
COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

# HOUSE OF REPRESENTATIVES

## STANDING COMMITTEE ON EMPLOYMENT AND WORKPLACE RELATIONS

**Reference: Employment: increasing participation in paid work**

FRIDAY, 12 MARCH 2004

NEWCASTLE

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**HOUSE OF REPRESENTATIVES**

**STANDING COMMITTEE ON EMPLOYMENT & WORKPLACE RELATIONS**

**Friday, 12 March 2004**

**Members:** Mr Barresi *(Chair)*, Ms Vamvakinou *(Deputy Chair)*, Mr Dutton, Ms Hall, Mr Hartsuyker, Mr Lloyd, Mr Brendan O'Connor, Ms Panopoulos, Mr Randall and Mr Wilkie

**Members in attendance:** Mr Barresi, Ms Hall

**Terms of reference for the inquiry:**

To inquire into and report on:

Employment issues in both rural/regional and urban and outer suburban areas, with particular reference to:

- Measures that can be implemented to increase the level of participation in paid work in Australia; and
- How a balance of assistance, incentives and obligations can increase participation, for income support recipients

## WITNESSES

**Committee met at 9.11 a.m.**

**COWLING, Ms Sally, Research Fellow, Centre of Full Employment and Equity (CofFEE), University of Newcastle**

**MITCHELL, Professor William, Professor of Economics; and Director, Centre of Full Employment and Equity (CofFEE), University of Newcastle**

**CHAIR**—Welcome. I declare open this public hearing of the House of Representatives Standing Committee on Employment and Workplace Relations inquiry into increasing participation in paid work. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee prefers that all evidence be given in public but if at any stage you wish to give evidence in private, please ask to do so and we will consider your request. I now invite you to make some opening comments, and then we will proceed to a general discussion.

**Ms Cowling**—We are going to share the preliminary comments, but I am going to start off. What I would like to do in the first section is set out the current state of play in Australia with respect to participation in paid employment and particularly the latest figures on unemployment. What we would like to focus on from our centre's perspective is the way in which, in current policy debates and in the public policy arena, we are discussing options through which we can increase participation in paid employment which really go to the trivial end. The thing that is most important, the conduct of macroeconomic policy, which Professor Mitchell is going to speak about, has not really been at the heart of this debate—and it certainly needs to be.

In terms of the dimensions of the problem we are speaking about, it is important to remember that, despite Australia's strong and sustained record of economic growth throughout the 1990s, we have not gone anywhere near approaching full employment. Economic growth has not been sufficient to meet the job needs and the hours of work needs of our labour force over a very sustained period of time. In January 2004, 614,000 Australians were unemployed, and that is before we wander into the territory of people who are underemployed and cannot get sufficient hours of work. The national unemployment rate was 5.8 per cent, which is appalling enough. But, given the inquiry's focus on increasing participation in work in rural and regional communities and in outer metropolitan areas, it is also important to remember that areas like the north-western suburbs of Sydney, Canterbury-Bankstown, the Wide Bay and Burnett areas of Queensland and the northern and western suburbs of Adelaide are still facing unemployment rates of between eight and 10 per cent—and this is in an era of strong economic growth.

The other thing we think is important to note is what has been happening to the average duration of unemployment. Back in the late 1960s the average spell of unemployment was three weeks; at the start of this year the average spell was 43 weeks. For those people who are long-term unemployed, that is they have been unemployed for at least 12 months, the average spell is 171 weeks—over three years.

The other point we would like to make from the centre's perspective is the importance of remembering that measured unemployment really is just the 'tip of the iceberg', to quote Arthur

Okun. CofFEE produces a set of hours based indicators to get a much broader measure of labour underutilisation so that we can measure the degree of labour wastage arising not only from unemployment but from underemployment and hidden unemployment. If the committee would like, we can table our latest *CofFEE Labour Market Indicators* for August 2003, which also explains how those measures are derived. In August 2003, while we had a measured unemployment rate of 5.9 per cent, the amount of labour resources that were being underutilised rose to 9.2 per cent if we considered the part-time workers who do not have enough work to meet their needs and to 11.3 per cent when we take into account those people who are hidden unemployed. Importantly, the output losses that arise from wasting 11.3 per cent of your willing labour resources are enormous. We have estimated that in 2003 this cost the economy about $44 billion in lost potential output. So, while we are having these debates about the gains in GDP that we can make from tinkering around with microeconomic reform and labour market deregulation or delaying retirement of older workers, they just pale in comparison to what we are losing because we do not have a commitment to a fully employed economy.

