

**House of Representatives Standing Committee on  
Employment and Workplace Relations**  
**Inquiry into employment: increasing participation in paid work**

**Submission by Hunter Councils**

**1. Background to Hunter Councils**

Hunter Councils Inc is an incorporated body comprised of thirteen Local Government Areas (LGA's)<sup>1</sup> Hunter Councils serves to foster co-operation and resource sharing between member Councils, encourage business investment, improve the image of the Hunter Region, as well as advocate for the interests of the Hunter Valley and its constituent LGA's.

The region contains urban, industrial and rural areas within the Hunter Valley with a population of approximately 550,000 people and an area spanning approximately 30,000 square km.

The Hunter is one of Australia's most diverse and dynamic regions and is responsible for approximately 4.5% of national Gross Domestic Product. Its strategic importance to New South Wales is emphasized by its role in producing 80% of the states' electricity, 65% of its coal, and 100% of its aluminium. Apart from its industry and commerce, the Hunter Region also provides its residents with the highest quality natural environment. Mountain ranges, fertile rural plains, wetlands and beaches all feature within the Region's magnificent and diverse landscape. It is the function of Hunter Councils to assist in the full utilization of the industrial, commercial and natural resources of the Hunter Region.

**2. The Hunter Region Labour Market**

The burden of unemployment is not shared evenly either across the community or between communities. In a major study on social exclusion and distressed urban areas, the Organisation for Economic Cooperation and Development found that deprived areas limit the opportunities and prospects of people who live in them. It was argued, "...without a vision of their potential, a nation not only bears the costs but also fails to realise the possibilities inherent in these places and their populations" (OECD, 1998: 11 cited in Mitchell, Cowling and Watts, 2003).

While the national economy has demonstrated relatively robust output growth over the 1990s, it is clear that regional disparities in unemployment persist with the Hunter Region faring particularly badly. The tight macro policy has sustained high unemployment and mobility patterns and relative wage movements have not promoted regional convergence

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<sup>1</sup> Cessnock City Council, Dungog Shire Council, Gloucester Shire Council, Great Lakes Council, Lake Macquarie City Council, Maitland City Council, Merriwa Shire Council, Murrurundi Shire Council, Muswellbrook Shire Council, Newcastle City Council, Port Stephens Council, Scone Shire Council, Singleton Council.

(Martin, 1997; Debelle and Vickery, 1999 cited in Mitchell and Carlson, 2003, 2). Disparities in regional incomes and employment are persistent and in many cases increasing (ALGA, 2002).

The *Index of Labour Market Marginalisation* (ILMM) was developed by the Centre of Full Employment and Equity (CofFEE) to enhance understanding of the degree of labour resource wastage in the economy with an emphasis on regional labour market imbalances. It uses the disaggregated labour force data for the Statistical Regions (SR) published by the Australian Bureau of Statistics (ABS), with the unemployment rates for all Statistical Regions in any period used as the range. The index ranges from 0 to 1, with increasing values representing increasing amounts of marginalisation. The data is sorted worst (1) to best (0) as at the most recent quarterly observation (CofFEE, 2002).

In 2002, the ILMM value for the Hunter Statistical Region was 0.92 ranking it 56 out of 57 regions with respect to its degree of labour market marginalisation (CofFEE, 2002). Data for the March Quarter 2003, for the nineteen Department of Employment and Workplace Relations (DEWR) labour market regions, found that the Hunter and North Coast region had the third highest unemployment rate (9.2 per cent) and the lowest labour force participation rate (56.6 per cent) (DEWR, 2003, Table 1).

DEWR's Small Area Labour Market (SALM) data for the same quarter reveals a diversity of labour market outcomes in the local government areas covered by Hunter Councils. However as shown in Table 1, most of our areas are experiencing unemployment rates well above the national (6.2 per cent) and state (5.9 per cent) average with areas such as the Great Lakes, Newcastle and Cessnock experiencing chronic difficulties. The DEWR data reported in Table 1 is the original data averaged over four quarters to dampen the variability and provide a more stable impression of labour market conditions at the Statistical Local Area level.

