 5 minutes for the provider to monitor a job seekers participation in an activity.
- Job seekers would be expected to take 5 minutes to report participation to their jobactive provider or via the jobactive app (for digital job seekers).
- 111,141 job seekers are expected to take up Work for the Dole as an Intensive Activity.
- Providers are well remunerated in a way that their revenue increases as additional job seekers are referred to activities that they have organised or supervise.
- Providers (business) estimated regulatory costs are (50 minutes/60 minutes) x \$56.40 x 111,141 = \$5,223,626 for providers over the period 1 October 2021 to 30 June 2022 (the life of the measure).
- Job seekers (individuals) estimated regulatory costs are (5 minutes/60 minutes) x \$56.40 x 111,141 = \$522,363 for job seekers over the period 1 October 2021 to 30 June 2022 (the life of the measure).

Average Annual Compliance Costs (from business as usual)				
Sector/Cost Categories	Business	Not-for-profit	Individuals	Total by cost category
Administrative Costs	\$5,223,626	\$0	\$522,363	\$5,745,990
Substantive Compliance Costs	\$0	\$0	\$0	\$0
Delay Costs	\$0	\$0	\$0	\$0
Total by Sector	\$5,223,626	\$0	\$522,363	\$5,745,990
Annual Cost Offset				
	Agency	Within portfolio	Outside portfolio	Total
Business	\$5,223,626	\$0	\$0	\$5,223,626
Not-for-profit	\$0	\$0	\$0	\$0
Individuals	\$522,363	\$0	\$0	\$522,363
Total	\$5,745,990	\$0	\$0	\$5,745,990
Proposal is cost neutral?	NO			

Proposal is deregulatory	NO
Balance of cost offsets	\$ <u>N/A</u>

This gives an annual regulatory cost of \$5,745,990. Offsets - The Regulatory costs of this program are temporary and will be offset by broader Employment Services reform in the future. The Department notes that the definition of what is considered a compliance cost or an enforcement cost influences what is included or excluded in Regulatory Burden Measurement calculations. As mutual obligation is a policy put in place by the Government to influence or direct certain behaviour (that is, to ensure compliance with government requirements), then the Department considers these to be enforcement actions. This means that the flow-on impacts on individuals and host organisations are not therefore included in the RBM cost estimates above.

Option 3 – Introducing an activity requirement at six months - Benefits

Option 3 generates significant benefits in term of reducing long term unemployment through earlier activation of job seekers and thus encouraging stronger labour market attachment and upskilling for available jobs relative to Option 1 (the status quo).

Given the shorter period for activation (200 hours over eight weeks) training and short courses, and preemployment programs will form a larger share of activities. The Government’s JobTrainer program will be a source of these programs. As per option two JobTrainer, free or low fee accredited qualifications and short courses in areas of identified and genuine skills needs (as determined by the National Skills Commission) will be made available to jobseekers and young people, and the Department will ensure a range of pre employment programs meeting the eight week requirements will be available to job seeker. Work for the Dole with suitable adjustments will also be available.

Regulatory impacts

As explored above, the introduction of an intensive activity at six months will have largely identical consequential impacts for jobactive providers and providers delivering training, preemployment programs and Work for the Dole project hosts. Under this option an additional 93,312 job seekers are expected to do an activity over the period 1 October 2021 to 30 June 2022. Similar to the concerns raised under Option 2, this option involves a substantial increase on existing take-up.

As per Option 2, providing an intensive activity for job seekers after six months will have higher deadweight costs than Option 1, as some job seekers may have found work before the six months mark without the need for an intensive activity. However, these costs will be significantly lower than Option 2 as the timing of the intervention is delayed until six months.

Participants entering at this point will be those slightly harder to support than under option 2. At three months, there is a mix of people captured that are somewhere between highly employable and those who are more disadvantaged and face more barriers to finding employment. At the six-month mark, many of those ‘easier to place’ individuals would have left the caseload, meaning those that remain are by definition those with higher skill gaps or circumstances that need more attention. This means that the hosts under this option have a slightly more difficult effort required to support and work with this cohort.

Similarly to option 2 above, the regulatory cost calculations use Work for the Dole as a proxy for activities in general.

- Under the regulatory costs estimated for Employment Services 2015, it was assumed that providers take 25 minutes to find a suitable Work for the Dole place (taking into account the job seekers capacity)/assess suitability for relocation (based on reviewing a job seekers job search efforts) plus an additional 20 minutes to record details of the placement in the jobactive IT system. There would be an additional 5 minutes for the provider to monitor a job seekers participation in an activity.
- Job seekers would be expected to take 5 minutes to report participation to their jobactive provider or via the jobactive app (for digital job seekers).
- 89,972 job seekers expected to take up Work for the Dole as an Intensive Activity.
- Providers (business) estimated regulatory costs are (50 minutes/60 minutes) x \$56.40 x 89,972 = \$4,228,677 for providers over the period 1 October 2021 to 30 June 2022 (the life of the measure).
- Job seekers (individuals) estimated regulatory costs are (5 minutes/60 minutes) x \$56.40 x 89,972 = \$422,868 for providers over the period 1 October 2021 to 30 June 2022 (the life of the measure).

