

# UPDATE ON IMPACT OF THE COMMUNITY DEVELOPMENT PROGRAMME ON SOCIAL SECURITY PENALTIES

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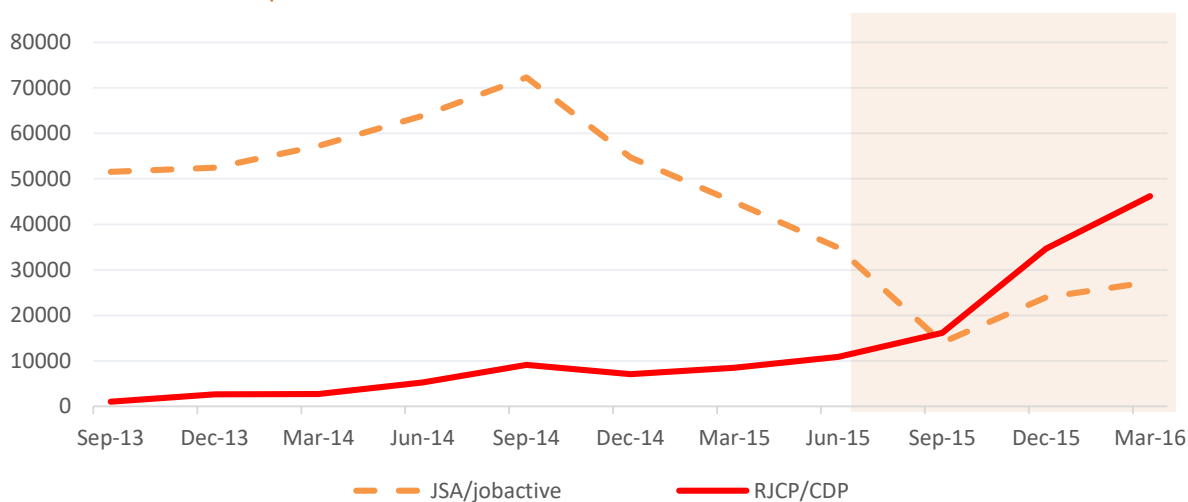
## 1. Introduction

From 1 July 2015 unemployed job seekers in the Community Development Programme with a full time work capacity were required to Work for the Dole for 25 hours per week, 5 days per week. A [previous report](#) showed that, in the first six months of these arrangements, financial penalties applied to CDP job seekers more than doubled, compared to the previous six months. It showed that, in the last quarter of 2015, CDP job seekers accounted for over half (57%) of all social security penalties being applied to unemployed people, despite representing less than 5% of this group. However, it was expected that this overrepresentation might decline as the new mainstream employment program (jobactive) matured. This report updates the analysis using the recent release of public data about job seeker penalties covering the quarter to March 2016 – that is, the first nine months of CDP.

## 2. Total financial penalties

Chart 1 shows that penalties in what is now CDP have continued to rise, and are rising faster than penalties applied to clients in the mainstream program. There are approximately 34,000 job seekers in CDP, compared to around 760,000 in jobactive – it is less than 1/20<sup>th</sup> the size of the larger program. Yet, since the CDP came in, the number of penalties to remote job seekers has exceeded that applied to their non-remote counterparts. In the quarter ending March 2016, 46,183 financial penalties were applied to CDP participants, compared with 27,338 applied to jobactive job seekers.

Chart 1: Total financial penalties

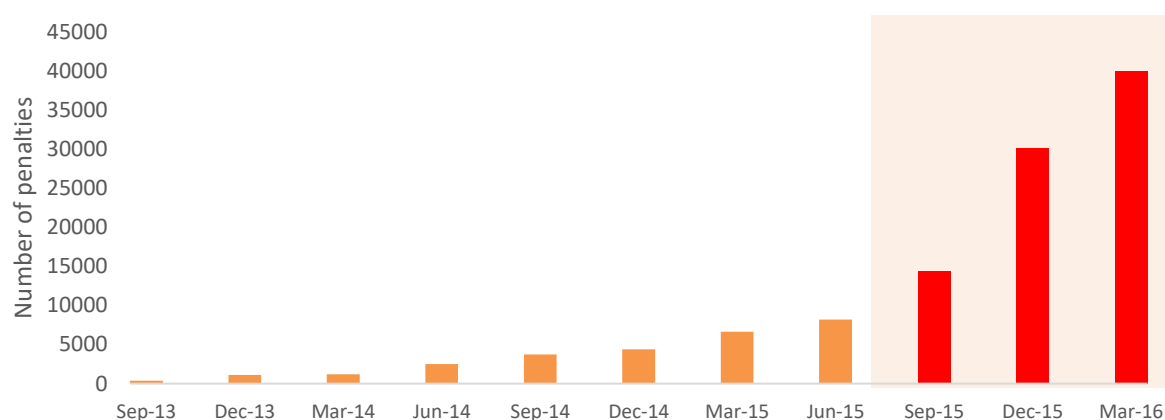


## 3. Penalties applied for failing to attend Work for the Dole

The CDP funding model links the bulk of provider fees to Work for the Dole attendance. This means that, in order for the provider to get paid service fees for a particular job seeker, that person must either attend Work for the Dole, provide a 'valid excuse' or the provider must recommend that a penalty be imposed and then re-engage them in Work for the Dole within 2 weeks. In addition, under the performance rating system applied by PM&C to the program, providers that do not recommend penalties where job seekers fail to attend are penalised.

