

jobactive

The private investment
firms profiting from
Australia's unemployed

This report was prepared on the unceded Aboriginal land of the Gadigal, Bidjigal, and Gayemagal peoples.

The authors pay our respects to Elders of the past and today, and those whose ongoing effort to protect and promote Aboriginal and Torres Strait Islander cultures will leave a lasting legacy for future Elders and leaders.

Contents:

Introduction	4
Findings	5
Problems inherent in the system	5
Provider case study I – Max Solutions	7
Financials	8
Government connections	10
Provider case study II – APM + Serendipity	11
Financials	12
Major shareholders	13
Political donations	13
Provider case study III – Sarina Russo Job Access	14
Financials	14
Government connections	15
Failures in the system	16
Primary problems	17
Lack of support	17
Overwhelmed staff	18
Purposeful unemployment	19
Punitive approach	20
The way forward	22
Government response: The NESM	23
Conclusion	25

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Human services, especially those that serve vulnerable people, should not be privatised. It is to treat people as a means to profit. Clients are left on the scrapheap or churned through never ending Work for the Dole programs.

Samantha – *jobactive* participant, former CES employee

Introduction

When the Howard Government dismantled public employment services in the 90's and early 2000's, the winners were not people looking for work but the private job agencies that profit from them. In the last twenty years, these private companies have reaped billions in government contracts to 'streamline' the path to work for those receiving unemployment benefits.

The *jobactive* system is the latest iteration of this model of privatised employment services under which the Government pays fees to private firms to help unemployed people find work. It is a model with little to no risk for providers due to guaranteed government contracts, limited competition, and a political consensus that the unemployment rate remains as high as 6% of the labour force.

But COVID-19 has laid bare the conflicting interests of unemployed Australians and the for-profit providers that are notionally responsible for helping them to their feet. The pandemic saw the number of people relying on *jobactive* more than double. According to hearings held by the Senate Select Committee on COVID-19 by July 30, 2020 over 1,440,000 Australians were in the *jobactive* system, more than double the February 2020 figure of 630,000.¹ This influx of workers displaced by the pandemic has aggravated the inefficiencies of a model which has long struggled to find jobs for job seekers. A 2019 investigation revealed that barely 20% of almost 2 million *jobactive* participants had been placed into a job for more than six months over the life of the program.²

There have been renewed criticisms from participants that this program does not serve them appropriately,³ a claim supported by analyses, Senate Inquiries, and independent investigations that show time and again how *jobactive* prioritises profit for multinational service providers over outcomes for people seeking work.^{4,5,6} For those looking for a job, the program represents the barely accessible promise of a one-in-five shot at six months of work. For private providers, it is a steady and lucrative multi-billion dollar industry.

This report, commissioned by GetUp, identifies those who profit most from the unemployment industry in Australia. It examines the finances of major *jobactive* providers, including revenue they have made from taxpayer-funded contracts as well as the tax arrangements utilised to avoid paying back their fair share in Australia.

This report also considers the New Employment Services Model (NESM) due to be implemented in 2022. The NESM may reduce the scope for multinational private providers to shirk their tax obligations to Australians,

however critics argue it will do little to alter the fundamentally predatory relationship between participants and providers at the heart of the *jobactive* system.

All names of jobactive participants have been changed for anonymity.

Findings

The Australian private employment services industry is dominated by three major players which together account for 74% of the \$3.3 billion in government tenders which have been awarded to *jobactive* providers since its inception in 2015.

According to AusTender, these are Max Solutions, which has been awarded over \$1.2 billion in tenders (or 36% of all contracts, making it by far the largest *jobactive* provider),⁷ APM + Serendipity which has been awarded \$667 million in tenders (or 20% of all contracts)^{8,9} and Sarina Russo's Job Access which has been awarded \$606 million in tenders (or 18% of all contracts).¹⁰ These contracts have been awarded between 2015 and 2022.

The two largest *jobactive* providers, Max Solutions and APM, are owned by separate, American-based multinational investment firms. Together these firms account for 56% of all public money spent on employment service contracts since 2015. Another *jobactive* provider, Atwork Australia, is owned by American-based investment firm Gold Parent L.P. Atwork Australia has been awarded \$136 million in contracts from 2015-22.¹¹

This brings the total amount of money paid out to American controlled *jobactive* providers to just over \$2 billion, or 60% of all contracts awarded.