I think what this profile does is raise two important questions for the committee. The first one is what policy settings and what policy shifts are required in order to generate enough jobs and enough hours of work to address the current underutilisation of labour. How do we make sure when we are going after those policy settings that we actually produce the jobs in the areas in which they are needed? Secondly, given the dimensions and the costs of existing levels of unemployment—this is the question which intrigues and frustrates me—why has the public policy debate paid so little attention to the failure of active labour market programs to tackle unemployment and has concentrated instead on how we can use financial incentives to induce greater participation from those currently outside the labour force or for those nearing retirement?

The key point that we want to make is that we cannot look at increasing participation in paid work if we do not advance understanding and change the conduct of macroeconomic policy. It is macroeconomics that needs to be front and centre of this debate. The only thing that is striking about our macro policy debate in this country is its absence. Bill Mitchell is going to discuss how CofFEE sees the appropriate settings for macro policy and why we require a new paradigm in employment policy in the form of a community development job guarantee if we are going to get anywhere near full employment and if we are going to address unemployment on a regional level.

Before I hand over to Bill, I have a few quick comments to make on the way that the public policy debate around participation in paid work has moved of late. With respect to the reforms proposed in the consultation paper *Building a simpler system to help jobless families*, which was released by Ministers Vanstone and Abbott last year, we certainly acknowledge that modernising the social security system and taking action to reduce poverty traps within it can only be regarded as a worthwhile objective. But it is only going to help people participate in paid work if there are jobs available. So the general problem with the way the policy agenda has been constructed is that it is concentrating on creating incentives; it is not concentrating at the same time on creating opportunities for paid employment. The general problem with focusing on effective marginal tax rates or tax credits as the key to increasing employment is that it constructs unemployment as an individual problem rather than a problem of deficient aggregate demand and that these strategies, while worthy in themselves because of the rewards they offer

for those able to make a transition from welfare to work, are unlikely to create employment opportunities for the long-term unemployed.

With respect to the debate that has taken off in the last week or so and proposals to encourage older workers to postpone their retirement to avoid drawing on their superannuation or to keep working part-time and take non-principal super, we think that the following points are important. No. 1, the ageing population is not going to put unsustainable demands on the macro economy. When you have a floating exchange rate regime, the pursuit of budget surpluses continually in order to meet these big spending needs that are going to emerge in the future as the population ages is only going to serve to undermine the economy's capacity to provide the goods and services needed by the ageing population down the track. The better thing to do now is to seek to maximise incomes in the economy by ensuring that there is full employment. What we need today is investment rather than austerity, and there are suites of policy options that will be available to us to address real problems that may or may not emerge over time.

We regard the Treasurer's announcement last week as striking for its cynicism. Governments of all persuasions have been prepared to take discretionary policy choices which meant there have been insufficient jobs in the economy and have been content to cast older workers on the scrapheap. But these older workers are now being advised that working on is in the national interest; it is the way that their contribution to our economy and society is going to be judged. This is despite the fact that we have an unemployment to vacancy ratio of 5.6:1, and so there are 5.6 unemployed persons for every job vacancy, and we also have a business culture that is reluctant to employ mature aged unemployed. I will now hand over to Bill Mitchell, who will talk to you about why macro policy has gone wrong and the regional dimensions of the problems we are currently facing.

**Prof. Mitchell**—The things I will say are articulated fully in our submission. Essentially what I would emphasise to the committee is that the construction of unemployment as an individual problem—the agenda of governments of all political persuasions since around the mid-1970s increasingly has been to construct unemployment as a problem of the individual either lacking in skills or lacking in attitude—is a fallacious construction. It does not address the cause of unemployment and underutilisation generally in our economy. I think constructing the problem that way has absolved governments of the responsibility to conduct sensible macroeconomic policy, by which I mean ensuring that there is enough spending in the economy to generate enough job opportunities for all those who are willing to work.

