

Australia's Employment Services

The Perfect Storm

A joint briefing from Economic Justice Australia and the Antipoverty Centre

Australia's employment services system is punitive and there is little evidence that it assists people to get suitable paid work; some research shows that people in employment services have worse employment outcomes. For years the Antipoverty Centre, Economic Justice Australia and other Advocates have been documenting and exposing the significant harm and illegalities within the system. These concerns have now been confirmed by several major reports, most recently by the Commonwealth Ombudsman and Deloitte.

The findings in these reports are damning, and action is needed now. Tens of thousands of people each month continue to be impacted by unlawful payment suspensions, and at a minimum thousands have been unlawfully subjected to payment cancellations and payment reductions. The real-life consequences of this are life-threatening.

We believe there are six elements that make Australia's current Employment Services the perfect storm for another scandal over widespread mistreatment of people on Centrelink payments.

1. A system underpinned by false assumptions and prejudice

Hundreds of thousands of people who receive JobSeeker, Youth Allowance, Parenting Payment and the Disability Support Pension are subject to compulsory activity requirements, known as mutual obligations, which can be used to penalise people by delaying and reducing their Centrelink payment. Mutual obligations and the Targeted Compliance Framework that govern them are based on the assumption that people don't want to, or will not work. This is simply untrue.

The system is based on punitive measures of non-compliance with a uniform, and sometimes automated, approach to payment suspensions. If a person fails to comply, payments can be suspended irrespective of the person's history or context and without procedural fairness or alternative pathways for people in vulnerable situations.

One Director in the Department of Employment and Workplace Relations (DEWR) who was interviewed by Deloitte said, "Does the system, as it's implemented, assume the worst-case scenario?; Yes, it assumes the worst... The TCF is a process that wasn't designed with fairness in mind... If the function of the TCF is to penalise people, then it's fulfilling its role, but that's not the intention of a fair system."

2. Use of automation and faulty IT systems

The Targeted Compliance Framework (the Framework) uses demerit points, payment suspensions, reductions and cancellations, most of which involve automated processes without oversight from public servants.

In January last year we learned of a significant coding error in the employment services Targeted Compliance Framework. This coding error:

- resulted in 1625 payment penalties being applied to 1165 people;
- was identified and ignored for more than 3 years before DEWR acted; and
- led to \$5 million being paid in compensation, except to 10 people who had died.

The conclusion of the Deloitte report is that it **could not provide any assurances about the quality of the IT system that underpins the Targeted Compliance Framework.**

3. Protection of private providers

Australia's outsourced employment services is a \$6 billion system. Employment services are currently the second largest government procurement after defence contracts.

The viability and interest of providers have been a Government priority over the wellbeing of people who rely on Centrelink payments.

There is increasing evidence of subterfuge and coercion among private contractors who earn money by 'compelling' welfare recipients into activities. Threatening and issuing payment suspensions is the main tool used by providers.

Provider performance ratings have been consistently low, meaning they have failed to meet minimum service requirements in the last quarter. This is consistent over many years and low performing providers have been rewarded with more contracts.

4. People in crisis unable to advocate or complain

The Deloitte report found the system leaves people exposed to unjust and excessive processes.

The Commonwealth Ombudsman, in his first of several reports, found that the system enables private providers to wield the threat of payment suspensions as a weapon against welfare recipients, threatening and penalising people who can't even afford to live.

A coding error, that resulted in 1625 payment penalties being applied to 1165 people, did not result in one complaint. People are **focused on urgently resolving the issue to regain their payment** – not using additional time and energy to formally complain about the administration and lawfulness of the system.

Economic Justice Australia's member centres, CLC's specialising in social security law, rarely see people impacted by payment suspensions related to mutual obligations – they

only see people when they've been on the **merry-go-round of having payments cut off and reactivated so many times**, they've given up and had their payment cancelled. Then member centres see them for **legal issues related to homelessness or other matters related to poverty**.

Many people prefer to access peer support such as that available from the Antipoverty Centre, Australian Unemployed Workers' Union and Anti-Poverty Network South Australia to have unlawful and unfair payment suspensions overturned due to having a higher level of trust in these options than formal complaint mechanisms. Based on experiences of the Antipoverty Centre, **even in the most severe cases – including instances of physical injury, sexual harassment and assault – people are hesitant to seek help from the official complaints line or police.**

5. Lack of transparency and accountability

The Deloitte report was commissioned by the Department through a closed tender last year and was not publicly released until this month.

Senior DEWR officials and ministers were first made aware of issues with the punitive framework governing compulsory activities in 2018 but did not act.

The Commonwealth Ombudsman found that by not acting immediately when it first became aware of issues of unlawfulness, the Department “chose to pass the risk of the consequences for cancellation decisions to job seekers rather than assuming the risk for itself”. Though the Deloitte report identified concerns related to inconsistency in the way providers apply payment suspensions, these were not adequately scrutinised because they were excluded from the scope and DEWR did not provide sufficient evidence to review.

