



Centre of Full Employment and Equity

**Submission to the Department of Employment and
Workplace Relations**

*Building on Success:
Community Development Employment Projects (CDEP) Program
2005 Consultations*

March, 2005

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The Centre of Full Employment and Equity

The Centre of Full Employment and Equity (known as CoffEE) is an official research centre at the University of Newcastle and seeks to promote research aimed at restoring full employment and achieving an economy that delivers equitable outcomes for all.

CoffEE research projects include public sector employment policies and the Job Guarantee; central banks and financial markets; estimating the costs of inflation targeting and unemployment; defining local labour markets; and welfare-to-work dynamics.

Under development is CoffEE 1, a large-scale macroeconometric model of the Australian economy, which will be available to the public for policy analysis and forecasting.

CoffEE has developed labour market indicators - CLMI - which provide more accurate measures of labour underutilisation in Australia than the official summary data published by the Australian Bureau of Statistics.

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1. Introduction

The intention of the Department of Employment and Workplace Relations (DEWR) *CDEP Discussion Paper 2005* is to address the low labour force participation, and high unemployment rates, of Indigenous Australians in order to reduce welfare dependency. This is a worthy and urgent objective. However, the Centre of Full Employment and Equity (CoffEE) argues that the policy priorities established in the Discussion Paper, and the related series of consultation questions, have limited capacity for 'Building on (the) Success' of the Community Development Employment Projects (CDEP) Program. For this reason, our submission establishes the need for a paradigm shift in Indigenous Employment Policy in the form of a state-provided Job Guarantee (JG).

The policy approach detailed in the Discussion Paper is configured on the supply side and aims to build a coherent and integrated service delivery framework to support the goals of increased economic participation and community development. Improving the access of Indigenous Australians to education, training, employment services and social supports is clearly important. However the impact of this strategy will be limited in the absence of measures to create the quantum of jobs required by a growing Indigenous labour force.

There have been a number of national debates on the need to reduce the level of joblessness among Indigenous Australians, and the policy mechanisms most likely to achieve this goal. The growing dimensions of the problem reflect poorly on two critical and interrelated assumptions that have checked the policy discussion contained in the DEWR Paper and diminish the pertinence of its recommendations. First, the discussion assumes that measures to improve the 'employability' of Indigenous Australians will lead to positive employment outcomes. Second, the policy framework assumes a Federal government budget constraint and requires that any reforms are consistent with fiscal austerity. This limits the scope for implementing effective solutions that tackle the unemployment problem at its root cause. As a consequence of these assumptions, consideration of CDEP remains grounded in a welfare or quasi-welfare framework and the Department has bifurcated the employment (transition to non-CDEP employment) and community development objectives of the Program.

CoffEE argues that a paradigm shift in Indigenous Employment Policy is required to address:

1. The high incidence of unemployment and discouraged workers within the Indigenous population;
2. Poor employment outcomes for Indigenous participants in existing labour market programs; and
3. The jobs deficit that will flow from projected growth in the Indigenous labour force.

In this submission we set out the dimensions of Indigenous labour market disadvantage and argue that the policy approach implicit in the Discussion Paper cannot resolve this situation. We detail an alternative proposal - in the form of a state-provided Job Guarantee (JG) - to directly address the low level of demand for Indigenous workers. In attending to the demand side of the economy, the JG is the essential analogue to the reforms of the employment and social support systems proposed in the Paper.

We stress that in the absence of measures to create jobs, a focus on the supply-side represents an imbalanced and costly approach to Indigenous Employment Policy. Such an approach can do little to build on the 'success' of CDEP and address the Program's weaknesses. This view is shared by Hunter and Gray (2004: 29) who have examined job search behaviour among Indigenous people, and the extent to which search effort translates into employment outcomes. The authors conclude:

While the provision of job search assistance may increase the rates of employment of Indigenous Australians, in the end it will only be effective to the extent to which Indigenous job seekers are job ready, employable and are prepared to live in regions in which there are mainstream employment opportunities. Addressing the low level of demand for Indigenous labour and ensuring that sound macroeconomic policies are in place are probably more effective instruments in improving employment outcomes.

A policy agenda that aims to break the cycle of welfare dependency and enhance social inclusion to the benefit of Indigenous Australians and their communities must create opportunities, as well as incentives, for paid employment.

2. Indigenous disadvantage in the labour market

2.1 A growing problem

DEWR's evaluation of the effectiveness of Indigenous Employment Policy (released in April 2004) concludes that the level of labour market disadvantage in the Indigenous job seeker population is significant both in absolute terms and relative to that of other Australian job seekers (2004: Chapter 2). The Department cites research by Hunter, Kinfu and Taylor (2003), which forecasts that the number of Indigenous people in the labour force will increase by 30 per cent between 2001 and 2011. This represents a net inflow of 43,600 people assuming no change to the 2001 participation rate.

The Department also acknowledges (2004: 31) that accurate forecasts of future demand for employment services and labour market programs (including CDEP) requires better data on the number of underemployed and discouraged Indigenous workers. Hunter and Taylor (2001: Appendix Table A.1) estimate that by 2006, 32,000 additional jobs per annum will be required to achieve equity in Indigenous and non-Indigenous unemployment rates while providing paid employment for Indigenous discouraged workers. The Indigenous employment growth required to achieve equity with the 1996 employment/population ratio for non-Indigenous Australians will generate a projected deficit of 49,000 jobs by 2006 (Hunter and Taylor, 2001: Table 2).