Our financial analysis below shows that, despite revenues routinely exceeding hundreds of millions of dollars every year, the top *jobactive* providers have been able to routinely and radically reduce their tax burden, often to less than \$5 million and occasionally earning a tax benefit from the Australian Tax Office (ATO).

Problems inherent in the system

The current model encourages “creaming and parking”, a practice that sees private *jobactive* providers split participants into one of two lucrative pools to maximise profit.¹² Providers “cream” those who are easy to place in work to claim outcome fees and “park” those who are more difficult to place in work, as it is apparently not profitable enough for providers to invest the time and effort required to meet the needs of these participants. Job agencies profit from “parked” individuals by claiming administration fees.

Despite findings made by the Senate Standing Committee on Education and Employment and independent analysis that the privatised *jobactive* model has been a failure,^{13,14} the New Employment Service Mode (NESM) will in its current form continue many of these damaging practices, including imposing unnecessarily harsh restrictions on job seekers who fall short of mutual obligation standards and, importantly, failing to actually help unemployed Australians to find work.¹⁵

As a woman of 60, I can't get an interview, let alone a job. My provider has never asked me about my employment experience.

Bridget – *jobactive* participant

“

It's vindictive, punitive and counter-productive... in my first appointment I was told “there's nothing we can do for you”, but they kept me on the books because they get paid for it. I was trapped in limbo until I qualified for the age pension. It's a sick joke.

John – *jobactive* participant

They told me to take a job because they had a budget to meet.

Kevin – *jobactive* participant

Max Solutions

Max Solutions is the largest *jobactive* provider operating in Australia. The company has received over \$1.21 billion in government tendered contracts between 2015 and 2022.

The parent company of Max Solutions is Maximus Inc., a large American multinational listed on the New York Stock Exchange.¹⁶ With operations in ten countries including, Australia, Canada, the United Kingdom and Saudi Arabia, Maximus Inc. is a global giant in the administration of welfare programs.

Maximus Inc. flourished through the pandemic with its share price almost doubling from \$US51.96 in March 2020 to \$US92.28 in June 2021.¹⁷

According to their 2020 financial report, the American company paid \$70.1 million in dividends to its shareholders in 2020, up from \$63.9 million in 2019 and \$11.7 million in 2018.¹⁸

Many job seekers who were engaged with Max Solutions recount demoralizing experiences.

It's a perfect storm.

“

People looking for work don't know what the system requires of them and job service providers are financially incentivised to force people to do more than they need to. You assume they're there to help you.

David – *jobactive* participant

David, 34, has been out of work for 11 of the past 16 years. Having dealt with Australia's unemployment system extensively, he outlined his experience with Max Solutions.

In the five years David was engaged by Max Employment from 2013 to 2017 he was, according to information obtained by FOI request, put forward for just four jobs. David says that just one of those job referrals was genuine, while the other three were obtained without help from the provider.

In 2015, David attempted to enrol in a TAFE course to boost his qualifications. He claims Max Employment sabotaged his training and that he was advised by a consultant that “when they found out I had paid for the course they would make me come in to do an on-site job search and other appointments on the same days I was supposed to be at TAFE studying until I was forced to quit TAFE, or they cut me off Centrelink for missing appointments with the provider, which would mean I couldn’t afford to go to the TAFE to study.”

David believes that Max Employment’s conduct was a result of the company prioritising profit over the welfare of their clients.

“Max Employment signed me up to a group ‘Work for the Dole’ activity within a month which would have made them \$3,500 so I think greed was definitely a motivator for them.”

David’s experience is not unique. Throughout our investigation, we spoke to numerous sources including former employment consultants, policy experts and job seekers. Our call-outs on Twitter and Facebook generated over 200 responses detailing experiences of neglect, bullying and emotional distress at the hands of *jobactive* providers.

The overwhelming consensus was that Australia’s unemployment system fails to adequately support people looking for work, with punitive mutual obligations creating unnecessary stress for participants.

Max Solution’s American parent company, Maximus Inc., has faced similar criticism for their administration of welfare programs in the US regarding complex work requirements to access benefits and the prioritisation of profit over the welfare of clients.¹⁹

Financials

In their 2020 financial report, Max Solutions Australia recorded \$283.2 million in revenue with a taxable income of \$11.4 million, paying \$3.9 million in company tax.²⁰

Max Solutions informed Michael West Media that they did not seek Jobkeeper benefits from the Federal Government during the pandemic.