The striking macroeconomic fact about this economy since about the mid-1970s which you can see starting in 1974 is that the Australian economy since that time has never generated enough employment opportunities to match the available labour force. One of the major reasons for that has been the withdrawal of the public sector from its previous—mid-1970s is the previous—role as an employer in the economy. We had full employment in the postwar period, and I define full employment not in the way it is currently defined by the Treasurer and his opposition shadow as being somewhere around five per cent unemployment. I define full employment as somewhere around two per cent unemployment rate official and no underemployment, by which I mean that all part-time workers are working part-time voluntarily rather than being forced by inadequate hours to work part time.

The reason we had full employment defined in that way in the postwar period up to about the mid-1970s was, first, that we had strong private sector investment. We still have strong private sector employment growth at around the same trends that existed at that point, so current unemployment is not a failure of the private sector. Second, we had strong public sector employment in skilled areas in public sector capital infrastructure development and that sort of activity, reflecting a strong macro policy commitment.

But, very importantly, and this will be the emphasis of the next several comments I will make, we also had a commitment—it was implicit, but it was there—that the government would be an employer of last resort. The government stood ready in two ways. Firstly, it stood ready to provide work for the most disadvantaged and lowest-skilled workers. We have always had low-skilled workers. We have always had highly disadvantaged workers. We have always had workers who have difficulty relating to life and difficulties relating to their interaction with the labour market on a more or less permanent basis. We have always had that problem, but job opportunities were available to them. There was a plethora of areas, typically in the public sector, which provided minimum wage, low-skilled jobs for those people. I am thinking of things like the railways, public sector construction, the defence forces, telecommunications, postal services—a whole range of activities were available in which you could get a job at any time when you did not have a job elsewhere. They provided a basic wage at the time and that was the reason we had full employment.

Secondly, government also had a very strong commitment to youth employment training opportunities within a paid work environment via apprenticeship schemes, which began to be dismantled in the mid-seventies. It was no surprise that youth unemployment, which remains intolerably high—and these are our kids we are talking about—began in the mid-seventies, when the principal employer of youth, the public sector, began to cut back under the razor gang of the first Fraser government.

So our argument is that, if you really want to have a true commitment to full employment, you have to address youth training opportunities within a paid work environment, but you also have to address paid work opportunities for the lowest-skilled people, who are disadvantaged in the labour market as a consequence of their low skills. The private sector clearly will not have a commitment to employing them. We do not advocate a return to these sorts of job opportunities. We are aware of national competition policy and we are aware of the corporatisation of the railways and other public utilities that used to provide a massive number of job opportunities. We accept the political constraints and perhaps the economic constraints that prevent a return to that state of affairs.

We argue that we need a radical new thought process and policy infrastructure to address the requirement that it is really the public sector that has to provide the employer of last resort capacity to generate job opportunities for the low skilled. In that context, it really has to be the public sector that creates a new employment paradigm within the Australian economy. What we advocate is that we get creative about job opportunities. There are a range of job opportunities in areas that are not currently being pursued which can provide a basic fundamental underpinning to community development, particularly in regional Australia but also everywhere. There is a lot of talk these days by political parties about community development. But we argue that the essential precondition for community development—that is, that everybody within a community

has the ability to look after themselves via paid work—is missing from the rhetoric about the need to develop communities.

As I drive to work every morning, a distance of around 30 kilometres, I see an infinite number of community development activities that could be performed in a paid work environment by low-skilled workers which would value add. These are not fake jobs. Often these days, when we talk within the current paradigm of 'the individual is the problem' we are beset by criticism that anything you advocate via public sector job creation is 'make work'—fake jobs, not real jobs. I can see a lot of real and sustainable jobs that the public sector could create—we list a whole range of them as a way to construct a new debate. These jobs would value add to our communities, they could be supervised by government and community infrastructure, they would provide minimum wage jobs for people within those communities who cannot find work elsewhere and they would help regional communities which are now failing to attract sufficient investment.