**Table 1: Unemployment Rates, Statistical Local Areas, March Quarter 2003, Smoothed Series**

<b>Statistical Local Area</b>	<b>Unemployment Rate (%)</b>
Great Lakes	13.2
Newcastle - Inner	12.4
Cessnock	9.9
Newcastle - Remainder	8.9
Gloucester	8.1
Maitland	7.6
Lake Macquarie	7.5
Muswellbrook	7.5
Murrurundi	7.1

Dungog	6.5
Scone	6.2
Merriwa	6.0
Port Stephens	6.0
Singleton	4.5

Source: DEWR, *Small Area Labour Markets*, Australia, March Quarter 2003.

Of particular concern to Hunter Councils is data pertaining to long-term unemployment in the Hunter Region. Table 2 contains data from the ABS Labour Force Survey for April 2003 on the average duration of unemployment for all persons experiencing unemployment and for persons who have been unemployed for 12 months or more (the long-term unemployed).

**Table 2: Average Duration of Unemployment, April 2003**

	Average duration of unemployment (weeks)		
	Australia	Newcastle Statistical Region	Hunter Statistical Region
<b>All unemployed</b>	47	89	91
<b>Long-term unemployed</b>	176	226	245

Source: Australian Bureau of Statistics (2003), *Labour Force, Australia*, April.

The average duration of unemployment for unemployed citizens in Newcastle (89 weeks) and the Hunter Region (91 weeks) is nearly twice the national average (an unacceptable 47 weeks). However, the average duration of unemployment for the Hunter's long-term unemployed exceeds four-and-a-half years. The salient point is that the policy approaches of the last five years, designed to assist the most disadvantaged members of the labour market, have failed to deliver jobs to the 'average' long-term unemployed person in Newcastle and the Hunter Region.

Hunter Councils argue that a new policy approach focused on public sector job creation is urgently needed in regions such as our own.

### **3. *Building a Simpler System to Help Jobless Individuals and Families – A Response***

In December 2002, the Government released a consultation paper titled *Building a Simpler System to Help Jobless Families and Individuals*. The paper proposes reform to the income support system for people of working-age, in order to promote participation

and improve incentives to work. While Hunter Councils agree that modernising the social security system in order to simplify the payments structure and ameliorate poverty traps is a worthy objective, an effective social support system can only “encourage and support people to participate in the life of the community through paid work” (DFACS, 2002: i) if there are jobs available.

Research conducted by the Australian Housing and Urban Research Institute (AHURI) has highlighted the spatial patterns of change in population, employment and investment, social disadvantage, infrastructure and environmental quality in Australia’s cities and the resulting wide disparities in the vitality of local communities. The researchers argue that we need to consider the issues involved in problems such as social polarisation, and prescribe workable strategies through which disadvantaged communities can regenerate. Such initiatives will need to extend beyond ‘parachuting’ solutions into localities from outside or relocating individuals and families to communities of greater opportunity (AHURI, 1999: 3 cited in Mitchell, Cowling and Watts, 2003).

Within Hunter Region communities, chronic joblessness is a major source of hardship and insecurity. It follows that an essential pre-condition for strong and cohesive communities is access to paid work through which the individuals can realise their desire to contribute to community well being, and sustain their own destiny.

#### **4. Addressing Regional Unemployment – The Role for Local Government**

Hunter Councils urges the committee to give particular attention to strategies that will address regional unemployment.

Research by Mitchell and Carlson (2003) has explored the relationship between the business cycle and regional employment growth as part of a wider study seeking to explain the persistence of regional unemployment differentials. The study found evidence of groupings of regions into high growth, moderate growth and low growth in terms of employment outcomes. The high employment growth regions resist the negative impacts of the national contractions more effectively than the other regions, while the low growth regions are stuck with stagnant labour markets and negative shocks appear to endure for long periods (2003: 24).

The researchers concluded that while there is clearly a need for the Federal Government to maintain aggregate levels of spending sufficient to underpin full employment, the distribution of that spending, given the diversity and interconnectedness between the regions, particularly the chronic low employment growth, high unemployment regions, requires a more creative solution (Mitchell and Carlson, 2003: 24).

In this context, the evidence in this paper is consistent with the Hunter Councils’ view that direct public sector job creation administered at a local level is necessary if we are to ensure that higher aggregate demand is directly translated into positive, regionally-specific employment outcomes. For this reason, the Hunter Councils’ Board has endorsed the principles underpinning a proposal developed by the Centre of Full Employment and Equity (CofFEE) at the University of Newcastle for a Community Development Job Guarantee (CD-JG).