2.2 The importance of CDEP employment

The CDEP program provides a small proportion of Indigenous employment in urban areas while in rural and remote areas about one half of all Indigenous jobs are generated in the scheme (Hunter, 2003: 477). In 2002, the CDEP scheme accounted for over one-quarter of the total employment of Indigenous Australians. Classifying CDEP

participants as being unemployed would have increased the total Indigenous unemployment rate from 23 per cent to 43 per cent, and from 17.2 per cent to 46 per cent in remote areas. The majority of CDEP participants live in areas having few, if any, mainstream labour market opportunities (Altman, Gray and Levitus, 2005). Sixty-two per cent of CDEP participants are in 'very remote areas' which have very little accessibility of goods, services and opportunities for social interaction, while 22 per cent are in 'remote' or 'outer regional areas', which have very restricted or significantly restricted accessibility of goods, services and opportunities for social interaction¹.

At the same time, Indigenous population growth is concentrated in urban Australia (Hunter and Taylor, 2001: 73). If growth in CDEP places remains outside capital cities then Indigenous unemployment rates in urban centres will remain high and labour force participation rates low.

Little is known about whether the hours worked by CDEP participants accord with individual preferences or whether participants are 'under' or 'over' employed. Altman notes that the wages component of CDEP funding (a notional welfare equivalents payment) only provides for part-time work, most commonly 18 hours per week. However, some Indigenous workers are able to supplement this workload through 'top up' hours provided by CDEP organisations or through part-time work in the mainstream labour market (2001: 90-92). This is not to suggest that underemployment among CDEP workers is not a policy concern. Hunter and Taylor (2002) estimated the cost of underemployment in the CDEP scheme in 2001 at \$305 million. National Aboriginal and Torres Strait Islander Survey (NATSIS) data on usual weekly hours worked by CDEP participants show that 71.8 per cent of participants in very remote regions work less than 25 hours per week. The corresponding figures for remote and non-remote regions are 68.9 per cent and 68.3 per cent.

2.3 Discouraged workers

In an important study based on 1994 NATSIS data, Hunter and Gray (2001) confirm that Indigenous people are far more likely to be 'discouraged workers' (wanting to work but not actively looking for work) than other Australians. In 1994, 15.8 per cent of Indigenous males and 29.3 per cent of Indigenous females were classified as discouraged workers, as against 4.2 per cent of all males and 10.0 per cent of all females (Hunter and Gray, 2001: Table 2). In the context of the policy options to be discussed in Sections 3 and 4, the reasons why Indigenous discouraged workers are not looking for work are important. For females, 46.3 per cent cite child care and family responsibilities as the main reason for not seeking work followed by studying (21.4 per cent) and the lack of any jobs or any jobs in the local area (13.6 per cent). For males, 42.1 per cent cite studying or returning to study while the second most important reason is the lack of jobs (19.1 per cent).

It is clear that demand-side factors are important to understanding the size of the discouraged worker effect in the Indigenous population. Indeed, Hunter and Gray suggest

¹ Based on a classification of access to services known as the Accessibility/Remoteness Index of Australia (ARIA) (DEWR, 2004: 89).

that the magnitude of demand effects is understated in the figures cited above. They argue that the very low employment rates among Indigenous students, and the fact that Indigenous secondary students are three times more likely to be discouraged workers than Indigenous people who are not studying, indicate that “there may be many Indigenous students participating in education primarily because they are unable to obtain satisfactory, or even any, employment” (2001: 118). In Section 4.4 we discuss the implications of this conclusion for the educational outcomes of Indigenous students.

3. The CDEP Discussion Paper 2005 - missing the mark

CoffEE’s principal criticism of the CDEP Discussion Paper is that it fails to outline a macroeconomic approach that will generate the jobs required by unemployed and discouraged Indigenous workers, now and in the future. In addition, the Department does not provide an evidential basis for the assumptions that underpin the proposed policy changes. The key assumption is that closer integration between - and new funding arrangements for - the CDEP program, Job Network agencies and Indigenous Employment Centres will generate CDEP and non-CDEP employment outcomes that will significantly reduce the jobs deficit identified in Section 2.

3.1 A fallacy of composition

Changes to CDEP funding arrangements; the provision of placement incentives, service fees and employment services funds; and building links between CDEP and other employment programs (DEWR, 2005) largely focus on increasing Indigenous participation in non-CDEP employment. However, an effective employment and social support system can only realise this goal if there are jobs available. In a labour market setting where jobs are scarce, Indigenous people face a range of additional challenges in trying to find mainstream work. These challenges include geographic isolation; lack of work skills and accredited training; job design that is hostile to balancing work, family and cultural commitments; and persistent discrimination.

It is critical to understand that Australia is not a fully employed economy. Unskilled and low-skilled individuals continue to face acute difficulties as they search for work in a labour market where there are 4.9 unemployed persons for every job vacancy². In December 2004, 533,000 Australians were unemployed, the youth unemployment rate was 17 per cent and CoffEE estimated a labour underutilisation rate (which measures the potential labour hours wasted through unemployment, underemployment and hidden unemployment) of 9.9 per cent (CLMI, 2004). The average duration of unemployment for those out of work in December 2004 was 40 weeks, and 170 weeks for the 102,700 Australians who were long-term unemployed.

