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President Gerardine (Ged) Kearney
Secretary Dave Oliver

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Committee Secretary
Senate Committee on Education and Employment
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Committee Secretary,

The Australian Council of Trade Unions (ACTU) welcomes the opportunity to make a submission on the Social Security Legislation Amendment (Youth Jobs Path: Prepare, Trial, Hire) Bill 2016.

Once again however the ACTU must raise concerns about the amount of time allocated to stakeholders to provide feedback on legislation. Youth unemployment remains a significant challenge to the Australian economy and rushing this legislation through with extremely limited timeframes for feedback shows government is more interested in their ideological aims of helping big business than they are in solving the problem.

The Youth Jobs PaTH program (PaTH) is a poorly considered and ineffective response to the significant issue of youth unemployment in Australia. According to the latest ABS release, the national youth unemployment rate is 12.6%, more than double the mainstream rate of 5.6%. The national rate also hides significant variances across regions – the rate in North Adelaide for example is 17.8%.

The PaTH program represents a significant disappointment -it is poorly designed, will not deliver positive outcomes and is unlikely to make a significant difference in the unacceptably high youth unemployment rate. Experience of programs similar to PaTH, including Northern Ireland's Youth Employment (YES) Scheme and the UK's Youth Jobs Scheme demonstrate the failure of these programs to deliver meaningful employment opportunities¹.

Perhaps the most glaring issue with the program is its lack of focus on the creation of new job opportunities. There are currently officially five jobseekers in Australia for every vacancy – which simply means that most job seekers are unemployed not due to their own action, but because the economy cannot provide them with employment. This program, which sees young people undertake 'internships' in entry-level positions, will do nothing to create additional jobs.

¹ See for example, The Huffington Post, 25 July 2014, "Nick Clegg's Youth Jobs Scheme Ends Early In Abject Failure", http://www.huffingtonpost.co.uk/2014/07/25/clegg-youth-contract-jobs-failure-ends-early_n_5619785.html

Additionally, the internship positions created under this program are likely to displace paid jobs for other young people. The fraction of 'internships' that turn into paying jobs will also not be new positions, but will replace employees that the organisation would have hired under normal circumstances. This is a fundamental flaw in both this program and in the government's approach to unemployment. There are simply not enough jobs and any program that ignores job creation is going to be ineffective in addressing unemployment.

There must also be significant concern however that PaTH may serve to undermine the minimum wage system. The current program settings, hours worked and additional payments per fortnight, mean that the interns in this program are paid below minimum wage, potentially creating pressure on existing employees' wages or conditions. The ACTU is concerned that the scheme may encourage employers to replace existing minimum wage workforces with government sponsored interns or to reduce their wages or conditions. Interns are not paid superannuation or subject to worker's compensation and so represent a significant saving to employers when compared to regular employees. While the Minister has dismissed this concern, it is not clear how employers will be prevented from utilising a series of interns, for whom the employer is paid by government, to replace either current or future paid workers. This would not only result in the program failing to achieve its aims of moving unemployed young people into work, but would also devalue the work and labour of currently employed young people.

The PaTH program will also potentially expose a significant number of vulnerable young people to exploitation. Young interns, who government is paying employers to take on, will be ripe for exploitation by unscrupulous employers. Employers may churn through interns, pocketing the \$1000 dollar sign-up fee each time and having no intention of even considering a longer term position. Interns may receive little or poor training on the job, meaning they finish their poorly-paid internship no more employable than they were at the beginning. When these concerns have been raised in the past, much has been made of analysis which will be done to detect employers who are abusing the program and prevent them from hosting further intern placements. It seems that the absolute best outcome such a system could achieve would be that thousands of vulnerable young people are only exploited, for profit, once.

The United Kingdom government tried a similar scheme in 2013, the Youth Employment Scheme (YES), which launched in January 2013 and was wound up in July 2014 with fewer than half the estimated placements having been made and no clear increase in real job placements. The YES scheme, like the PaTH program, had a top up element for the participant, a subsidy for the employer, took place over two tranches, a shorter work experience component and a longer skills development component. It is our view that adopting a failed program from the United Kingdom is not an effective or efficient way of reducing youth unemployment. Any scheme to support young people must focus on investment in quality, accredited training. We need to give young people skills that will give them a secure career. For the cost of the PaTH program, the Government could pay for the same number of young people to get a Certificate IV qualification from TAFE. Instead the money is being spent on gifting business free labour.

The government should reinstate the \$1 billion it has cut from apprentices and the \$2.5 billion it has cut from VET and skills. These are investments in our young people's future. Jobs are not created by low-paid internships. What we need is a comprehensive jobs plan that links education, training, skills, research, innovation and investment in infrastructure and services to create well-paid secure jobs that lay the foundation for a successful transition to a modern economy.

A jobs plan should include:

1. **Committing to a solid policy platform for scientific research, renewable energies and new technologies.** This is where millions of the jobs of the future will be. We must urgently build up these opportunities for employment – or we will trail behind the rest of the world.
2. **Investing in good quality schools, TAFEs, universities and life-long learning and training opportunities.** We can only foster ‘innovation’ if we make sure that people have good opportunities to develop their skills.
3. **Fostering industries with strong innovation, export, and employment potential that will succeed in global markets and create local jobs.** We need greater investment and collaboration between business, research and government, to facilitate networking, clustering, commercialization, and exports for identified advanced industries. These industries will foster further employment opportunities up and down the supply chain.
4. **Stopping cuts to and rebuilding the public sector education, health, aged, childcare and community services.** These areas are the top projected job growth areas for the next 5 years and, if we support them now, hundreds of thousands of new jobs can be created.
5. **Improving wages and decent, secure jobs.** Increases in wage and job security, especially for low and middle income earners increase consumer demand and lead to job creation. The IMF, World Bank and OECD regard this as a key component of jobs growth.

We would welcome the opportunity to expand on this short submission should the Committee be interested. If you have any queries about the content of this submission, you can contact Christopher Watts, ACTU Social Policy Advisor, on _____ or _____.

Yours sincerely,

Dave Oliver
Secretary