We believe that you could start with a community development job guarantee which in the first instance would employ all long-term unemployed and all youth between 15 and 19 who are unemployed. We have a very sophisticated model, developed within the centre. The current estimates—and these are approximate because they were in August last year—are that if you wanted to employ all of those people, 15- to 19-year-olds and the long-term unemployed, you generate around 334,000 jobs, 265,000 of which would be in the public sector. With the additional kick-on, because of the slightly higher incomes taking them off welfare, we would generate 334,000 jobs. The total annual cost of that would be $3.27 billion only. The total investment for curing long-term unemployment for the 15- to 19-year-olds, giving all the kids a paid work job—and you could structure these jobs with training opportunities to make sure that they do develop skills—would be $3.27 billion for 334,000 jobs spread across regional Australia. That gets full employment for all the long-term unemployed and all the youth.

To put that in perspective, in recent days, towards 28 February, the *Australian* released the results of a study that the Melbourne institute at the University of Melbourne had done for them examining the impact of tax cuts on job generation. Of course, the alternative paradigm these days is that the public sector should not be creating jobs; they should just be cutting taxes to create jobs. To put that on the public record, the institute estimates that, if you do reduce the tax thresholds to cancel the effects of inflation since the GST reforms—they are talking about bracket creep—you would create 34,000 jobs. Remember that our proposal creates 334,000. The Melbourne institute's proposal is 34,000 jobs at a net cost, by forgoing that tax revenue, of $2.67 billion—34,000 jobs, $2.67 billion. Our proposal, which would create minimum wage jobs in the public sector in community development value-adding activities—real, sustainable and permanent jobs that can create training opportunities for young Australians and long-term unemployed Australians—would create 334,000 jobs at a cost of $3.2 billion.

We argue that, until we face the facts and stop the ideological obsession that public sector job creation is bad and everything else is good, we are not going to realise that you can create massive efficiencies and equity and improve the lot of regional Australia just by biting the bullet and getting back to what governments can do and should do—that is, initiate and take responsibility as an employer of last resort and create minimum wage jobs for the lowest paid and most disadvantaged Australian workers, who are currently ditched and blamed for the government's own remissness and abandonment of responsibility.

I should add that our proposal, as you will have read, also advocates abandoning the dole payments for these workers. We are not talking about some sort of mix and match scheme; we are getting the workers off welfare. The way to get workers off welfare is to give them jobs. If the private sector will not generate enough jobs, there is only one other sector left, and that is the public sector. If Australia does not generate enough jobs in the private sector, the culprit is the public sector.

**CHAIR**—Thank you. Certainly there are a lot of parts of your submission that we could go into in great detail, but in the short time we have available we should just concentrate on a few areas, particularly the community development job guarantee. Before we go into that, a lot of this is premised on the fact that you do not envisage the private sector growing to a sufficient level or having a willingness to grow the job market to sufficient levels. Also, there is some sort of dispute about demographic change in Australia and what effect that may have. That is new, compared to the evidence we have received from other witnesses. The Boston Research Group conducted some research on Australia; I think it was for the Australian chamber of commerce. They have stated that, by the year 2020—which is in only 16 years time and is when my son will be looking for a job—there will be 500,000 jobs, half a million jobs, in Australia with no-one to fill them because of the ageing of the population. Have you seen that research and, if so, what are your comments on it?

**Prof. Mitchell**—Yes, I have seen the research and I have spoken publicly about it. The projections may or may not be true. There is clearly a demographic change towards an ageing population, which means increasing retirements and fewer people coming into the work force—that is true—and, if we do not alter our immigration rate, there will be some demographic curing of unemployment; there is no doubt about that. But you are talking about 20, 30, or 40 years before these sorts of trends will start to bite. What we are talking about is 1½ million Australian people, right now, who are unemployed or underemployed or marginally attached to the labour force. We are talking about our kids, who are going to leave high school now. Every day students are leaving high school. Every January a flood of them leave high school. We are talking about now. Yes, in 25 years we might see some demographic solution to some of the really bad problems.

**CHAIR**—It is 14 years, but anyway.

**Prof. Mitchell**—Fourteen years.

**CHAIR**—I understand what you are saying. I know that you have concentrated on the long-term unemployed and youth, but nowhere in your submission have you made an analysis or comment about the apprenticeship system and what we can do to change the current apprenticeship system—if we need to change anything. It seems to me that part of the problem is actually attracting these young people into apprenticeships. It is the first rung on the ladder, so to speak, and young people are just not going into apprenticeships or traineeships.