CoffEE argues that there is policy schizophrenia in expecting that greater emphasis on an outcome-based funding model for employment services will deliver better and more sustainable employment outcomes in the absence of concomitant policies to alleviate the macroeconomic constraint and create real employment opportunities. In a demand-

² This was the Unemployment-Vacancy ratio in December 2004. Data can be viewed at: <http://e1.newcastle.edu.au/coffee/indicators/uv.cfm>

constrained labour market, characterised by persistent unemployment and marked regional disparities, it is unclear how the supply-side focus of the proposed reforms can be effective. In a tight labour market employers are more willing to accommodate worker characteristics that would be the basis of exclusion when jobs are scarce.

While the Paper acknowledges the need to 'grow' job opportunities for an expanding Indigenous labour force (2005: 4), it does not explain how the required job growth will be generated. In isolation, the supply-side measures proposed will merely re-shuffle the jobless queue. The clear danger of this kind of zero-sum redistribution is that policies achieve tentative or short-term reattachments to the labour force at the expense of deepening employment insecurity. Labour market instability, poverty and welfare dependency are not solved by such measures; they are simply redistributed among the same 'at risk' groups (Peck and Theodore, 1999: 14).

3.2 Supporting evidence?

The Discussion Paper sets out a framework to foster closer relationships between CDEP organisations and specialist employment services offered through the Job Network, Indigenous Employment Centres (IECs) and elements of the Indigenous Employment Program (IEP) such as structured training and wage assistance. The objective of the proposed 'employment stream' of CDEP activities is to increase the access of CDEP participants to non-CDEP jobs. While DEWR argues (2005: Section 5.3) that the Job Network and IECs have been particularly effective in finding mainstream jobs for Indigenous workers, they fail to provide evidence that:

1. The net impact of services offered through the Job Network, IECs and the IEP will be sufficient to reduce the Indigenous jobs deficit identified in Section 2; and that
2. The results achieved for CDEP participants are likely to be of a similar magnitude to results achieved for Indigenous people who have been assisted by the Job Network, IECs and the IEP to date.

Available evidence suggests that the focus on service integration can only produce incremental improvements to the substantial and growing problem that is Indigenous unemployment and labour force participation.

Closing the jobs gap

In Section 2.1 we cited research by Hunter and Taylor (2001: Appendix Table A.1), which estimated that by 2006, 32,000 additional jobs per annum will be required to achieve equity in Indigenous and non-Indigenous unemployment rates while providing paid employment for Indigenous discouraged workers. This raises the policy question of how these jobs will be generated. DEWR's 2003 Evaluation of the Effectiveness of Indigenous Employment Policy found that the combined effect of Intensive Assistance (through the Job Network), Wage Assistance, Structured Training and Employment Projects (STEP) and the Corporate Leader's Initiative was to generate between 2,400 and 4,300 new jobs for Indigenous job seekers per annum, most of these in the private sector (2004: 1). At best, this is less than 15 per cent of the quantum required. DEWR also urges caution in the interpretation of its additional job estimates as it is unclear whether jobs are

sustained over time; whether people are assisted more than once; or whether assistance leads to the displacement of other unsubsidised Indigenous workers (DEWR, 2004: 1).

We acknowledge that the post assistance outcomes³ for the Indigenous Employment Program (including STEP and Wage Assistance components of IEP) are more impressive than the results attained by Indigenous participants in the mainstream Work for the Dole program⁴ however there were just 8,200 new entrants to the Program in 2003 and the caveats about determining the sustainability of outcomes and the extent of displacement effects remain. By March 2004, 40.2 per cent of IEP participants had achieved full-time employment and 16.6 per cent part-time employment although 16.1 per cent of employment outcomes were to precarious (casual, seasonal or temporary) forms of work. In addition, 23.8 per cent of IEP participants attained an education and training outcome (Senate Employment, Workplace Relations and Education Legislation Committee, 2004: Question W030-05).

The DEWR Evaluation also noted a number of concerns relating to IEP outcomes. These included stagnation in education and training outcomes from Intensive Assistance (2004: 5); a reduction in the level of subsidised job placement through Wage Assistance relative to the size of the eligible population (2004: 40); and an increase in the proportion of participants in the Wage Assistance and STEP/Corporate Leaders components of IEP who moved on to further labour market assistance (2004: 58). The Department warned that this final trend would need to be monitored in the future, as recycling through labour market assistance was a major concern raised in the evaluation of previous programs. The low completion rates for education and training suggest that measures to change outcomes should examine the environment in which - and the ways in which - education and training is delivered rather than focusing on changes to the outcome fees received by Job Network providers.

The effectiveness of the IEP in the out years will depend heavily on the Program's ability to provide work for a growing Indigenous population, and a large youth cohort entering the labour force (DEWR, 2003: 9). Given that the Indigenous labour force is estimated to increase by 30 per cent between 2001 and 2011 (Hunter et al., 2003 cited by DEWR, 2003: 25) the challenge is not, as DEWR claims, to "direct employment assistance increasingly to those most in need of help to get jobs" but to provide paid employment in the public sector for a growing pool of Indigenous Australians who are unable to obtain private sector employment or who live in areas where mainstream labour markets do not operate.