The first six months of the program (from 1 July 2015 to 31<sup>st</sup> December 2015) marked a transition period for both the funding model and the performance rating system. The March 2016 data release is the first ‘post transition’ release. Chart 2 shows the number of penalties applied for non-attendance in Work for the Dole activities. While the rise in the March 2016 quarter was not as steep as the one that preceded it, it still represented an increase of nearly 10,000 penalties – from 30,105 in the quarter ending December 2015 to 40,004 in the quarter ending March 2016<sup>1</sup>. The number of these penalties applied in the March 2016 quarter was more than six times the number applied in the March quarter in the previous year. Each of these No Show No Pay penalties means the loss of 1/10<sup>th</sup> of fortnightly income support.

Chart 2: No Show No Pay penalties for non attendance in activities – RJCP and CDP



## 4. Serious penalties

Serious penalties can be either work related (e.g. refusing suitable work) or as a result of ‘persistent non-compliance’ with mutual obligation requirements. Under CDP over 95% of serious penalties are for ‘persistent non-compliance’ rather than ‘work refusal’.

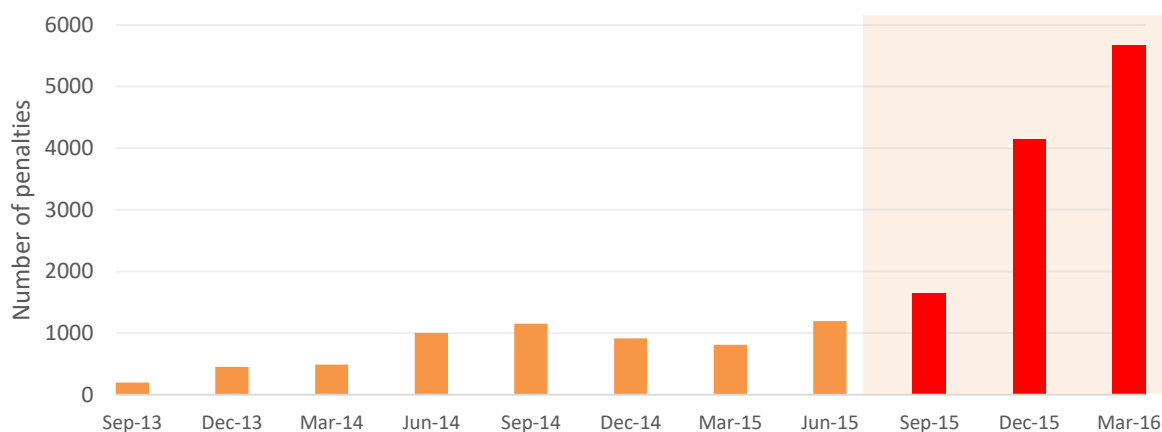
Persistent non-compliance penalties are applied when there have been 3 minor penalties in the previous six months, or since the last ‘serious failure’, and DHS finds that the non-compliance is deliberate. Serious penalties can mean up to 8 weeks without income support. Job seekers can choose to ‘work off’ their 8-week penalty by doing a compliance activity – generally 25 hours per week Work for the Dole. For most participants in jobactive this level of participation is significantly more than they would normally be required to undertake. However most CDP participants are already required to Work for the Dole for 25 hours per week, so a ‘compliance activity’ does not mean an additional burden. Upon returning to Work for the Dole as part of a compliance activity, CDP participants’ payments are reinstated, but not generally back-paid.

There is no available public data which shows how many weeks either on average or in aggregate are actually lost through 8 week penalties. However, the number of penalties applied for ‘persistent non-compliance’ is an indicator of the number of people who have been repeatedly penalised -at least three times - over a maximum 6-month period. In the March 2016 quarter, 5672 serious penalties were applied, an increase of one third on the 4148 applied in the previous quarter. Each represents

<sup>1</sup> The number of days that job seekers were required to attend in the March 2016 quarter was somewhat reduced by periods of leave, including cultural leave which is often taken around this time of year.

at least three minor penalties followed by up to 8 weeks without payment. Anecdotal evidence from providers suggests that while most job seekers do take up the 'compliance activity' option, a significant number spend days or weeks off benefits before they re-engage.