Average Annual Compliance Costs (from business as usual)				
Sector/Cost Categories	Business	Not-for-profit	Individuals	Total by cost category
Administrative Costs	\$4,228,677	\$0	\$422,868	\$4,178,912
Substantive Compliance Costs	\$0	\$0	\$0	\$0
Delay Costs	\$0	\$0	\$0	\$0
Total by Sector	\$4,651,545	\$0	\$0	\$4,651,545
Annual Cost Offset				
	Agency	Within portfolio	Outside portfolio	Total
Business	\$4,228,677	\$0	\$0	\$4,228,677
Not-for-profit	\$0	\$0	\$0	\$0
Individuals	\$422,868	\$0	\$0	\$422,868
Total	\$4,651,545	\$0	\$0	\$4,651,545
Proposal is cost neutral?	NO			
Proposal is deregulatory	NO			
Balance of cost offsets	\$ <u>N/A</u>			

This gives an annual regulatory cost of \$4,651,545. Offsets - The Regulatory costs of this program are temporary and will be offset by broader Employment Services reform in the future. Note the same RBM comment applies as above per Option 2.

Who did you consult and how did you incorporate their feedback?

While there were limited opportunities for direct consultation on these proposals, key employment services and welfare stakeholders will be consulted on the implementation arrangements. This will be done throughout the implementation

process to ensure that jobactive providers have sufficient time to support the successful implementation of the proposal, including engaging with project hosts to ensure availability of sufficient placements.

Consultation undertaken during the development of the Expert Panel on Employment Services recommendations on the NESM represented a comprehensive review of stakeholder views (job seekers, providers and employers). The “I Want to Work” report² summarises this stakeholder feedback and how it supported the Expert Panel’s recommendations. Of relevance to the options considered here, stakeholders indicated their views that it was important for job seekers to have access to a range of high quality activities to help them prepare for work, and that built skills to support them into new areas of employment. All stakeholders also indicated the importance of job seekers having choice and agency and being able to choose from a menu of activities. This indicates that making activities available to job seekers earlier in their job search journey is likely to be welcomed by many job seekers.

The Department will ensure there are a wide range of options (including training courses that build skills relevant to the changing labour market) so that the wider menu of activities will also be welcomed by stakeholders. However, this evidence base also shows that many job seekers will be unhappy with the compulsory nature of the early activation phase, wishing to have more choice over when and how they participate in activities.

To the extent that an adjusted Work for the Dole remains an activity within the early activation phase it should be noted that this is a program that attracts divergent views from job seekers and social welfare stakeholders. While Work for the Dole has positive name recognition in the community, it has been criticised by other stakeholders who dispute its impact on employment outcomes. It is expected that any intervention which increases the number of job seekers to undertake Work for the Dole may likely solicit further criticism.

The Department anticipates that hosts for Work for the Dole activity value the key role played by participants in their organisations and are likely to welcome the return to face to face activities and the expansion of these activities. However, in the short term, there may be some concerns expressed by these stakeholders in relation to their ability to ramp up the organisation of places for participants.

Since the Coronavirus supplement was introduced there have been a number of anecdotal reports of workers leaving their jobs or refusing to take part in pre-employment training. The Coronavirus supplement also coincided with the temporary suspension of mutual obligation requirements. There have also been anecdotal reports from providers of their having organised placements with employers but finding that job seekers are unwilling to take up the positions, although the Department does not have clear estimates on the number of clients this covers. Some reportedly stated outright that they would rather stay on benefits, although again the Department does not have clear estimates on how prevalent this is.

Providers also report that some job seekers have taken advantage of changes to face-to-face servicing introduced to manage COVID lockdowns and social restrictions to disengage from assistance, although this is difficult to verify. These servicing arrangements currently permit job seekers to opt-in to participate in face-to-face appointments or activities, with around one-third of job seekers on the provider caseload electing to do so.

²Department of Jobs and Small Business (2018), *I Want to Work: Employment Services Report*, docs.employment.gov.au/system/files/do/other/final_i_want_tio_work.pdf

While mutual obligation requirements have been restored (since 28 September 2020) there is a need for further activation measures to ensure that job seekers are accepting all available and suitable job opportunities.

The proposed changes to introduce an intensive activity are being made to existing jobactive settings and will terminate prior to the commencement of the new model. Therefore, these proposals do not impact on the NESM.

What is the best option from those you have considered?

On balance Option 3 is the preferred approach as the Department considers it will generate benefits achieved through improved labour market engagement, net of deadweight costs from earlier activation, as compared to Options 1 and 2. That said, this RIS does not include quantification of the secondary impacts on individuals, hosts or the community more broadly, as it is challenging to clearly demonstrate as part of the impact analysis methodology.

The exit rate data presented in the section on Option 2 above shows that the rate of exit from employment services is highest in the first six months in service (one third of job seekers exit employment services in the first three months of service and one half of job seekers exit employment services in the first five months of service, with the exit rate declining thereafter). This means that Option 3 has lower deadweight costs than Option 2 as fewer job seekers participating would have otherwise exited employment services than under Option 2.

While Option 1 has the lowest additional regulatory/financial costs, it is unlikely to address the policy problem of providing the necessary activation settings to support those job seekers who in the coming months find themselves unemployed to remain engaged with the labour market.

How will you implement and evaluate your chosen option?

The implementation of the six-month intensive activity will be administered through existing jobactive settings, through changes to the existing jobactive Deed and guidelines. No legislative change is required.

The impact of the intensive activity will be closely monitored by the Department to ensure that job seekers are being placed in activities that improve their long-term employment prospects. The labour market outcomes of job seekers participating in Work for the Dole and other activities will be monitored through the Department's post program monitoring surveys.