According to the ATO’s corporate tax transparency data, between the 2013-14 and 2018-19 financial years, Max Solutions reaped \$1.59 billion in revenue with a taxable income of \$145.4 million.²¹ The tax payable for this period was \$42.15 million.

After taking a look at their 2020 financial report, it was evident that Maximus Australia reduced its tax liability in two main ways.

Multinationals can avoid paying significantly more in Australian taxes by increasing the costs of their Australian subsidiaries. To ship more money overseas before having to pay tax on it, Australian subsidiaries can take large loans with high interest rates out with their overseas parent companies.

The interest paid on these loans will therefore be transferred to lower tax jurisdictions allowing the Australian subsidiary to record higher costs and therefore pay less tax.

According to their 2019 annual report, in FY2018 Maximus Australia owed \$71.8 million on a loan from Maximus International. Over the past three years, they've paid \$7.9 million in interest on the loan. According to a statement provided by Max Solutions, "the Note Payable was created as a result of a group restructure during prior years". The loan was fully repaid in September 2020.

A second arrangement works much the same way as the first. By purchasing goods or services from parent companies, Australian subsidiaries can ship money offshore to avoid paying Australian taxes.

In FY2019 and FY2020 Maximus Australia sent \$2.8 million to their parent company Maximus Inc. in the form of "purchases from related parties".²² According to correspondence with Max Solutions, "purchases from related parties relates to costs incurred by MAXIMUS Inc. on behalf of MAX Solutions Pty Ltd, which were recharged at cost". Their response did not specify the nature of these costs.

Takeovers

Demonstrative of Max Solution's success, profiting from Australia's unemployed, the company has engaged in numerous takeovers and acquisitions. The latest of which occurred in February 2020 when they acquired Injurnet Australia, a company that specialises in workplace medical services for \$3.9 million.²³

In 2017 the company underwent a restructure that saw the establishment of Maximus Australia Holding Company, which acquired the following companies for \$278.4 million.

Entity	Principle Activity	% Equity Interest
Maximus Solutions Pty Ltd	Employment	100%
Goldfields Employment & Training Services Pty Ltd	Employment	51%
Asymmetrics Pty Ltd	Employment	100%
Aged Care Assessments Australia Pty Ltd	Employment	100%
Child Welfare Assessments Pty Ltd	Employment	100%
MAXIMUS Solutions (New Zealand) Ltd	Employment	100%

Government connections

Like many private *jobactive* providers, Max Solutions benefitted from an amendment of their contract during COVID-19 which increased the proportion of revenue they received from administration fees, as opposed to outcome fees, securing their profits against the poor labour market conditions created by the pandemic.²⁴

Their American parent company, Maximus Inc., is no stranger to political access. Since 2017, Maximus Inc. has spent \$3.34 million lobbying the US government, contributing an additional \$320,287 to candidates and affiliated groups in the 2020 presidential race.^{25,26} In Maximus Inc.'s 2020 financial report, the company boasted that they had "approximately \$7.8 billion in backlog", or unfilled sales which Maximus Inc. can expect to profit from, representing "more than 90% of current estimated fiscal year 2021 revenue".²⁷

According to the Australian Federal Lobbyist Register, as of October 2021 Max Solutions sought the services of DPG Advisory Solutions in February 2021 and Cornerstone Group in October 2021.²⁸ DPG Advisory is one of the largest lobbying firms operating in Canberra, with 45 clients total. Some of DPG's standout clients include Wesfarmers, Afterpay, Ausgrid, BP Australia, Facebook, Naval Group, Rio Tinto, Star Entertainment Group and Racing Australia.

Alongside its lobbying efforts, Max Solution's political donations are modest. The AEC Transparency Register notes only several thousand dollars in donations to the Queensland Labor Party in the 2015 and 2018 state elections.²⁹

APM + Serendipity

Together, APM and Serendipity are the second-largest *jobactive* provider by value of government contracts.^{30,31} APM, standing for Advanced Personnel Management, and Serendipity are separate *jobactive* providers operating in Australia but owned by the same parent company, APM Human Services International.

