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ACOSS Mutual Obligation Member Consultation: AYAC's position on Mutual Obligations policy and its impact on Young Australians

Introduction

AYAC welcomes the opportunity to contribute to ACOSS's critical work on welfare reform, particularly in relation to mutual obligation requirements for young people receiving income support. Drawing on research and its work with young people, AYAC advocates for a welfare system that functions as a genuine safety net that enables support, dignity, and agency for those experiencing economic disadvantage. It argues that the embedding of mutual obligations frameworks through Youth Allowance and Jobseeker are compounding feelings of stress and anxiety, while diverting young people from more meaningful, long-term pathways to economic participation. AYAC recommends a less onerous, more generous welfare system capable of supporting young people navigating structural disadvantage.

Young People and Mutual Obligations

Mutual obligations are a set of requirements that young people in receipt of income support payments must meet to continue receiving those payments. These can include activities such as:

- Attending appointments with employment services providers
- Applying for a set number of jobs per month
- Participating in training, study, work experience or volunteering
- Completing Job Plans
- Logging activities through the Workforce Australia Points Based Activation System (PBAS)
- For young people under 25 receiving Youth Allowance (other) or JobSeeker, mutual obligations are generally more intensive and can be linked to the assumption that young people should be engaged in work or study full-time.

These obligations are enforced through the Target Compliance Framework. Failure to meet obligations set out in the Framework can lead to warnings and penalties for noncompliance, such as payment suspensions and cancellations.

While reforms announced in the 2024–25 Federal Budget, such as extending grace periods and removing medical exemption caps, are welcome, they do not go far enough to address systemic failures. AYAC is concerned about the use of payments suspensions and the

impact that this is having on the financial security and mental health of young welfare recipients (ACOSS, 2024). AYAC believes it is imperative to avoid a situation whereby an over-emphasis on compliance with activity requirements takes away practical help from young people wishing to experience a sense of agency in their job search. We aspire to a welfare system that adequately recognises the structural disadvantages young people experience in the labour market and works with them in a dignified way to find meaningful pathways to employment.

Young People, the Labour Market and Welfare

Young people occupy a distinctive position within the labour market. There are significant systemic barriers for many young people to gaining and maintaining safe, secure, meaningful employment. These barriers can include:

- experiencing underemployment, being treated unfairly in the workplace, or being rejected from jobs on the basis of age, race, gender, and disability discrimination (Australian Treasury, 2023; Ghin & Ainsworth, 2024);
- being engaged in precarious, low-wage roles with unclear career progression opportunities (Walsh et al, 2023);
- susceptibility to exploitation and wage theft (Australian Treasury, 2023);
- being subjected to high rates of workplace sexual harassment (Australian Human Rights Commission, 2020); and
- infrastructure challenges in regional and rural areas, including varied access to education and training services, and lack of access to public transport to facilitate travel to work (Hutchinson, Block, Robin, Cheng, Shi, & Zou, 2023).

These issues lie at the heart of youth unemployment/underemployment, and their impact on important factors such as young people's mental wellbeing and social inclusion, as well as on their economic participation and career progression, should not be underestimated.

Figures show that up to 86% of young people have experienced financial difficulties at some point in the last 12 months (CYPEP, 2024, p.16), with marginalized groups (such as young disabled people, young First Nations people, and young people in regional and remote areas) more likely to be impacted, and more likely to experience poorer outcomes as a result (Filia et al., 2024, p. 4).

Filia et al. (2024) reveal that young people faced with financial insecurity are three times more likely to report poor personal wellbeing, including lowered mental health outcomes and a negative outlook on the future. Combined with the low and stagnant rates of income

support payments, AYAC believes that the penalty system within mutual obligations does little to overcome the structural challenges that young people experience in the labour market and compounds the negative impacts of financial insecurity on their life chances (see Roche et al., 2021). Alternative approaches to supporting young people identify meaningful career pathways should be explored.

Finding Meaningful Pathways with Young People

AYAC's work with young people with lived experience of Centrelink points to a need to improve user experience to support young people identify meaningful employment pathways. These young people often described interacting with the social security system as confusing, inconsistent, and burdensome.

A key challenge identified by the young people is the interface layout. Young people report that this "is really hard to navigate and is highly confusing." In relation to mutual obligations, the young people raised further concerns around navigating the system:

"You need to figure out the administrative requirements, the risk and threat of doing something wrong and being penalised, the complexity and remaining inflexibility of income support payments"

The quote from the following young person provides a useful indication of how interacting with the system can compound stress and anxiety:

"I used to receive JobSeeker which was legitimately one of the most stressful/anxiety-inducing experiences I've had with the welfare system. I went on JobSeeker because I started experiencing (chronic) health challenges which meant that I had to go to part-time tertiary study instead of full-time study to help me recover... Not only was the process unreasonably rigid, but it was also quite demoralising/emotionally draining to demand an over-the-top number of hours dedicated to a poorly-thought-out menu of 'activity options' in order to receive what seemed like a paltry payment (in light of what was demanded from the 'jobseeker').

Not only that, but the SMS messages and communications you would get were very clinical and remind you of the points you had to gain/failed to gain; I understand their purpose but, in light of the overall poor design of the system, these communications were psychologically distressing. The income support was not worth the stress it induced."

AYAC believes these concerns can be addressed by simplifying how young people interact with the welfare system, removing the threat of payment suspensions and cancellations, and raising the rate of income support payments above the Henderson Poverty Line so young people are able to experience greater financial security.

In terms of supporting young people identify meaningful pathways into employment, AYAC further believes that important lesson can be drawn from the greater exploration of successful youth work approaches. Youth work programs have been shown effective in supporting young people on their journey's into and back into employment.

The YouthStart program in the UK offers strong evidence of what can be achieved through a youth work approach to employability. Engaging young people facing multiple and complex barriers to economic participation, YouthStart supported 64 per cent of its 2,387 participants into employment or education/training, achieving high retention rates even among those with previous histories of disengagement (see YouthStart, 2025a; 2025b)

The key role of youth work's rights-based, strengths-focused and relational modes of engagement in enabling these positive outcomes is stressed in the following 5 key insights on employability engagement identified by the YouthStart consortium:

1. The distinctive youth work approach proved highly effective at engaging those furthest from the labour market.
2. A flexible and adaptable delivery model allowed for personalized support addressing complex barriers.
3. Youth-led approaches created ownership and empowerment.
4. Building foundational 'soft skills' provided critical stepping stones to employment readiness.
5. Clear targets with minimal administrative burden allowed providers to focus on direct support.

These insights challenge the paternalistic and coercive dynamics that mutual obligation penalties can create by refocusing attention on more meaningful, personalised forms of support that afford autonomy to young people. Such approaches should be more fulsomely explored in the Australian context.

Recommendations

1. End automated payment suspensions and ensure all compliance decisions are made by trained staff using fair, human-centered processes.
2. Make activity requirements more realistic and flexible by prioritising meaningful engagement over rigid points-based activity system targets and abolishing punitive programs such as Work for the Dole.
3. Improve access to support for young people with medical conditions, or who are facing barriers to employment, based on their individual needs and circumstances.
4. Increase income support payments to \$88 per day to allow young people to meet their basic needs and surpass the Henderson Poverty line of \$87.32 per day.
5. Explore how youth work methodologies can enhance young people's journey into employment.

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