³ Job seekers who left Indigenous Employment Program assistance between 1 January 2003 and 31 December 2003 and outcomes achieved by 31 March 2004.

⁴ Post assistance outcomes for Indigenous persons participating in Work for the Dole projects in 2003 were poor. Just 7.2 per cent attained full-time employment and 8.3 per cent part-time employment by March 2004, with 10.4 per cent of employment outcomes being to casual, temporary or seasonal work. Ten per cent of Indigenous participants moved to education and training, while 10.4 per cent exited the labour force and 22.8 per cent continued in other forms of labour market assistance (Senate Employment, Workplace Relations and Education Legislation Committee, 2004: Question W030-05). Results were weak relative to aggregate results for all Work for the Dole participants.

Comparing cohorts

With respect to the second issue, it is important to remember that the Discussion Paper is concerned with ‘building on the success’ of CDEP by supporting CDEP organisations to provide employment services and to better draw on the services and programs currently offered through the Job Network, IECs and Indigenous Employment Program. Predicting the impact of this strategy will depend, in part, on the comparability of the CDEP cohort with the Indigenous cohort currently assisted by the other service providers. There are significant differences between the two groups.

Relative to all Indigenous Job Network-eligible job seekers, CDEP participants are much more likely to have a longer duration of registered unemployment and to live in a remote location (DEWR, 2004: 30). Participation in the CDEP scheme is highest among those aged 20-24 years and many participants have characteristics - such as speaking an Indigenous language, limited education and a recent arrest record – which can make it difficult to find employment (Altman, Gray and Levitus, 2005: 9). These characteristics have a significant effect on (reducing) the employment net impact of Intensive Assistance for Indigenous job seekers. For example, while the net impact measured from referral was 6.5 percentage points for all participants, it was just 2.8 percentage points for job seekers with less than Year 10 education; 5.0 percentage points for those aged 15-24 years; and 5.8 percentage points for those on income support for more than 12 months (DEWR, 2004: Table 5.1). In addition, employment outcome rates for Intensive Assistance in remote and very remote areas fell between 2000 and 2002 (DEWR, 2004: Table 6.6).

The Department (2004: 4) acknowledges that participants in the three major programs within the IEP (Intensive Assistance, Wage Assistance and STEP) have “**consistently become less disadvantaged** than the eligible population” (DEWR emphasis). The evidence suggests that employment outcomes from these programs will do little to reduce the Indigenous job deficit in the absence of macroeconomic policy geared to full employment; and will be poorer for CDEP workers than for current participants. For these reasons it is difficult to understand the basis on which DEWR determined the strategic direction outlined in the CDEP Discussion Paper.

3.3 Employment versus community development – an artificial separation

The Minister’s foreword to the Discussion Paper states that the Federal Government wants “...more Indigenous Australians in work so they earn a fair wage, can achieve their potential and help provide a better life for their children”. The foreword also notes that the transfer of CDEP into the employment portfolio means “we can pay more attention to jobs” and acknowledges that Indigenous Australians have been “looking for ways to improve the (CDEP) program to move away from welfare” (DEWR, 2005: iii). One of the key mechanisms through which the Department aims to support these objectives is by having CDEP organisations classify their activities into three streams:

1. Employment - promoting transitions to non-CDEP jobs;
2. Community Activities - delivering activities identified as community priorities; and
3. Business Development - supporting commercial businesses or enterprises.

The streaming of activities will guide the nature of links established with other programs and services, and the development of new CDEP funding agreements and results-based performance indicators (DEWR, 2005: 710). The rationale for streaming is to provide CDEP organisations with the flexibility to meet local needs (DEWR, 2005: 1).

Flexibility in responding to the needs of different individuals and communities is important to all public policy initiatives which aim to reduce welfare dependency. However, to claim that the government's objectives can be achieved through the artificial separation of the employment and community development activities of CDEP is to misunderstand, at a fundamental level, the productive nature of public sector employment.

The Discussion Paper maintains CDEP within a welfare framework and thus draws a sharp line between CDEP jobs that strengthen community and cultural activities, and non-CDEP jobs in the private sector. It is certainly the case that the latter are more likely to be available to Indigenous people living in or near mainstream labour markets, and that the hours of work available in these positions is determined by demand for workers as opposed to a notional welfare equivalent payment.

What is not clear is why the Discussion Paper focuses on the differences between 'real jobs' (non-CDEP jobs), CDEP activities that serve as a stepping stone to 'real jobs' and CDEP activities which focus on meeting the service and development needs of communities. The more constructive alternative would be to focus on ways to create employment and raise living standards in areas where Indigenous people are unemployed, underemployed or discouraged from looking for work.

For participants in CDEP organisations that do not have an employment or business development stream - or where the bulk of the CDEP activities centre on community development - it is difficult to understand how the proposed reforms will enable a shift from a 'work-for-welfare' to a (successful) 'welfare-to-work' model. CDEP work in the 'community development' stream is designed to meet service and cultural needs that have been identified as community priorities⁵. It is important to ask why such work remains in a welfare paradigm and what understanding of productivity determines the Department's definition of a 'real job'?