**Ms Cowling**—Perhaps I can make one comment on your first question regarding the role of the private sector. It is important to remember that the private sector has never, at any point, created sufficient numbers of jobs in order to guarantee full employment. The point that Bill was making in his earlier comments was that the thing that has changed is the fact that the public sector is now not taking on the role to fill the gap. What was happening prior to 1975 was that

the private sector delivered X number of jobs. When we still had a pool of unemployed, the public sector then stepped in and took on the role of employer of last resort. The private sector is still providing a wealth of employment opportunities in Australia, but they do not get anywhere near providing jobs for everybody in Australia who is willing to work, and the public sector now is not stepping into that role.

The other point I would make about the ageing population is that we are not arguing that a community development job guarantee is the only thing that you need to do. There is a suite of policy options that will be available to government in order to address these needs that will emerge 30 years down the track. One of the things I note about the Intergenerational Report is that the assumptions are extremely conservative with respect to women's participation. At the same time that we have 614,000 people out of work and are looking at how we can take on policy options that are going to create work opportunities for them, we still need to have a debate about child care and work and family policies so that, 30 or 40 years down the track, we will be in a position to fulfil our employment needs and to look at immigration policy.

One of the interesting things about the data that has come through on the New Apprenticeship system is that some of the larger employers of new apprentices in Australia—Coles Myer being a prime example—say in conversations I have had with them that the most important thing to them is that the kids finish school. So kids that are leaving school prior to year 12 are not moving into New Apprenticeships, because employers are looking for the emotional maturity that comes from working through a higher school certificate system and being 18 rather than 15.

So one of the things that we set out in the community development job guarantee proposal is how for this group between 15 and 19 who have left school early we can provide paid work with other forms of training, and that may be a form of apprenticeship system. But what we are sort of missing at the moment is that, by these kids having been unemployed for two or three years, they are really missing chances to make entries into other parts of the vocational education and training and apprenticeship system. So it is certainly possible within a community development job guarantee framework to provide the jobs in conjunction with apprenticeship and skill development so that those kids are still going to have access to career trajectories and opportunities to move between public and private sector, should more private sector jobs become available to them.

**Ms HALL**—I just wanted to pop in here on the apprenticeship issue. Isn't it the case that here in the Hunter that there is a massive shortfall in the number of apprenticeships that are offered in comparison to the number of young people who would like to have an apprenticeship? I think there are regional differences, and that comes back to your submission.

**Prof. Mitchell**—One of the clear issues about apprenticeships is the distribution of them. When private employers are asked about why they are not prepared to participate in federal government initiatives they say, 'We don't have the supervision'—one of the big issues they point to is the lack of supervision. This is a rather interesting juxtaposition because we have had these sorts of forced pressures on older workers to retire and they are the ideal supervisors, and we have companies who may or may not—but they say they would—participate in apprenticeship schemes if there were supervision available, because they have not got that capacity, and we have the ideal supervisors who are in early retirement, forced into early retirement through lack of job opportunities. The community development job guarantee is an

excellent environment to bring back older workers who want to keep working until 65 or whatever age who cannot find work. They are the ideal supervisors and mentors for the youth who could participate in apprenticeship schemes in paid work environments.

**Ms HALL**—Isn't the failure of employers to offer apprenticeships leading to some of the skill shortages we have in certain areas?

**Ms Cowling**—I think one of the other issues at a regional level is that we have very poor labour market data in terms of what skill shortages there are, what skills are needed, and very poor coordination between the sectors within the vocational education and training system that are going to have to offer programs within the TAFE sector. Employer groups say, 'We have a shortage.' I am not very up on what the latest equivalent of fitters and turners is, but we have very good data on that at the state and national level about where skill shortages are, good forecasting of where employment growth areas will be, whereas we do not have that data available at a regional level. So in terms of regions being able to plan to ensure that local industries are able to meet their skill needs and that they can be aligned with the educational and training opportunities that are available to young people in particular, there are certainly gaps in our data and our capacity to undertake decent planning at a regional level.

