

## ***Concerns regarding the Integrity of the Targeted Compliance Framework***

### **Introduction**

The integrity of the Targeted Compliance Framework (TCF) – the system used to enforce job-seeker compliance with mutual obligation requirements – is in doubt. The concerns regarding its integrity are serious enough to have warranted shutting down payment penalties, while three reviews are underway.

This briefing paper explains concerns around the administrative integrity of the TCF, and what EJA thinks should happen once these reviews have been completed.

### **Recent issues with the TCF**

At least three IT bugs and one major administrative failure were identified in the Secretary of the Department of Employment and Workplace Relations (DEWR) public statements.<sup>1</sup> Together, these issues reflect institutional neglect of best practice in administration and review, while people affected have suffered harmful losses of social security payments.

The TCF failures have disproportionately affected some of Australia's most vulnerable people and reinforced how compliance systems can amplify existing inequalities.

The three IT bugs affected more than 1300 participants and caused nearly 1800 incorrect penalties. The first IT bug, which affected 1165 participants over five years, was reported in the media in January 2024<sup>2</sup> despite being identified in 2022. In FOI documents,<sup>3</sup> the Departments explained that no action to fix this bug was taken because the TCF was effectively shut down during the COVID-era pauses on mutual obligations. Mutual obligations requirements resumed in December 2021 but the bug was not addressed until July 2023, when it was rediscovered through program assurance activities. Participants who should have exited the Penalty Zone after their maximum period instead remained subject to ongoing penalties they should never have incurred.

A second bug emerged from policy changes and coding errors introduced while fixing the first bug. The system failed to properly exit participants from the Penalty Zone when contributing demerits

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<sup>1</sup> [Secretary's statement on payment cancellations under the Targeted Compliance Framework](#)

<sup>2</sup> [The big little Targeted Compliance Framework system ...](#)

<sup>3</sup> [Briefs and communications to the Minister of Employment about IT issues identified by the Department of Employment and Workplace Relations.](#)

were removed from their records. Instead of recalculating the participants' zone status, the system left them subject to ongoing penalties they should no longer have faced.

A third bug allowed participants to enter the Penalty Zone with only four applied demerits instead of the required five, effectively lowering the threshold for severe penalties without legislative authority. This issue was not identified until May 2024, which means it took four years to discover a bug that directly contradicted the rules of the TCF, and which affected 88 participants who received 159 incorrect penalties.

The department has also identified 55 total IT defects in the TCF system, with some having been known since 2020. The number of defects indicates fundamental problems with the system's development, testing and maintenance processes, with quality assurance mechanisms that were either inadequate or non-existent.

### Who have they affected

The most significant administrative failure resulted in 986 payment cancellations and possibly many more payment reductions. Payment cancellations and reductions for persistent mutual obligations failures are administered under section 42AF2 of the *Social Security (Administration) Act 1999* (the SSA Act). Before payments are reduced or cancelled the SSA Act requires the decision-maker to consider whether a person had a reasonable excuse for not meeting the requirement.

These 'reasonable excuse' provisions in sections 42AI and 42AJ are crucial to understanding the system's legal problems. These sections are supposed to provide protection for people who can't meet obligations due to circumstances beyond their control. Common reasonable excuses include:

- Illness or medical appointments
- Caring responsibilities
- Transport problems
- Extreme weather
- Family emergencies, and
- Safety concerns.

Legislative changes in May 2022 introduced another discretion by changing the wording in 42AF from 'must' to 'may'. This bestowed upon the decision-maker an additional discretion in relation to the decision that was not translated into administrative practices. The introduction of this discretion enabled broader consideration of the reasons that a payment should not be cancelled that are now being considered through a remediation process. It is likely that decisions made to reduce payments should have been subject to this discretion as they are made under the same section of the SSA Act.

Of the 964 people affected, a departmental desktop audit has resulted in the automatic revision of 600 of the original decisions, meaning they were overturned based on information that was already available at the time of the original cancellation decision. The systematic failure to consider

relevant information suggests either inadequate training, excessive automation, or institutional pressure to prioritise cancellations over careful assessment.

