

Centre of Full Employment and Equity



Supplementary Submission to the Standing Committee on Employment and Workplace Relations

Inquiry into *Employment: Increasing Participation in Paid Work*

1. Introduction

In August 2003, the Centre of Full Employment and Equity (CofFEE) made a written submission to the Inquiry into *Employment: Increasing Participation in Paid Work*. Attached to this submission was a detailed and fully-costed proposal for a Community Development Job Guarantee (CD-JG). The CD-JG would provide minimum wage jobs in the public sector for the young and long-term unemployed in areas that support community development and advance environmental sustainability.

The Director of CofFEE, Professor Bill Mitchell, and CofFEE Research Officer, Sally Cowling, appeared before the Committee at the University of Newcastle on March 12, 2004 and were able to respond to questions about the CD-JG proposal from Committee members. Other witnesses appearing in Newcastle were also quizzed about the operational design and likely effectiveness of the CD-JG.

In responding to the Committee's questions, witnesses representing Hunter Councils Incorporated, Newcastle City Council and the United Services Union misrepresented - albeit unintentionally - aspects of CofFEE's CD-JG proposal. As the authors of the proposal we are presenting a brief supplementary submission in order to clarify and/or correct statements which do not accord with our work. Page numbers cited in this submission refer to the Official Committee Hansard of March 12, 2004.

2. Evidence of Hunter Councils Incorporated and Newcastle City Council

2.1 Operational Issues

In their opening statements to the Committee, Dr Penson and Mr Day noted the support of local councils in the Hunter Region for the CD-JG proposal but argued that inadequate resources for supervision, training, materials and tools would constrain the successful implementation of the Job Guarantee (E&WR 20-22). Both witnesses supported a pilot project and the involvement of local, community and government agencies in determining an operational CD-JG model (E&WR 21, 22). These points were well made and we offer the following comments to establish how each is being addressed in CofFEE's research program.

In the first instance, the resource issues raised by the witnesses have been considered in the costing of the proposal. Our costing model assumes that local government authorities would receive fixed per capita funding from the Commonwealth for each CD-JG

worker employed. The funding per worker would comprise the minimum award wage plus on-costs of 50 per cent, reflecting both the normal components of on-costs (including leave loadings, the employer's component of the Superannuation Guarantee Charge, public liability insurance, workers compensation, and occupational health and safety expenses) and an allowance for raw materials and equipment used in the work process. The proposed funding arrangements are detailed in Section 7 and the Technical Appendix of the CD-JG proposal and are being refined as part of ongoing research.

Second, the Centre of Full Employment and Equity agrees that the CD-JG proposal must be tested to determine how it would function as a cost effective component within the overall employment policy mix. To this end, CoffEE (in partnership with Jobs Australia) has been awarded an Australian Research Council Linkage Grant for 2004-2006 to establish the feasibility of, and an operational model for, the provision of paid public sector employment opportunities to the young and long-term unemployed. For the Committee's information, the specific aims of our current research project are:

1. To evaluate the effectiveness and administration of regional employment policy in an international context in order to develop a new framework for designing balanced regional employment policy for Australia.
2. To assess the delivery methods which are most effective for particular local labour market conditions and partnership arrangements through interviews with local government, Job Network providers, Community Work Coordinators, Area Consultative Committees and federal government departments involved in the administration of employment services.
3. To conduct a national survey of local governments to determine the feasibility of creating publicly provided, locally administered employment opportunities that support community development and sustainability objectives.
4. To employ the intelligence gained under Aims 1 to 3, to establish 'proof of concept' and enhance the operational design, scope and costing of CoffEE's CD-JG model.
5. To develop a Capacity Assessment Tool (CAT) for assessing the skills of jobless individuals as acquired through formal, non-formal and informal learning processes.
6. To develop a prototype CD-JG database and software-matching tool, that will enable employment services, local governments and agencies to match local employment opportunities in community development with the assessed capacities of the local unemployed.

2.2 Cost-shifting

The Chair of Committee asked Dr Penson whether the Community Development Job Guarantee would be used for "cost-shifting purposes" (E&WR 22). In responding, Dr Penson argued that the CD-JG would provide resources for community development and sustainability initiatives that cannot currently be funded from councils' budgets. CoffEE agrees with this point while acknowledging that the proposal presents a risk of cost-shifting from local to federal government. This risk is not exclusive to the CD-JG and is addressed in existing labour market programs - such as Work for the Dole and the provision of wage subsidies - through strict eligibility criteria, structures of accountability and program monitoring. The same checks and balances would apply to the CD-JG.