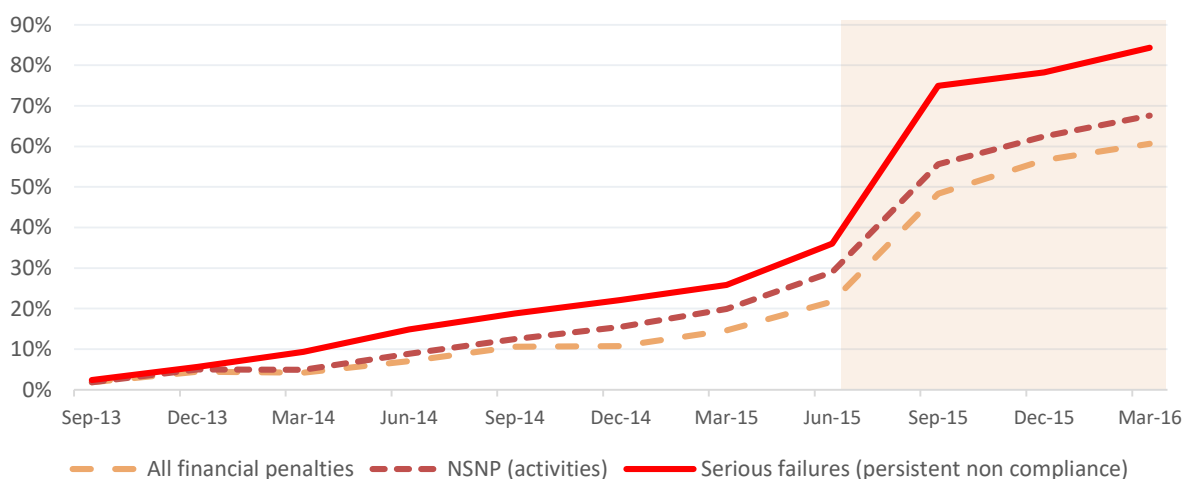
Chart 3: Serious penalties for persistent non-compliance – RJCP and CDP



## 5. Proportion of penalties being incurred by CDP job seekers

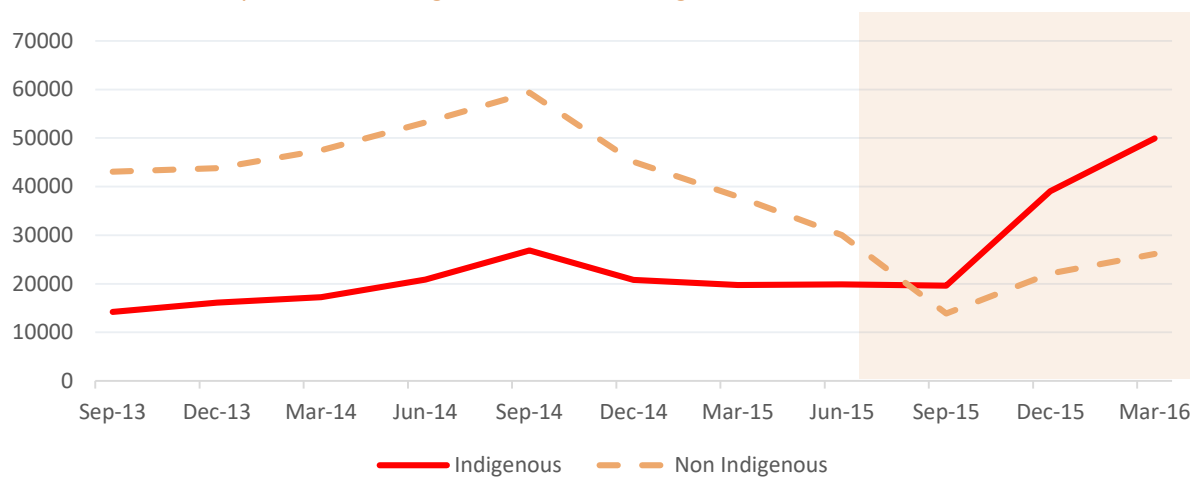
CDP job seekers represent fewer than 5% of the total group of job seekers who are subject to income support penalties. In the first six months of CDP they received 54% of all financial penalties. In the last briefing note I argued for caution in considering these comparisons because this period represented the first six months of the new jobactive program. I expected that jobactive penalties would increase and the level of over-representation of CDP would – as a consequence - decline. However, as Chart 4 shows, there is no sign of this happening. In the March 2016 quarter, 61% of all financial penalties were imposed on CDP job seekers, and 84% of penalties for persistent non-compliance were applied to this group despite their accounting for less than 5% of the total job seeker group.

Chart 4: Penalties applied to CDP job seekers as a percentage of all penalties



Because the vast majority of job seekers in CDP are Indigenous-identified (around 84%), this is showing up in the trends in relation to numbers of penalties applied to Indigenous and non-Indigenous job seekers. Chart 5 shows that, from the quarter ending September 2015 – that is, from the time the CDP started – the number of penalties applied to Indigenous identified job seekers has exceeded that applied to those not identified as Indigenous in every quarter. This ‘gap’ has been widening, so that, in the March 2016 quarter, 66% of all penalties were applied to Indigenous job seekers, while they represented approximately 11% of all job seekers nationally.

Chart 5: All financial penalties – Indigenous and non-Indigenous



Indigenous identified job seekers accounted for 86% of persistent non-compliance penalties imposed, but only 11% of serious penalties related to refusal of suitable work. DHS was significantly more likely to find that Indigenous job seekers had intentionally failed to comply than non-Indigenous job seekers – with 45% of CCAs involving Indigenous job seekers resulting in a ‘persistent non-compliance’ finding, compared with 27% of those involving non-Indigenous job seekers in the March 2016 quarter.