Employment service providers have delegated powers as social security decision-makers. They are known to have frequently misused payment suspensions, for example, by failing to provide adequate notification of requirements, by scheduling them when a person was working or had provided reasons for not being available, or by demanding pay slips.<sup>4</sup> A further problem is failing to ensure administrative discretions are available to job seekers at all stages of employment services, including those enabled by legislative changes in 2022.

Related to this is the failure to provide information about social security decisions as they were being made and failing to make access to decision review available.<sup>5</sup>

## Integrity reviews and system pauses

The Secretary of DEWR announced a pause of major penalty provisions on 21 March 2025. The Secretary cited obligations under the *Public Governance, Performance and Accountability Act 2013* and *Public Service Act 1999*, invoking a duty to address situations where there are reasonable concerns that the system may not be operating in accordance with law.<sup>6</sup>

The decision to commission three separate reviews of the TCF reflects both the complexity of the system's problems and the need for different types of expertise and accountability.

The Deloitte review focuses specifically on whether IT systems operate according to policy and business rules. Key questions include:

- Whether there are additional undetected bugs
- Whether the system design enables proper implementation of legislative requirements
- Whether quality assurance processes are adequate to prevent future failures.

This review will lead to the publication of a statement of assurance.

Separately, the Commonwealth Ombudsman Investigation assesses both the legality and administrative quality of the TCF. The commitment to a public report, which is expected in July 2025, ensures findings will be available for Parliamentary scrutiny and public debate.

A third review, an internal legal review by DEWR, looks at the adherence of the TCF to the legislative framework. DEWR will subsequently make decisions about whether remediation

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<sup>4</sup> <https://www.dewr.gov.au/about-department/resources/information-and-complaints-regarding-number-job-providers-department-identified-potentially-breach>

<sup>5</sup> [https://www.ejaustralia.org.au/wp-content/uploads/EJA-Briefing\\_Merits-Review-of-Mutual-Obligations-Decisions\\_November-2024.pdf](https://www.ejaustralia.org.au/wp-content/uploads/EJA-Briefing_Merits-Review-of-Mutual-Obligations-Decisions_November-2024.pdf)

<sup>6</sup> <https://www.dewr.gov.au/assuring-integrity-targeted-compliance-framework/announcements/secretarys-statement-21-march-2025>

processes will apply to those decisions.

## The human cost of payment penalties and suspensions

While major penalty provisions are paused, payment suspensions continue to operate, raising questions about their effectiveness and legality if more severe penalties are paused due to legal concerns.

Payment suspensions, reductions and cancellations can create immediate crises for people living in poverty, with effects extending beyond immediate financial impact. People may accumulate debt, lose housing, experience mental health deterioration, or withdraw from engagement with services entirely. These consequences can persist even after payments are restored, and compensation for detriment is rarely provided.

The use of payment suspensions as a threat or warning reflects a fundamental misunderstanding of why people struggle to meet mutual obligations. Research consistently shows that barriers to employment are typically structural: lack of available jobs, inadequate skills training, health issues, housing instability, or caring responsibilities – rather than lack of motivation.

## Recommendations

Throughout the period in question, EJA has provided detailed analysis of social security decision points and corresponding review rights; critiqued and guided reforms of complaints services;<sup>7</sup> and developed detailed recommendations for legislative and administrative reforms.

EJA's position that the TCF should be abolished recognises that the system's problems are fundamental rather than technical. Research consistently shows that punitive approaches to unemployment support don't improve employment outcomes and may actually hinder capacity to find work.

**Recommendation 1:** That the Department of Education and Workplace Relations abolish the Targeted Compliance Framework including payment suspensions.

→ The TCF is irredeemably broken and it is ethically unjust to suspend inadequate income support payments. Problems cannot be fixed by tweaks to the current policy settings.

**Recommendation 2:** That the Department of Education and Workplace Relations convene a group of lived experience and policy experts to advise on a replacement model that prioritises the human rights of people seeking employment.

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<sup>7</sup> <https://www.ejaustralia.org.au/leaving-people-with-nowhere-to-go-eja-issues-paper-on-complaints-processes-in-employment-services/>

→ Any system affecting people's livelihoods must be accessible and provide independent review mechanisms with clear explanations for all adverse decisions.

**Recommendation 3:** That the Department of Education and Workplace Relations ensure any replacement framework adheres to administrative law best practice including discretionary decisions and review processes.