6. Unlawful and defective administration

The Department has been forced to pause payment cancellations and reductions under this system after revelations that 964 welfare recipients have had their payments unlawfully cancelled and another 45 had them terminated.

Analysis by Economic Justice Australia has found that a possible 200,000 more people have been potentially impacted by unlawful cancellations.

The Deloitte Review found overwhelmingly that the Framework's operational delivery, including the IT system, “does not demonstrably align with legislative and ministerial intent.”

In fact, it raised concerns about the Department's ability to defend individual decisions as lawful under the current system before a court, tribunal or the Commonwealth Ombudsman.

The Deloitte report found the legal and factual basis for compliance action (suspension, cancellation or reduction of people's payments) is not readily documented and it is difficult to find necessary evidence or explanation that justifies these actions under the legislation.

Real life experiences

A mum based in Perth with a disability told the Antipoverty Centre she has received six wrongful payment suspensions in the past 18 months. Most recently she had her payment suspended because she couldn't attend an appointment with her job service provider as she had a bad infection and a sick child. She tried repeatedly ringing the job agency to tell them that she couldn't attend the appointment, but says she was hung up on. Before this, she received another payment suspension from the same provider because she had Covid and couldn't attend an appointment. She tried to do everything she could to inform them and avoid the suspension, but again it was to no avail.

The below quotes have been shared with the Antipoverty Centre by welfare recipients. We have permission to provide additional information for each of these examples on request.

I have spent a lot of time on **medical exemptions** but irrespective of that what I remember is the never ending "your payment is on hold", "your payment is suspended messages". My payment was on hold anywhere between 3-5 times in a 7 week period. You'd think that might raise some red flags but nope. On so many occasions I was talking about being suicidal and inflicting self-harm on myself and all they could do was say get an exemption.. On another occasion that my payment was on hold I went to the provider to fix it. They told me only Centrelink could fix it. I went to Centrelink and spoke to them and told them "Hey, I'm with X provider, my payment is on hold, they told me only you can fix the issue". They told me only the provider can. I went back to the provider who told me only Centrelink can do it again. So I went back to Centrelink and told them what had happened. On another occasion, I was expecting a phone appointment around about lunch time. Instead of calling then, **my employment services provider decided to call something like 4 hours before the appointment time without warning and when I didn't answer the call, they marked me as non-attending and gave me a demerit.** The threat of financial insecurity from having my payment suspended ultimately lead to me being hospitalised [in a psychiatric ward] for a month.

—

My monthly meetings were regular reminders that I was hopeless, worthless, a waste of resources, and that I needed to suffer (more) for my deficiencies. They compounded my mental illness by telling me the Federal Government, and Australian voters, agreed with my darkest assessments of myself.

—

I saw a different person each week who just asked me the same questions as the person before, they would call potential employers and deliberately hinder my chances of being called back. I often left crying. I attempted suicide, and **while in the hospital, they continued to hound me** (asking for medical certificates before I was even released) and cut me off my payments. I was released with no support and no money, it was hell. I still wanted to die.

—

I was an Employment Consultant for 18 months with [provider] and witnessed countless incidents that were degrading, unethical & nothing more than KPI driven tactics. The most toxic environment I have ever been employed within and have recently resigned to ensure I maintain my personal integrity. Bullying of staff and jobseekers like nothing one could imagine.

What's the alternative?

In 2023, the Government stopped all penalties for people in ParentsNext employment services and took a new approach, working with peer support organisations like Single Mother Families Australia, the Council of Single Mothers and Their Children and the Antipoverty Centre to involve welfare recipients in the design and oversight of the new Parent Pathways program. This is a perfect example of how the Government must proceed.

The first step is to urgently stop the systems that are creating the most harm – the Targeted Compliance Framework and payment suspensions. The next step is to work with welfare recipients, employers and other key stakeholders to co-design a successful alternative that is lawful, procedurally fair and meets the needs of people looking for work.

What action is needed?

Immediate action is needed to stop payment suspensions and abolish the Target Compliance Framework.

Payment suspensions continue to affect nearly 282,000 people each quarter, the majority of which are administered through unaccountable private providers, with many others being fully automated.

You can help

- Please speak about this in the Parliament.
- Ask a question in question time.
- Raise this in caucus meetings.
- Speak to constituents about how payment suspensions impact their lives.
- Contact the Antipoverty Centre and Economic Justice Australia for more information about how and how many of your constituents are affected by this issue.

The Government needs to take immediate action to stop the harm being caused and work with unemployed people and other key stakeholders to design a genuinely helpful alternative.

Economic Justice Australia and Antipoverty Centre representatives are available to discuss the contents of this briefing and how employment services are affecting constituents. To arrange a time to meet this week or in the future, contact EJA Chief Executive Officer Kate Allingham on 0448 877 056 or via kate@ejaustralia.org.au

To access this document online visit bit.ly/CentrelinkPerfectStorm