In the following section, we set out a proposal for a Job Guarantee (JG) as a means of 'building on (the) success' of CDEP. The JG is an employment model in which Indigenous people who are unable to attain work in the private sector are offered a public sector job at the Federal Minimum Award Wage. It is important to note that the understanding of productivity that underpins the CofFEE JG model is very different to the understanding that is implicit in DEWR's Discussion Paper. We argue that the appropriate productivity benchmark for state-provided JG jobs is not the productivity of those in comparable private sector jobs, but the productivity of those denied paid work by the failure of macroeconomic policy to ensure full employment. The JG is not concerned

⁵ Altman and Johnson (2000, cited in Gray and Thacker, 2001: 81) note that Indigenous people who are not in mainstream work clearly do 'work' in the production of subsistence foods, arts and craft, on maintaining social networks and in looking after the country.

with productivity as a neoclassical construct but with the ‘social productivity’ embodied in jobs rather than workers.

There are intrinsic benefits to citizens and society, when an Indigenous person who is able to work can attain a job and reduce their dependence on the welfare system. The provision of JG jobs by the government is inherently productive for this reason. The role of the state is to provide jobs and support services that are suitable for, and required by, those unable to obtain work in the private sector. Indigenous people undertaking this work then have the opportunity to do the ‘best they can’.

4. The Job Guarantee - a new paradigm for Indigenous employment policy

Like Gray and Hunter (2002: 398), CofFEE argues that measures to improve labour market outcomes for Indigenous Australians must address the “demand for Indigenous labour and pay attention to institutional, cultural and social factors”. To this end, we contend that a new paradigm in Indigenous Employment Policy, in the form of a state-provided Job Guarantee (JG), is required.

In this Section we provide an overview of the JG model and its compatibility with the supply-side reforms proposed in DEWR’s Discussion Paper. As Appendix 1 we have attached a fully-costed proposal for a Community Development Job Guarantee (Mitchell, Cowling and Watts: 2003), which targets the young and long-term unemployed within the Indigenous and non-Indigenous populations. The Job Guarantee could be made available to all unemployed Australians (CofFEE’s preference) or to Indigenous Australians who are unemployed or in CDEP employment. In both cases, Indigenous workers will require placement and support structures that are sensitive and responsive to “institutional, cultural and social factors”.

4.1 What is a Job Guarantee?

Prior to the mid 1970s, the Australian economy was able to sustain full employment. We note that this result does not indicate positive labour market outcomes for Indigenous Australians as it was not until the 1970s that legislative amendment allowed for the full inclusion of Aboriginal people.

At an aggregate level, a key reason for the attainment of full employment was the existence of a “buffer stock” of low skill jobs, many of which were in the public sector. These jobs were always available and provided easy access to employment for the most unskilled workers in the labour force. The goal of the Job Guarantee is to restore this buffer stock capacity to the economy to ensure that, at all times, the least advantaged workers in the community have opportunities to earn a wage and to attain independence.

The Job Guarantee (JG) framework directly addresses the cause of much Indigenous poverty and disadvantage by tying a secure income to a work guarantee. Any person who is able to work will be able to access a job that provides a ‘living wage’. Those unable to work will be provided with a ‘living income’ through the social security system. The movement towards full employment is attained by ensuring there is an open offer of paid

work available at any level of aggregate demand rather than by engineering labour supply adjustments⁶, which define the problem away.

Under this proposal, the Federal Government would maintain a 'buffer stock' of jobs that would be available to, and suitable for, Indigenous people who are unable to attain work in the private sector. The JG would be funded by the Commonwealth but organised on the basis of local partnerships between a range of government, non-government and Indigenous organisations. Job Guarantee workers would be paid the federal minimum award wage.

The 'buffer stock' 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, or part-time CDEP employment, in areas where mainstream labour markets are small or non-existent or when private demand slumps; the JG would ensure that Indigenous workers have access to a public sector job at the safety net wage. Accordingly, workers can maintain an attachment to paid employment and not be forced, by systemic job shortage, into welfare dependency.

The aim of the JG proposal is to create a new order of public sector jobs that support community development and advance environmental sustainability. Indigenous JG workers could participate in many community-based, socially beneficial activities that have intergenerational payoffs, including the provision of community and personal care services, and environmental repair and 'country care' activities. Much of this work is similar to that undertaken in the CDEP program and will be of benefit to communities experiencing chronic unemployment.

Given that unemployed people are already supported by the public sector welfare system, the JG requires only a low level of additional public investment to allow unutilised Indigenous labour to perform a range of activities of benefit to the community. The policy would not eliminate inequality between geographical regions. However, it would help Indigenous communities in disadvantaged areas to maintain continuity of income and labour force attachment, without recourse to welfare dependence.

We recognise that a number of Indigenous people face chronic labour market disadvantage due to complex issues such as insecure housing, poor health, substance abuse, and poor literacy, numeracy and living skills. At the same time, Indigenous people have differing degrees of commitment to customary practices. It is thus proposed that JG employment could be taken on a part-time or block basis to accommodate access to required supports and participation in customary activities. It is argued that by providing disadvantaged individuals with sustainable employment and structured training opportunities, the JG would support the attainment of both community and personal development outcomes (Mitchell, Cowling and Watts, 2003: 33).

⁶ Labour supply adjustments take the form of underemployment (in general, and within the CDEP scheme) and a substantial discouraged worker effect. Supporting data is provided in Sections 2.2 and 2.3.