Under our proposal, the Commonwealth (as a purchaser-provider) would play a similar role to the one it now performs in the administration of the Job Network and the Work for the Dole program. The Department of Employment and Workplace Relations would develop the criteria against which proposals to provide employment under the CD-JG would be assessed, and monitor local governments and agencies to ensure that program rules are adhered to. For example, CD-JG funding would not be made available to displace existing paid workers or simply replace existing services. This rule is currently applied in the assessment of Work for the Dole activities.

2.3 Defining a 'buffer stock'

The Committee Chairman asked Dr Penson whether she was concerned by the 'non-transitory' nature of the CD-JG proposal. The Chairman argued that the CD-JG labour pool would grow "larger and larger until we find that the Commonwealth is the single largest employer in the entire Hunter Valley" (E&WR 23). In her response, Dr Penson correctly noted that those who would receive CD-JG positions would otherwise be in receipt of social security benefits. However, the Chairman's representation of the CD-JG as an ever-increasing quantity of labour needs to be corrected.

In Section 1.4 of the CD-JG proposal we clearly define the pool of CD-JG jobs as a 'buffer stock' having a core and transitory component. Contrary to the Chairman's claims, the buffer stock of (CD-JG) jobs is designed to be a fluctuating workforce that expands when the level of private sector activity falls and contracts when private demand for labour rises. Instead of forcing workers into unemployment when private demand slumped, the CD-JG would ensure that all those in the target groups would have immediate access to a public sector job at the safety net wage. The stock of CD-JG jobs would have a "steady-state" or core component determined by government macroeconomic policy settings, and a transitory component determined by the vagaries of private spending. In the short-term, the buffer stock would fluctuate with private sector activity and workers would move between the two sectors as demand changes. Longer-term changes in the size of the average buffer stock would reflect discrete changes in government policy. While we would expect that some individuals would be CD-JG workers on a more or less permanent basis, the pool of CD-JG workers would only be an ever-expanding pool should the private sector experience continuing decline in economic activity and employment.

2.4 Discussions with the Commonwealth

In her evidence, Dr Penson stated that the CD-JG proposal had not been discussed with the Department of Employment and Workplace Relations (DEWR) or the Department of Transport and Regional Services (DOTARS) (E&WR 30). While Hunter Councils have not engaged in these discussions, CofFEE delivered a national prototype to the Federal Employment Minister in April 2003, following supportive dialogue in 2002. The Minister facilitated subsequent discussions between Professor Mitchell and DEWR.

3. Evidence of the United Services Union

3.1 The CD-JG and REDS

Mr Marzato of the United Services Union was asked to offer a Union perspective on the Community Development Job Guarantee proposal. In his comments (E&WR 38, 39) Mr Marzato set out Union concerns that the CD-JG would provide a pool of cheap labour that could be used to undercut the wages and conditions of permanent local government employees. To make this point an analogy was drawn between the CD-JG and the *Regional Employment Development Scheme* (REDS), which operated in Australia between 1974 and 1976. CoffEE argues that this analogy is inappropriate and misleading in the following respects.

First, the Regional Employment Development Scheme was an employment experience program. This is more akin to active labour market programs in which the unemployed receive a short-term job placement than to the CD-JG which creates on-going, minimum wage positions in the public sector for the target groups. Second, REDS was introduced for regions experiencing temporarily high levels of unemployment. The strategy was to upgrade the overall skill level of the work force, to facilitate structural adjustment and to reduce Australia's dependence on migration as a source of skilled labour. By contrast, the CD-JG proposal conceives unemployment as a problem of deficient aggregate demand and aims to restore a "buffer stock" of low skill jobs in the public sector. In this way, the proposal provides access to paid employment for the most unskilled workers in the labour force.

Mr Mazarto's concern that local councils may use Commonwealth-funded CD-JG workers to downsize their permanent workforce is a risk that needs to be addressed in the criteria for CD-JG employment. Appropriate criteria and monitoring mechanisms were outlined in our discussion of 'cost-shifting' in Section 2.2. We note that the CD-JG aims to provide workers in fields where there is minimal private sector employment due to market failure, and a shortage of public sector employment due to funding constraints. Funding criteria in line with the proposal's objectives will be designed to limit any impact on the wages, conditions and job security of workers currently employed in the public and private sectors.

4. Contact details

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