Both APM and Serendipity operate out of Western Australia. APM was founded by Megan Wynne, with a loan from her businessman husband, Bruce Bellinge.³² Together, Wynne and Bellinge rank 176th on the AFR rich list with a net worth of over \$655 million.³³

APM has grown to become one of the largest international providers of unemployment services, with 51 subsidiaries operating in 10 countries.³⁴

In Australia alone, AMP and Serendipity have received in total \$876 million in government contracts.³⁵

“

I was registered with APM for more than five years and, despite three postgraduate qualifications and living in a capital city, I was never referred to a single job. I had a different ‘consultant’ every month. But I worked for the Commonwealth Employment Service for almost a decade. They knew I understood the law better than they did.

Samantha – *jobactive* participant, former CES employee

Financials

APM has not yet filed their 2020 accounts with ASIC; however the company's 2019 financial report states revenue more than doubled from \$223 million in FY2018 to \$511 million in FY2019.³⁶

Despite this massive increase in revenue, drawn from more than \$607.2 million in receipts from customers, APM reported a modest operating profit of just \$54 million.³⁸

On this profit, APM's balance sheet shows payment of \$5.4 million in company tax in 2019 at an effective tax rate of 10%.³⁷ However, the ATO's Corporate Tax transparency database puts the real figure at a mere \$92,000 paid in Australia.³⁸ However modest, it is a better showing than FY2018, when the company managed a tax *benefit* and was paid \$7.2 million by the Australian Tax Office.³⁹

FY2019 was the first year that APM appeared on the ATO's tax transparency database, indicating that this may be the first year the company has paid tax in Australia.

Michael West Media have put several questions to APM regarding their financial statements but they declined to comment.

Takeovers

With APM's safe government contracts, it has attracted a significant amount of investor money, seeing Australia's employment services industry as a low-risk, high profit investment.

In 2017, Quadrant Private Equity, an Australian private investment firm, bought a 60% stake in APM at a valuation of \$400 million.⁴⁰

In the following years, APM expanded its operations, acquiring Ingeus from US-based Providence.⁴¹

Ingeus is a British-based, Australian provider of employment and health services founded in 1989 by Therese Rein, who is the wife of former Prime Minister Kevin Rudd. Rein now sits on APM's advisory board.⁴²

In March 2020 as the pandemic was starting to take hold, American investment firm Madison Dearborn acquired a controlling 55% stake in APM, reflecting a \$1.5 billion valuation.⁴³ This takeover made American controlled firms the two largest profiteers from government contracts in the *jobactive* program.

Major Shareholders

Other notable APM shareholders are Megan Wynne herself, who still retains a \$254 million, 27.2% stake, and her husband Bruce Bellinge who owns a \$132 million, 14.1% stake through his company Bellinge Holdings.^{44,45}

The next and only other large shareholders are Michael and Sandy Anghie. Michael Anghie owns an \$8.47 million stake directly while Sandy Anghie (the Deputy Lord Mayor of Perth) owns another \$6.15 million stake as joint shareholders of Wattle (WA) Pty Ltd.⁴⁶

Entity	Value of shares	Percentage
Madison Dearborn Capital Partners	\$512 million	54.7%
Megan Wynne	\$254 million	27.2%
Bellinge Holdings Pty Ltd	\$132 million	14.1%
Michael Anghie	\$8.47 million	0.9%
Wattle (WA) Pty Ltd	\$6.15 million	0.66%

Political donations

According to the AEC's Transparency Register, APM was a significant political donor during the 2019 election, contributing \$119,673 to the Liberal Party and just \$22,372 to the Labor Party.⁴⁷

	Donations in the 2019 election cycle	Total donations since 2015
Liberal	\$119,763	\$165,313
Labor	\$22,372	\$52,572

Sarina Russo Job Access

Sarina Russo is one of the richest women in Australia, a self-styled “Jobs Queen”⁴⁸ who founded the Sarina Russo Group (SRG) in 1979. The SRG subsidiary, Sarina Russo Job Access, is the largest Australian-owned, private sector employment provider.

Sarina Russo Job Access won a major Federal Government contract in June 2015 worth \$606 million from 2015-2020.⁴⁹ This contract has reportedly helped Russo expand the business from 25 to 95 offices.⁵⁰ Not long after winning this contract, the company was accused of dumping thousands of documents containing confidential client data in a skip bin.⁵¹

Financials

The last available financial reports for Sarina Russo Job Access are from 2019. These show an 8.7% decrease in total revenue from 2018 due to nationally reducing unemployment rates at the time.⁵² Unfortunately, the impacts of the COVID-19 pandemic are not yet known; however, it is assumed that the influx of newly jobless boosted the company bottom line.