Under this proposal, the Federal Government would maintain a “buffer stock” of jobs that would be available to the young and long-term unemployed. The CD-JG would be funded by the Commonwealth but organised on the basis of local partnerships between a range of government and non-government organisations. Local governments would act as employers, and CD-JG workers would be paid the Federal minimum award. Any unemployed teenager (15-19 year old) who was not participating in education or training would receive a full-time or part-time job. Equally, all long-term unemployed persons would be entitled to immediate employment under this scheme. CD-JG positions could be taken on a part-time basis in combination with structured training (Mitchell, Cowling and Watts, 2003: 7).

While the CD-JG proposal would not eliminate inequality between geographical regions on its own, it would help communities in disadvantaged areas of the Hunter Region to maintain continuity of income and labour force attachment, without recourse to welfare dependence.

A further, albeit brief, discussion of the CD-JG and its relevance to the Hunter Region and Hunter councils is provided in the Section 5. In addition, CofFEE has advised that they will provide a detailed discussion of the proposal as part of their own submission to the Inquiry.

Specifically, the Hunter Councils Board has recommended that:

- a) The Hunter should be supported as a trial region for the CD-JG concept;
- b) A regional trial should provide sufficient funding to enable project management, training; supervision and miscellaneous materials;
- c) Hunter Councils will seek political cooperation and funding to implement the CD-JG trial; and
- d) Hunter councils will prepare, and advise on, suitable community development and environmental projects that could provide paid employment under the CD-JG scheme.

With respect to the final recommendation, Hunter Councils have already taken action. The Centre of Full Employment and Equity (CofFEE) has received a competitive research grant to explore the feasibility of implementing the Community Development Job Guarantee in the Hunter Region. As part of this research, Hunter Councils have agreed to participate in a survey that will assist researchers to assess the feasibility of creating publicly provided, locally administered employment opportunities which support community development and sustainability objectives, and to refine the design, scope and costing of CofFEE’s CD-JG model.

In this way, the research will address the implementation and cost issues that are often the basis of criticism of public sector employment programs. These include the value of the jobs and their output to the community, the availability of supporting capital, the capacity of local government and agencies to identify need and provide day-to-day management, and the capacity to integrate training and skill pathways into the CD-JG scheme.

The successful operation of the Community Development Job Guarantee requires organisation through local partnerships between a range of government and non-

government organisations, and a focus on adapting and responding to local needs. The administrative arrangements proposed for the CD-JG draw on Australia's well-developed employment services infrastructure acting in concert with local government.

Local governments would act as the employer of CD-JG workers and would submit employment proposals to Community Work Coordinators (CWCs). DEWR would purchase CD-JG positions on behalf of the Commonwealth and monitor and evaluate the effectiveness of CWCs and local governments in achieving the policy's objectives. This is similar to the role the Commonwealth now plays in the administration of the Job Network and the Work for the Dole program, as a purchaser-provider. DEWR would also develop the community development and sustainability criteria against which proposals to provide employment under the CD-JG would be assessed.

The financial arrangements between the Commonwealth and local government employers could be organised in a number of ways. A relatively simple model operates for public job creation programs in Norway. In this model, municipalities, counties and non-government organisations act as employers and every month receive a fixed amount per employee from the central government (Thuy, Hansen and Price, 2001: 85 cited in Mitchell, Cowling and Watts, 2003). Under the CoffEE proposal, local government authorities would receive fixed per capita funding from the Commonwealth for each CD-JG worker employed. The proposed funding arrangements are detailed in Section 7 and the Technical Appendix of Mitchell, Cowling and Watts (2003).

This begs the question of what evidence Hunter Councils has to suggest that a central role for local government in addressing unemployment is both appropriate and effective? At a 1998 OECD conference on decentralising employment policy, it was found that the involvement of decentralised bodies in implementing job creation, training and welfare-to-work initiatives, had become increasingly important, even when initiatives were funded by the central government. Such decentralised bodies include employment services, local government agencies, local authorities, and community groups (Thuy, Hansen and Price, 2001: 149 cited in Mitchell, Cowling and Watts, 2003).

