



**The Hon Kevin Andrews MP**

**Minister for Employment and Workplace Relations  
Minister Assisting the Prime Minister for the Public Service**

Cr Mike Montgomery  
President  
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8 Geils Court  
DEAKIN ACT 2600

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Dear Cr Montgomery

Thank you for your letter of 16 July 2004 concerning the Newcastle City Council's resolution on the Community Job Guarantee (CD-JG) proposal, moved at the 2003 National General Assembly of local Government.

I understand that under the CD-JG proposal developed by the Centre of Full Employment and Equity (CofFEE), the Federal Government would maintain a buffer stock of low-skill public sector jobs in the community and environmental sector, for all long-term unemployed people and youth who are not undertaking education or training. It appears that these jobs would be paid at Federal Minimum Wage (FMW).

The objectives of the CD-JG proposal are constructive. Utilising the skills of the unemployed while they look for work fits well with the Government's broad Mutual Obligation framework, which emphasises responsibility and activity (rather than dependence and inactivity). Working helps both the unemployed and the community that supports them. It provides the unemployed the opportunity to improve (or stop depreciation of) their skills while looking for work. Furthermore, these projects work well if they are implemented locally at a small scale.

However, there are some difficulties with such a proposal both in terms of its cost, its impact on individuals in relation to incentives and needs and from a macro-economic perspective.

It is important to recognise that the long-term unemployed are not a homogeneous group. Many of them face personal or family challenges ranging from alcohol or drug use, health problems, domestic violence to learning disabilities and/or low basic skills. They therefore need programmes that can be tailored to suit their varied needs (as Job Network does). Providing a guaranteed job itself may not be the best option for them.

Offering guaranteed jobs at the FMW can also have perverse impacts on incentives. Although you suggest that CD-JG jobs would not substitute private sector jobs, once on a Government funded guaranteed job for unlimited duration that pays the FMW, a person may not see the advantage in seeking or taking up a private sector job. Furthermore, although both the Government subsidised workers would be earning wages similar to some private sector workers, it is unlikely that they would have the same attendance and work performance requirements as in a mainstream job. A CD-JG type job guarantee may also act as a disincentive for some short-term unemployed people (eg those unemployed for 9-12 months) to take up mainstream minimum wage jobs because of the guarantee of a job if they remain unemployed for a short while longer.

The guarantee of a job at FMW could also act as a disincentive for some young people to pursue education and training and enhance their skills. Young people, especially teenagers, generally have better long-term outcomes and are more likely to be in stable employment if they pursue post secondary education or training to enhance their skills and employability, rather than join the labour force when they are just 15-19 years old.

A CD-JG would significantly increase outlays for long-term unemployed people, and the returns for that investment are not certain. The guaranteed jobs would need to be financed through increases in revenue (higher taxes) or funding cuts in other Government programmes.

The CD-JG could also affect the private sector wage structure by putting a floor on wages, leading workers in the private sector to try to increase the differential between wages for "real jobs" and CD-JG jobs, particularly if CD-JG workers are assumed by others to have lower productivity. This in turn may lead to wage increases in job guarantee schemes and subsequent impact on overall wages.

It is also important to note that, once its main problems (eg "one size fits all" approach and setting unemployment benefits equal to the FMW etc) are removed, the CD-JG has much in common with the existing Work for the Dole (WfD) programme. The WfD programme is, however, superior because it is a temporary labour market assistance programme aimed at improving employability rather than a scheme that allows people to get trapped in a Government subsidised job. WfD provides unemployed people aged 18 to 49 years a worthwhile work experience opportunity in projects of value to local communities.

Well targeted and well designed employment assistance plays an important role in giving people a clear pathway to employment. The introduction of the competitive employment services market, Job Network, on 1 May 1998 was designed to assist in this process and Job Network has progressively delivered improved performance for both job seekers and employers.

In July 2003 the Government implemented further refinements to employment services through the new *Active Participation Model*. Under the *Active Participation Model*, each job seeker is supported by a single Job Network member who assists them for the entirety of their unemployment duration. The key concepts behind the Active Participation Model are individualised assistance and activity. Under this model, all job seekers receive Intensive Support customised assistance when they have been unemployed for twelve months. Highly disadvantaged jobseekers move straight into Intensive Support customised assistance. While in Intensive Support, job seekers benefit from the Job Seeker Account, a pool of funds which Job Network members can draw on to help job seekers secure work and encourage ongoing active participation. The Job Seeker Account is higher for more disadvantaged job seekers. Job seekers also receive a Service Guarantee which establishes a set of minimum standards for the services delivered by their Job Network member.

The *Active Participation Model* has delivered excellent outcomes for job seekers. Under the new employment services contract, Job Network has helped more than 466,300 people find work. In May 2004, Job Network members and Job Placement Organisations have placed 13,700 people into longer-term jobs, which is 70% higher than that of May 2003. Since 1 July 2003, around 87,000 long-term job outcomes have been achieved for the most disadvantaged job seekers. Furthermore, since 1 July 2003, 759,000 new vacancies have been lodged on the national vacancy database - Australian JobSearch. Almost 74,000 new vacancies were lodged by providers in May 2004, an increase of about 48% on May 2003 figures.

From July 2004, job seekers who are 15 to 20 years old, not in full-time education and are registered as "looking for work" are eligible for full range of Job network services even if they are not receiving income support. Skilling-up young job seekers through job search training can provide them with direction, confidence and resilience when they begin to look for work.

There are other programmes and assistance provided by the Government including the Transition to Work programme to assist job seekers who have been largely out of the labour force for over two years, a Training Credit for WfD and community work participants, Training Accounts to assist mature age and Indigenous job seekers, and a Working Credit aimed at improving work incentives. The Government also has a number of other strategies for improving the employability of young people, including the retention of junior wages, New Apprenticeships and services for homeless young people, and there is a range of services offered to people with disabilities.

Thank you for bringing the CD-JG proposal to my attention and I trust you find the above information and comments useful.

Yours sincerely



KEVIN ANDREWS