4.2 CDEP and the Job Guarantee – similarities and differences

The Job Guarantee proposal shares some of the aims and characteristics of the CDEP program, however there are critical differences between the two models. We turn first to the common ground.

Similarities

Like CDEP, the JG is designed to provide employment for unskilled or low-skilled workers in areas where the private sector does not provide sufficient, if any, labour market options. It is also the case that both CDEP and JG employment may be integrated with training. For example, participants undertaking CDEP employment two days per week are able to enrol as part-time students in accredited courses and receive ABSTUDY payments (Gray and Thacker, 2001: 85).

A number of existing CDEP activities, particularly in remote areas, are similar to those seen as key sources of JG employment in order to promote net job creation. Altman (2004, cited in Altman, Gray and Levitus, 2005: 15) notes that programs which result in the protection and maintenance of biodiversity, conservation, pest reduction and weed control, generate (generally unrecognised) national benefits. We would add that environmental projects are ideal targets for public sector employment initiatives as they are likely to be under-produced by the private sector due to their heavy public good component (Mitchell, Cowling and Watts, 2003).

Differences

Unemployed people who are able to work and are offered a JG position will not have access to unemployment benefits. However individuals will be able to nominate part-time hours should they wish to combine JG employment (paid at the pro-rata federal minimum award) with education, training or customary activities. By contrast, unemployed persons in communities where the CDEP Program operates may choose not to participate in the scheme. In this sense the JG model is set explicitly within an employment framework as opposed to the quasi-welfare structure of CDEP. JG workers will still have access to benefits and allowances (such as Rent Allowance and a Health Concession Card) that are available to other low-wage workers.

While JG and CDEP workers are both paid at the minimum award rate, the JG funding model does not place a constraint on the number of hours individuals work. The individual may choose to work full-time and will be paid accordingly. By contrast, most CDEP work is part-time as the wages pool is limited to a notional welfare equivalent payment. The funding model for both schemes provides for administration, capital and other on-costs. The JG funding model is detailed in Appendix 1.

Unlike the streaming of CDEP activities that is proposed in the DEWR Discussion Paper, the Job Guarantee model does not demarcate between employment and community development objectives. The JG model argues that the foundations of community development require that all citizens who are able to work have access to paid employment opportunities and recognises that chronic joblessness is a major source of hardship, division and insecurity within communities. 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. The JG proposal distinguishes between activities that benefit communities and a comprehensive community development strategy. Political choices are being made constantly and the JG does not preclude a strong public sector commitment to broad social expenditure in areas like education, health, housing, children's services and environmental repair. Such a commitment could serve to revitalise communities, and the spending would certainly create a number of employment opportunities and expand the income of the local area. A full commitment to promoting regional and community development would thus include this type of discretionary government spending, in addition to the JG program. The latter is the essential "floor" to healthy communities.

4.3 Integrating a Job Guarantee with the proposed reform model

The operation of a Job Guarantee model will require the support of, and integration with, Job Network providers and Indigenous Employment Centres (IECs). However, the roles that would be undertaken by these bodies will vary, to some extent, from the roles defined in the Discussion Paper. The level of JG employment will depend on the number of Indigenous people seeking work and private sector demand for labour. This will create a larger role for the employment services infrastructure in matching Indigenous workers with private sector vacancies or JG employment that accords with their preferences. Under the CDEP program, this employment 'broking' role is limited by excess demand for both private sector opportunities and CDEP places.

It is important to state, that we do not conceive of the JG within a 'one size fits all' employment and support model. Counsellors within the Job Network and IEC will play a critical role in coordinating the support services that Indigenous people require in order that they can engage in paid work or combine work with education, training or customary activities.

The DEWR Discussion Paper emphasises that coordinating education and training with employment will require closer integration between CDEP organisations, Job Network members and IECs. Within a JG framework, we see a critical role for these bodies in advising young people of the skills and qualifications required for different types of jobs; assisting young people to access financial support (such as ABSTUDY) to pursue these ends; the coordination of work-based training or apprenticeships; and providing information about the sectors and geographical areas in which demand for particular skills is forecast to emerge. Altman, Gray and Levitus (2005: ix) also argue that links between CDEP organisations and recognised training organisations should be formalised and recognised.

CofFEE argues that Indigenous people must have a clearly defined role in determining the nature and administration of Job Guarantee work, in order that it accords with the needs of individuals and their communities. We look forward to DEWR's feedback on the outcome of consultations conducted in February, 2005 in rural, remote and urban communities. The consultation process has provided Indigenous individuals, organisations and communities with the chance to provide feedback on the proposed re-configuration and administration of Indigenous employment services (including CDEP) in the post-ATSIC era. While CofFEE believes the ambit of the consultation questions

was unhelpfully narrow, we suspect that options for Indigenous voice and involvement in existing employment models could be generalised to the JG.

4.3 Pre-empting Concerns - disincentive effects and costs (or lack thereof)

DEWR staff may be familiar with CofFEE's research on the role of the public sector as an employer of last resort, and with its associated Job Guarantee model. Much of this research has been published in refereed journals in Australia and internationally⁷.