**Prof. Mitchell**—The other point I would make about that is that there is overwhelming evidence coming out of Europe now, which has really gone beyond us. We all went down the route of cutting back public sector employment and believing that active labour market programs were the way to go; in other words, address the supply side, which is an important part of the overall package, but you have to have a demand side. The Europeans are now moving beyond that because they have now realised that supply side active labour market programs do not work unless you have paid work opportunities available.

**CHAIR**—Can you point us in the direction of what specific countries are doing this and perhaps some research into it for us to look into?

**Prof. Mitchell**—Netherlands, France, Denmark, Norway, Sweden and Finland—they are all starting to adopt the view, and even the OECD in some of its recent publications are starting to talk about this.

**Ms Cowling**—On pages 11 and 12 of our written submission there are some references to those types of programs and about how the evaluations of public sector job creation have all stressed that the ones that are most successful—and these points are made on page 12—are closely linked in with local labour markets. They are targeted to jobs where there is strong employment growth and good opportunities for advancement. They provide a mix of skill development as well as paid work and they promote pathways to further education.

**CHAIR**—Thank you very much. Just on not knowing what the gaps are, perhaps that is a task for your area consultative committee to take on. I would have thought that is exactly what they should be doing out here—doing an analysis of the various gaps that are in place. In my part of the world it is the very opposite. There are apprenticeship opportunities and no-one to go into them because of I guess the perception that young people now have about going into blue collar type apprenticeships, apart from the rates of pay and their aspirations. Perhaps I can ask one more general question before we move to some detailed discussion about your community

development job guarantee. In the section on roads to nowhere, you are very critical of the Job Network program as well as some of the programs in terms of their effectiveness such as the intensive assistance and Work for the Dole. Your analysis of that in your critique is very much based on Job Network 1 and Job Network 2. Have you done any analysis at all of Job Network 3, where with some of the criticisms that you have drawn I guess there is an attempt to address those? It is still early days; I know that. It has only been the last eight or nine months, but there are some early indicators, talking to the minister as recently as yesterday, that some of these criticisms have been turned around.

**Prof. Mitchell**—Clearly as a research centre we have got to wait for data to come out.

**Ms Cowling**—We have to wait for the unpublished data from Senate estimates.

**Prof. Mitchell**—So really the answer to your question is: no, we have not formally done any evaluation of the third contracts. We are only aware of the anecdotal evidence that everybody is aware of, and that is not research evidence at the moment. We recognise that in the third contracts attempts were made to react to the sorts of things being raised by the Productivity Commission and other organisations. Whether they pan out we are not sure.

**CHAIR**—The community development job guarantee: in a nutshell, how does that differ from the CDEP program that we currently as a government offer to the Aboriginal communities? That program goes straight to the local communities for job creation projects, which I guess is essentially what your project is about, and it is funded through ATSIC. Do you see any differences or similarities between the two in terms of how they operate?

**Ms Cowling**—I am sorry; I am very deaf, and so I missed little bits of your question.

**CHAIR**—There are a lot of positive comments made about CDEP. It is well received.

**Ms Cowling**—I guess one of the important things to note is to think about what our Aboriginal unemployment statistics would look like if we did not have that program in place given the disadvantage which is so profound in those communities. I guess the important point about the community development job guarantee and the nature of its difference is that, like the CDEP, it is really trying to address at a local level employment opportunities that will give something back to the community without replacing work in the private sector. Quite often with CDEP, because the communities are fairly isolated or remote communities, they are not areas in which the private sector will go in and do building work or construction work. So often the projects that the CDEP undertake would in metropolitan or outer metro areas be undertaken by the private sector in the job guarantee model.

The reason that we stress community development activities and activities that promote environmental sustainability and repair of the environment is that they are areas that are emerging priorities—we see them emerging as researchers in terms of priority areas for Australian Research Council grants so that work is generated on how we fix the systems. But a lot of that work requires at a base level fairly low skills; it is very labour intensive. We have listed a number of areas within our proposal that we think would be extremely well suited to job guarantee positions. For example, in areas like aged care it is not that we are suggesting that a job guarantee job would be providing nursing care within a nursing home, but one of the reasons

that we have premature entry into residential aged care and people with caring responsibilities needing to leave the work force is that the frail aged just have difficulty doing things like managing their shopping, managing to mow their lawn or get leaves out of the gutters occasionally, and that is actually hastening entry into residential aged care. The good thing about creating job guarantee positions in those types of areas is that what we can then do is align that with training because aged care is actually an area of tremendous skill shortages now, and that is projected to increase as the population ages. So there are actually areas that are going to be of massive assistance to communities but do actually offer paths for private sector employment.