As a result of what Sarina Russo executives believed would be a continued trend in unemployment rates, the company invested in programs to profit from unemployed disabled Australians. Per Sarina Russo’s personal director’s note attached to the companies 2019 financial report:

“In anticipation of this change the company responded by continuing to grow Disability Employment Services (DES) revenues achieving an 86% increase during the year.”⁵³

Russo’s intention to increase their take of DES grants is in line with blow-out costs of the disability employment system, which was found to be giving service providers significant bonuses as the payable fee for a single placement grew to almost \$40,000.⁵⁴

In 2019, Sarina Russo Job Access paid just over \$3 million in company tax from \$116 million in revenue, while paying a fully franked dividend of \$2.5 million to shareholders.⁵⁵

Government Connections

Sarina is the former employer of Kirilly Dutton, the now-wife of The Minister for Home Affairs, Peter Dutton. Kirilly was working as Russo's assistant when she met Peter Dutton.⁵⁶

Sussan Ley, now Federal Minister for the Environment and then Assistant Education Minister, twice travelled to the Gold Coast at public expense to attend New Year's Eve events with Russo in 2013 and 2014⁵⁷. In early 2015, Sarina Russo Job Access was awarded a \$41 million contract from 2015-2020. From 2018-2020 this contract grew to a total value of \$63 million.⁵⁸

Ley stood aside as Health Minister pending an investigation into her travel expenses. The Minister claimed the travel was "at the invitation of a prominent Queensland businesswoman."⁵⁹ Ley claimed the 2013 New Year's Eve trip was "for a business lunch" and the 2014 trip was to attend the businesswoman's "annual New Year's Eve event."⁶⁰

Sarina Russo related companies, including Sarina Russo Job Access, Sarina Russo Group as well as Sarina Russo herself, have donated slightly more to the Coalition compared with Labor at \$128k compared with \$120k. However the company has by far and away preferred Labor since 2005, having made its last donation to the Coalition in 2010.⁶¹

Failures in the system

Throughout our investigation, we spoke to numerous former employment consultants, policy experts, and job seekers.

A recurrent theme was that the current model fails to provide meaningful support to people looking for work. This failure is underpinned by a funding model that encourages privatised *jobactive* providers to “cream and park” participants.⁶² This practice involves providers assisting job seekers they deem easy to place into work enabling them to claim outcome fees (“creaming”) and “parking” job seekers that require more extensive help as it is seen as not profitable to give these people the assistance they need.

Many of the claims made by respondents have been supported by research undertaken by Federal Senate Committees, independent think tanks and private consultancy firms.

At the root of the issue has been the mismanaged privatisation of employment services, which has failed to align profit motives and job seeker outcomes.

“

The *jobactive* program is not fit for purpose... participants are gaining employment in spite of *jobactive*, not because of it.

Senate Education and Employment References Committee

One of our respondents, Samantha, has worked at a high level in the Australian employment services industry in both the public and private spheres, since she started working at the Commonwealth Employment Services (CES) in 1989. The CES was a Keating-era public employment services provider which was wound down in 1998 when the Howard government privatised the service.

Samantha recalls that as a result of the privatisation “thousands of highly trained, qualified and experienced people were lost”. Samantha herself took a position in a private services provider and “immediately found that a) [the private service provider] had already identified a whole lot of things that could be sorted and b) the staff were an eclectic bunch with no experience, skills or qualifications.”

Further, “money meant to be spent on helping clients into sustainable jobs was spent on retreats at 5-star resorts and top of the line cars for management.”

In speaking with Michael West Media Michael Tull, the Assistant National Secretary of the Community and Public Sector Union (CPSU) also notes the radical nature of the privatisation of Australia’s employment services “Australia is the only nation that has entirely privatised employment services,” claiming that the process clearly “has not worked.”