In 2004, the Australian Local Government Association (ALGA) endorsed CofFEE's proposal for a Community Development Job Guarantee (for the young and long-term unemployed) and requested a response to this proposal from the Minister for Employment and Workplace Relations. In a letter dated 13 August 2004, Minister Andrews raised a number of concerns relating to the effect of JG employment on incentives to undertake education, training and private sector employment; and the cost of a JG model. The ALGA has published this letter, which is available at: <http://www.alga.asn.au/documents/2003Resolution02Response.pdf>

The concerns raised are without foundation and are readily refuted. As part of this submission, we provide a brief rejoinder to the Minister's letter in the hope that a similarly erroneous and illogical case is not made against a Job Guarantee for Indigenous people.

Private sector employment

The Minister's letter expresses concern that a Job Guarantee would deter JG workers from seeking employment in the private sector:

Offering guaranteed jobs at the federal minimum wage can 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 federal minimum wage, a person may not see the advantage in seeking or taking up a private sector job. Furthermore, although 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.

It is important to remember that unemployment is the product of ill-conceived macroeconomic policy which fails to generate enough jobs, and enough hours of work, to match the preferences of the labour force. The Minister's statement reveals a curious attitude towards the unemployed and the following points demand consideration.

First, an Indigenous person in a JG (or CDEP) position would be otherwise unemployed. If the individual is content in a JG position - in which they are paid the federal minimum wage and produce output of value to the community - then it is difficult to conceive of this an adverse outcome relative to continuing welfare dependence and participation in

⁷ See, for example, Mitchell (1998); Mitchell and Mosler (2002); Mitchell and Wray (2005).

labour market programs. The poor employment outcomes for Indigenous participants in such programs was discussed in Section 3.2

Second, the Minister's comments suggest that labour market competition under genuine full employment would be detrimental to the interests of the private sector who instead require 'protection' in the form of a pool of unemployed workers. By contrast, we argue that reviving competition through the introduction of a JG would serve the interests of the unemployed, the private sector and the national economy.

In a fully employed economy - such as the one that operated in Australia in the 1950s, 1960s and early 1970s - employers have to compete among each other for workers and anyone who is unemployed has a strong chance of immediately finding another job. Employers are also motivated to provide on-the-job training with each paid employment offer to ensure that the skill base of the workforce coincides with current production requirements. The cost to employers of engaging in discriminatory hiring practices or cultural selection is that they will face labour shortages as available workers are employed and trained by their competitors. This is a very dynamic environment in which firms are forced to seek ways to enhance productivity and maintain the skill level of their workforce. It is this important dynamic that is quashed when macroeconomic policy maintains an excess supply of labour.

To argue that a Job Guarantee position would create a disincentive for seeking private sector employment, is to accept that private sector employers are incapable of structuring job offers that would be attractive to JG workers receiving the safety net wage. Yet the introduction of a JG would mean that employers are able to hire from a pool of people who are already working and maintaining essential labour market skills (such as punctuality and teamwork) as opposed to hiring from a pool of people who have experienced long-duration unemployment⁸ and who have been 'churned'⁹ through a series of labour market programs. The private sector need only offer marginally more attractive conditions to induce most of the JG workers to take up the positions on offer. As we stated earlier, having a share of JG workers choosing to stay in JG jobs and produce output of value to the community is clearly better than having these workers languishing in the unemployment queue.

Finally, the Minister's comments regarding attendance and performance standards in JG jobs is deserving of contempt. We are moved to ask: (1) whether poor attendance and performance is seen as standard behaviour among public servants; and (2) why JG workers (unlike other employees) would not be expected to attend their workplace and perform the tasks required of them? The Job Guarantee is not a proposal for unemployed people to be paid a wage to waste time or break out the drinks! The CofFEE proposal,

⁸ In December 2004, the average duration of unemployment for all unemployed persons was 40 weeks. For those who were long-term unemployed, the average duration of unemployment was 170 weeks (ABS, 2004).

⁹ The Productivity Commission's *Independent Review of the Job Network* found that the payments structure to Job Network providers led to a substantial proportion of Intensive Assistance recipients being 'churned' through labour market programs or 'parked' (2002: Chapter 9).

detailed in Appendix 1, specifies that the purpose of the Job Guarantee is to provide unemployed workers with productive jobs in the community. JG employees will then be expected to work in accordance with normal operating standards in the Australian workplace.

Education and training

The Minister's second concern - with respect to potential disincentive effects of a Job Guarantee - relates to the decisions young people make about education and training:

The guarantee of a job at the federal minimum wage 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.

The Minister correctly states that young people should be given every chance to pursue education and training and to attain the qualifications they desire. However, it is also the case that we must invest in paid employment opportunities - and provide more opportunities to combine paid work and skills development in the public sector - for the large cohort of young Australians who are neither working nor participating in education. The difficulty with the Minister's argument is the presumption that in the absence of a Job Guarantee, JG workers aged 15-19 would be engaged in the education and training systems or taking up apprenticeships and those current 'learning' models will be suited to all students and will drive positive employment outcomes. The evidence does not support the presumption.

In February 2005, 141,800 Australians aged 15-19 years were unemployed and 64,200 of these were not participating in education. A further 56,800 15-19 year olds were not in education and not in the labour force (ABS, 6202.0). Current policy settings are not catering for the needs of this group and may not be catering for the needs and interests of young people who are taking refuge from unemployment in the education system.