In addition, a major survey by the United States Bureau of Labor Statistics (BLS) of public sector employment (PSE) programs in OECD countries found that they are crucial in helping the most disadvantaged workers in the labour market to remain economically active and thus avoid social exclusion. While evaluations of individual programs have been mixed (Martin and Grubb, 2001), the BLS argues there are a number of reasons why PSE programs are now more effective. First, countries now assess both the needs of the unemployed and the local labour market when designing programs. Second, countries now integrate skills training into their PSE programs. Third, efforts are now more locally based with local authorities being given more freedom to develop projects (BLS, 2000 cited in Mitchell, Cowling and Watts, 2003).

## **5. A Community Development Job Guarantee for the Hunter Region**

The proposal for a Community Development Job Guarantee (CD-JG) has been developed by the Centre of Full Employment and Equity (hereafter CoffEE) and requires that two new employment initiatives be introduced:

- a) A Job Guarantee for all long-term unemployed (people who have been unemployed longer than 12 months); and
- b) A Youth Guarantee, comprising opportunities for education, technical training, and/or a place in the Job Guarantee program for all 15-19 year olds who are unemployed.

These initiatives would significantly augment the current labour market policies of the Federal Government. As stated earlier, the proposal requires that the Federal Government maintains and funds a “buffer stock” of jobs that would be available to the targeted groups. Local governments would act as employers and CD-JG workers would be paid the Federal minimum award (Mitchell, Cowling and Watts, 2003: 7).

While the CD-JG will provide genuine opportunities for community development, it will not generate jobs that would substitute for private sector initiatives or compromise National Competition Policy guidelines. Nor will it restore a major welfare role to instrumentalities like the railways, which previously allowed them to function as employers of last resort.

CoffEE has estimated the investment that would be required to implement the CD-JG proposal in the Hunter Region, which incorporates the Local Government Areas of Cessnock, Dungog, Gloucester, Great Lakes, Lake Macquarie, Maitland, Merriwa, Murrurundi, Muswellbrook, Newcastle, Port Stephens, Scone and Singleton. As discussed in Section 2, the Hunter has consistently experienced a high rate of unemployment relative to other regions.

As shown in Table 3, to fully implement the CD-JG proposal in the Hunter Region would require net investment by the Commonwealth of \$120.4 million per annum. About 9,600 unemployed people in the Hunter would be the direct beneficiaries of CD-JG jobs with a further 2,500 thousand jobs being created in the private sector. Output in the Hunter Region would rise by over \$284.4 million and private sector consumption by \$85.2 million.

**Table 3: The Community Development Job Guarantee – Estimated Impact on the Hunter Region**

<b>Impact</b>	<b>Hunter Region</b>
Extra GDP	\$284.4 m
Extra total employment	12,100
Required CD-JG jobs	9,600
Private sector employment	2,500
<b>Net government expenditure</b>	<b>\$120.4 m</b>

*Source: Mitchell, Cowling and Watts (2003)*

## 6. Conclusion

In conclusion, Hunter Councils argues that an exclusive focus on simplifying the income support system will not address the unacceptable levels of unemployment in the Hunter Region. The essential demand-side analogue is a requirement for the commonwealth to invest in public sector job creation.

Hunter Councils urges the Committee to recommend that a trial of the Community Development Job Guarantee proposal, as outlined and supported in this submission, be implemented in the Hunter Region. The proposal is of particular importance to the Hunter and indeed, to all regions in which substantial economic and social costs flow from high levels of labour resource wastage. Despite strong growth in the Australian economy in the 1990s, several regions have failed to generate enough jobs. The plethora of 'active labour market programs', which constitute the current government strategy to address this problem, have not solved the shortage of paid employment opportunities.

A trial of the CD-JG in the Hunter Region will enable the development of an effective prototype for public sector job creation strategies in regions where demand for labour is chronically low relative to the labour force. The model will broaden the array of programs that are available to improve the labour market status of unemployed persons currently participating in Work for the Dole.

The aim is to maintain the community-development objectives of the Work for the Dole program while replacing the goal of promoting 'employability' or work-readiness' with the provision of paid public sector employment in the local labour market.

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