Primary problems

The Senate Standing Committee on Education and Employment undertook an investigation with the objective of “examining the appropriateness and effectiveness of jobactive,” publishing its final report *Jobactive: failing those it is intended to serve* in February, 2019.⁶³

The committee concluded “the *jobactive* program is not fit for purpose... participants are gaining employment in spite of *jobactive*, not because of it. And many participants are suffering because of the program's punitive compliance arrangements. Providers are overburdened with red-tape and consultants are struggling to help participants whilst also policing compliance requirements.”⁶⁴

Lack of support

The Committee found that participants are not provided with the support or services necessary and disadvantaged participants are often miscategorized as ‘job ready’ when suffering homelessness or substance abuse.⁶⁵

This statement is backed up by Samantha, who saw the collapse of useful training and employment programs from the CES era:

“Labour market programs (including all the training ones) had disappeared overnight really. All that was left was “Work for the Dole. The privatisation has been and still is a disaster for all job seekers, particularly the most vulnerable ones, because there were no specialist or even more general programs, and no trained and qualified (and importantly, stable) staff to provide desperately needed support. It was, and still is, about getting government payments into the organisations by whatever means necessary.”

Another former CES employee, Annette Morrow, who worked in CES offices across Sydney between 1969 and 1974 recounted a similar attitude.

“I believe it should be back in the hands of well-trained employment officers as we were in the CES, prior to privatisation. Profit was not our focus; getting people into and filling job vacancies was our focus... These days there is little concern or real focus upon the true clients: job seekers and employers. Adhering to government lines and profit seems to be the main focus by most providers running these businesses”

The privatised model has abandoned many of the CES-era training and employment programs, carrying over only ‘Work for the Dole’. This has left job seekers worse off.

Overwhelmed staff

A primary cause of the insufficient support is the overwhelming caseloads given to individual employment service staff by massive firms such as Max, APM and Sarina Russo. The Senate Standing Committee on Education and Employment heard that there is an average of 150 cases per service consultant.⁶⁶

Michael West Media has heard that unrealistic KPIs imposed on workers in *jobactive* providers lead to a high turnover and a resulting poor and interrupted service to job seekers

Amanda was a job seeker with two smaller *jobactive* providers before working in the Disability Employment Services for four years. She recounts:

“The industry has a high staff turnover, due to quarterly targets and management pressure and the very negative workload. It would have been more digestible without enforced targets. No qualifications are required, training provided as they want to train you their way.”

The committee found that job search and mutual obligation requirements were inappropriate and poorly designed.⁶⁷ The requirement of 20 applications per month imposed an unrealistic burden on job seekers who are unqualified or unskilled,⁶⁸ moreover participants were found to be missing paid work to attend appointments with their *jobactive* provider.⁶⁹

The *jobactive* compliance framework was found to be “punitive and in some cases grossly unfair” with “*jobactive* providers, rather than public servants...responsible for monitoring compliance and suspending a person's income support if they do not meet their mutual obligations” with the error rate for penalties being 50 per cent.⁷⁰

The sentiments of those suffering from such unfair penalties are summed up by Nicholas, a former job seeker who was forced to navigate the *jobactive* system after losing his position in television news. Speaking to having his payments cutoff by his service provider, Nicholas said:

“How dare you let a private citizen who works for a private company decide to cut me off from social security while I'm working, declaring my income and paying TAX. Foreign companies are profiting from the misery of Australian Citizens. Not only are we paying for it psychologically, we are paying for it when we pay tax when we work. I hate these people. They stole my future.”

Due to the outsourcing of employment services to massive multinationals, job seekers have found that there is little to no recourse against the decisions, or the lack of appropriate services provided.

Concluding, the committee stated that:

“The government's punitive and paternalistic approach to employment services has failed. It goes against international and Australian evidence about what works.”⁷¹

Purposeful unemployment

The University of Melbourne's Ross Garnaut argues that high levels of systemic unemployment are built into Australia's economic policy to keep inflation down.⁷² Full employment is no longer a goal of Australian policymakers and the Reserve Bank, who instead accept a permanent level of unemployment as a tool to manage inflation. This non-accelerating inflation rate of unemployment (or NAIRU) is currently between 4.5% and 5%, meaning policymakers require at all times that around 600,000 Australians are unable to find work.⁷³

“

I was told to attend interviews 90 minutes away with less than a day's notice. I walked out of interviews where potential employers threatened to have our payments cancelled. I saw consultants yell at clients in distress. I was instructed to lie about my address in training sessions.”

David – *jobactive* participant

This is a policy setting chosen by lawmakers and the Reserve Bank as a bulwark against inflation and it is important to understand the harsh penalties and below-poverty support payments for hundreds of thousands of deliberately unemployed Australians in this context.