In Section 2.3 we discussed NATSIS data which suggests many Indigenous students may be participating in education primarily because they are unable to obtain employment. Hunter and Gray (2001: 118) argue that the frustrated labour supply of Indigenous students may affect the quality of their educational experience:

The inability to get jobs and therefore being discouraged from looking for work feeds back into the student's experience in two ways: it affects the amount of financial resources available to Indigenous youth and it limits their work experience. The low income of many Indigenous students will affect their attitude to education by compelling them to either be dependent on parents (or guardians) for financial support, or seek other, potentially illegal, sources of money and goods.

There are a number of points to make here. First, it is clearly important that Indigenous youth are given opportunities to undertake education and training in order that they develop the cognitive and technical skills important to attaining and maintaining

employment. However, the non-completion of secondary school need not curtail economic and social opportunities so long as CDEP or JG work allows for the development of skills in a paid employment environment either through learning ‘on the job’ or through integration with accredited training programs including apprenticeships. There will be a proportion of Indigenous and non-Indigenous students who are not suited to formal classroom learning and CDEP or JG employment are critical to ensuring that alternative learning and training programs can be anchored to paid work rather than long-term welfare dependency. The use of STEP funding to create Government apprenticeships is a valuable model that is of insufficient scale.

Second, NATSISS data for 2002 shows that participation in vocational education and training by CDEP participants in the very remote regions, where most projects are located, is just 18 per cent. Attention to the provision of training models and facilities in these areas is important, in order that participants develop ‘practical skills’ (Altman, Gray and Levitus, 2005: 14) that can assist their local community or enable transitions to public or private sector employment in other locations. As we discussed in Section 4.3, if additional employment opportunities are created then closer integration between CDEP organisations, Job Network members and Indigenous Employment Centres will be important to coordinating education and training with paid work.

Cost

With respect to costs, the Minister argues that a Community Development Job Guarantee 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 programs.

The argument presented assumes a Government Budget Constraint (GBC) and fundamentally misunderstands the options open to a fiat currency issuing national government. The real cost associated with the introduction of a Job Guarantee is equal to the **additional** goods and services consumed by previously unemployed persons as their income increases from the level of a social security allowance or CDEP wage to the Federal Minimum Award Wage. Additional federal budget outlays are ‘costless’ given the **absence** of a GBC. It follows that the real costs of a JG for Indigenous Australians are minute and will only be marginally greater for a JG that is available to all unemployed.

In signaling his concern for protecting the Government’s budget surplus, the Minister ignores the vast macroeconomic losses (losses in national output) flowing from persistent unemployment in aggregate, and from the high incidence of unemployment, underemployment and discouraged workers in the Indigenous population. It is important to ask why federal budget surpluses are vigorously pursued when:

1. A modern monetary economy typically requires deficits for smooth functioning and full employment; and
2. The macroeconomic losses flowing from persistent unemployment are enormous and dwarf any gains that have been made from microeconomic reform.

The answers to these questions lie in a disdain for federal budget deficits that is conveniently cloaked in an authoritative sounding concept, borrowed from orthodox economics, known as the ‘government budget constraint’ (GBC). We argue that the acceptance of a GBC is the false premise on which policy debates about how to reduce unemployment have been based. As a consequence, erroneous conclusions have been drawn about the range of ‘allowable’ policy initiatives and no role has been accorded to activist fiscal policy and public sector job creation.

Mitchell and Mosler (2002) present a detailed explanation of why a federal government, that is the sole provider of fiat currency (or money), is not financially constrained in its spending. For this reason, the Minister’s claim that a Job Guarantee would need to be financed through “higher taxes” or “funding cuts in other Government programs” is spurious.

The level of unemployment at any point in time is a choice made by the federal government when it sets and calibrates its budget parameters and persistent unemployment is the product of persistently inadequate budget deficits. Ipso facto, any CDEP reform package that claims a capacity to significantly reduce the level of unemployment experienced by Indigenous Australians while assuming a government financial constraint is based on erroneous foundations and cannot achieve its stated policy goal.

5. Conclusion

By attending to the shortage of job opportunities for Indigenous Australians, CoffEE’s Job Guarantee model provides an effective anchor for the reform agenda proposed in DEWR’s Discussion Paper. It offers the chance to ‘Build on (the) Success’ of the CDEP Program by taking an evidence-based approach to the integration of services in a way that can provide for the dual goals of paid employment and supporting service delivery and cultural activities in Indigenous communities.

Paid work remains central to independence and quality of life in contemporary Australia, and persistent unemployment is central to the profound socio-economic disadvantage confronting many Indigenous communities.

The dimension of the task confronting those charged with providing employment, education, training, and support services for Indigenous Australians is principally determined by the macroeconomic environment in which we operate and the spatial distribution of unemployment. If we are to break the cycle in which Indigenous people find themselves unemployed, discouraged and poor then we must directly address deficient labour demand while we build the more accessible and personal support framework proposed in the Discussion Paper.

The Job Guarantee is based on a model of community in which all members feel they have a meaningful stake, and where the most disadvantaged are guaranteed employment, and the security of a living wage, in the absence of mainstream labour market opportunities. It is a model that can be designed in unanimity with customary traditions and its implementation is critical if the benefits presaged in the Discussion Paper - improved labour market and training outcomes, greater flexibility and stronger communities – are to be realised.

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