According to the Australian Council of Social Service (ACOSS), in 2019 there was only one job available for every eight applicants who are unemployed or underemployed.⁷⁴

Per Capita has found that the unique demands of higher unemployment due to the pandemic have left the *jobactive* system even less able to provide useful services to people looking for work.⁷⁵ Unfortunately, the NESM's 'Enhanced Services' stream retains this significant deficiency. Both the *jobactive* system and the New Employment Services model are "hamstrung by a dependency on job outcome payments, which leads to under-investment in the needs of people most at risk of long-term unemployment"⁷⁶ according to Per Capita.

Punitive approach

Unfortunately, there is every indication that the Government intends to continue with this punitive approach.

Following the recommendations of the 2019 report into *jobactive*, the Department of Education, Skills and Employment (DESE) launched an evaluation into the program. The interim report, released in January 2020, lauds the stringent enforcement mechanisms, primarily the "improved job seeker activation, due to a stronger compliance framework."⁷⁷

According to the report "the appointment attendance rate increased under *jobactive*. Fewer job seekers failed to attend an appointment without a valid reason."⁷⁸ Indicating that the more stringent "enforcement mechanisms" are keeping job seekers more "engaged" with *jobactive* requirements.

Moreover, *jobactive* participants were engaged in higher rates of activities, including Work for the Dole, due to the "increased activity requirements" while fewer job seekers were able to participate in education or training programs than under *jobactive*'s predecessor.⁷⁹ This was due to tightened requirements to access training and education funding.

jobactive was found to have increased the barriers to employment.

Worryingly, "Providers were largely supportive of the *jobactive* compliance framework and felt it provided them with more opportunity to reinforce MORs with participants" with 40 per cent of job seekers reporting having had their income support suspended at some time.⁸⁰

Overall, the interim report found that people looking for work were less likely to find employment under *jobactive* than its predecessor, though the long-term unemployed were slightly better off.

Moreover, reforms to the *jobactive* model mean providers were able to save 24% on administrative costs by “balancing accountability with the need to lower the administrative burden on providers and other stakeholders as far as possible”.⁸¹ These costs were shifted onto employers who saw administrative costs rise by more than or 25%.⁸²

Other failures have been identified. A common complaint Michael West Media heard was that many *jobactive* providers run vertically integrated training programs. Amanda, while working in Disability Employment Services, noted that “Oddly the courses were never real training opportunities. Many providers have their own training organisations, so they can run the course and get paid for it and then receive outcome fees on completion.”

Way Forward

In searching for solutions to the failed model, the sources we spoke to had a range of suggestions on how Australia's unemployment system should be reformed. Consistently, there were calls to implement more personalised services and increase the involvement of the government in the public employment service model.

Interestingly, no respondent advised for the complete rolling back of the privatised model.

Emma Dawson, the Executive Director of independent think tank Per Capita believes that "the starting point should be that an employment services system should exist to help people into work, not to get them off JobSeeker; they're two very different things."

Dawson highlighted the broken logic of *jobactive*, that unemployed Australians need to be prompted back to work. "The vast majority of unemployed Australians desperately want to find work, work that suits them and that will support them, and if the government is going to demand obligations from job seekers in order to receive income support then there should be an obligation on the government that the system they've set up to help people find work actually does that," Dawson told MichaelWest Media.

A lack of robust regulations surrounding private *jobactive* firms means that there is little incentive for highly profitable offshore firms to hire more staff or increase the quality of their services for people looking for work.

Greens Senator Rachel Siewert has also called for a more individualised approach, acknowledging that "individuals need individual jobs, not cookie-cutter job plans. We need to enable consultancies to be able to spend time with someone to get to know them and to meet their needs" in correspondence with *Michael West Media*.

Michael Tull, the Assistant National Secretary of the Community and Public Sector Union (CPSU) was direct in his calls for a more involved role for the government: "what we need now is a more direct role for the Commonwealth in delivering public employment services combined with greater labour market facilitation through shaping demand and providing industry support is needed to help people get secure work. The punitive approach to social security also needs to end." ⁸³

Government Response: The New Employment Services Model (NESM)

The New Employment Services Model (NESM) was proposed in response to growing criticisms of the current *jobactive* system.

The NESM was announced as a part of the 2019 Federal Budget and is set to be implemented in July 2022. Chief among the changes is that under the NESM job seekers who are deemed to be 'job ready' (i.e. deemed to require less intervention to get into paid work), will be moved into a 'digital stream'.⁸⁴

The determination between 'job ready' and not will be made following a questionnaire, put to every unemployed person looking to access income support.

Those split off into the self-managed digital stream will not be required to sign up to a *jobactive* provider, and will instead be directed to a new government-funded digital employment services platform.⁸⁵

People looking for work who are not deemed 'job ready' will instead be placed into the 'enhanced services' stream. The enhanced services stream will function much like the current *jobactive* system. Enhanced services job seekers will be required to sign up with a private *jobactive* provider and fulfil a quota of mutual obligations.⁸⁶

Mutual Obligations

Under the new system, mutual obligations will remain fundamentally the same in spite of minor changes. Each stream will have its separate mutual obligations. Those in the self-managed digital channel will be required to undertake training programs, while those in the tougher in-person "enhanced services" will still be required to enter into Work for the Dole programs.

Many, if not all, of the criticisms of the current mutual obligation system apply to the NESM. Criticisms levelled by both parliamentary enquiries and NGOs that burdensome mutual obligations, such as the requirements of sending out 20 job applications a week or undertaking ineffectual training programs, are a detriment to those seeking work rather than a boon, remain.⁸⁷

Mutual obligations will be run from a "points-based system" which will automatically reward recipients for fulfilling mutual obligations, awarding more points for intensive activities. Alongside the PBA system, the new 'Targeted Compliance Framework' (TCF) will automate the enforcement of punishment on people who are deemed not to be meeting requirements.

For critics such as Per Capita, this has raised serious questions about the mutual obligation framework, who fear that the Targeted Compliance Framework (TCF) will effectively automate payment suspensions without the ability for the person to appeal the basis for the suspension.⁸⁸

Per Capita worry that similar to both the majority of *jobactive* participants who had their payments suspended by private *jobactive* providers and the disaster of the Robodebt fiasco, the TCF has significant scope for abuse.

According to the Australian Council for Social Services (ACOSS) in a submission to the Department of Education Skills and Employment, “the PBA risks facilitating higher levels of digitised surveillance on people looking for paid work to meet conditions which are unlikely to improve their employment prospects, whilst placing them at greater risk of suspension of essential income support when people are already typically in financial and often psychological distress.”⁸⁹

Many critics, such as ACOSS, argue against a punitive approach altogether.

Critics argue that the NESM will reinforce “creaming and parking” instead of fixing the issue. Per Capita argues that “under the new model, those that might previously have been ‘cherry-picked’ will now be assigned to use digital services, but it is possible that the new model’s continued emphasis on outcome payments will reproduce a similar problem of low investment in people who are harder to place”.⁹⁰

Additional criticisms of the NESM are the removal of back payments when job seekers make their claims. This will mean the government will reduce payments to job seekers by an estimated \$191.5 million over four years.⁹¹ Both Labor and the Greens have issued separate dissenting reports against this measure.

Conclusion

Our financial analysis of the major earners from the publicly funded *jobactive* model suggests that it is primarily American-owned multinational corporations who are profiting, in the billions, from the privatised employment services model.

The two largest *jobactive* providers, Max Solutions and APM are both controlled by American investment firms and together account for 56% of the \$3.3 billion handed out to employment service providers since its inception in 2015.^{92,93,94}

The profits these companies are making every year is largely without risk, as the Reserve Bank's NAIRU projections ensure a steady population of permanently unemployed Australians who will be shepherded into the *jobactive* system in their search for work.

Despite making hundreds of millions in revenue every year, these major earners have been able to reduce their tax burden significantly, routinely earning tax benefits from the ATO according to the financial analysis done for this report.

Moreover, these firms have been able to leverage their position to cultivate close government connections and lobby for beneficial regulatory arrangements such as the reforms highlighted by DESE's interim report which shifted administrative burden from service providers onto employers.⁹⁵

With government-funded profits and little substantial competition, these agencies have been able to increase payments to shareholders and directors year-on-year while finding new avenues to profit from the permanent unemployed in Australia.

Despite near-universal agreement that the *jobactive* system is failing Australians, while multinational corporations profit from Australian tax dollars, no party has yet laid out a comprehensive plan to overhaul the current model.

Instead, the NESM will continue to employ the same putative mechanisms which have been the hallmark of the *jobactive* system. While the NESM will reduce the scope for multinationals to siphon public money offshore, critics of the model are anticipating similar "creaming and parking" mechanisms employed by these firms to maximize revenue while minimising expenditures.

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