The other thing that would distinguish job guarantee positions from the CDEP scheme is that there are permanent ongoing minimum wage jobs, whereas a lot of the CDEP programs are constructed as projects or contracts in order to complete task A.

**CHAIR**—They are permanent ongoing—but you do not envisage the participant in that job to be permanent or ongoing in that specific job, do you? They would be moving out of that position.

**Prof. Mitchell**—Not necessarily. I think the CDEP was an excellent transition development towards a job guarantee. I think the problem with the CDEP—and we have had discussions with the former minister, Minister Abbott, on these sorts of issues—is that it is a program and it is still linked to a welfare paradigm rather than an employment paradigm. I think the job guarantee is a shift in that paradigm away from welfare where you are not saying to these people, 'You are on welfare.' You are saying, 'You are contributing to the community's development via paid work like anybody else.' I think that the construction of job guarantee jobs could become a very complex thing. Some people might have a job guarantee job forever in the same job as their lifetime career.

**CHAIR**—On a minimum wage with no further skill development?

**Prof. Mitchell**—But we do not have that sort of inflection when we talk about workers who work in the private sector on minimum wage for all of their lives, with no skill development.

**CHAIR**—But there are opportunities there.

**Prof. Mitchell**—No. In many private sector jobs there are no opportunities and some people spend their whole life working as minimum wage labour in the private sector—and increasingly the private sector is creating low wage, low hours, low security jobs. We do not put that inflection on that. We call that employment. So I would prefer everybody to be not in the job guarantee. I would prefer the economy to grow nicely so that the job guarantee was not necessary, but it is necessary at this stage. I will use an example. When I was a young person in Melbourne—I grew up in Melbourne—the big employer of the low skilled and people who did not have jobs was the rail yards at Spencer Street.

**CHAIR**—My first job.

**Prof. Mitchell**—My first job. That was stowing goods in the goods trucks. You would go down to the timekeeper's office and he would come out and run through his draconian process, and you would be picked out. Once you got a number you had a permanent job, as long as you

kept turning up—I think you had to miss two days in a row to have to go back to the timekeeper. Some people who worked there were people like me—young students, young people who were trying to work themselves out and people who became professors and surgeons and whatever. Other people who worked there took the opportunity to become a goods checker. You went to a one-day training course and you got a stamp and you then did not have to push the trolley. Then you could get a job as a station master or in the bureaucracy in Spencer Street. There were other people there who struggled out of the Waterside Hotel, which was just along the road, as you know, who were never going to go anywhere but the goods yards, whose primary employment opportunities were to push those trolleys.

The point I am making is on the provision of those opportunities. Even though our different life trajectories were massively different, the one need that we all had was that at that particular time we all wanted a job and we were all prepared to work at minimum wage because that served our current need. I think to construct a job guarantee as being, 'Oh, you're just going to create this sort of bastion of low wage, go nowhere jobs,' is to deny the fact that people also have initiatives themselves and different life trajectories. But what we miss in this economy now is that capacity that the Spencer Street goods yards used to have.

**Ms HALL**—I find the ideas that you have put forward in your papers and submission refreshing, new and different, and I am not going to concentrate too much on them. I think they are very innovative and I would like to see them trialled. I would like to see how they actually go if they were put in in an area. I know that we are receiving a submission later from the Hunter councils and that the Hunter councils are very supportive. I can think of a plethora of projects here in the Hunter that would really benefit from the proposal you have put forward.

I would like to go through a few areas that you have mentioned and ask you to give me a comment. You have mentioned intensive assistance and some of the labour market programs. I have noted that one of the government's suggestions in recent times is that the Job Network takes on finding jobs for people with disabilities and looking at getting them back into the work force. Could you comment on how you think this will work?

**Ms Cowling**—I think the biggest problem with the Job Network as it stands currently is that we do not have jobs. For people who are currently under the Intensive Assistance program because they have been long-term unemployed there are not jobs for them to make transitions into, and the same will be the case for people with disabilities. One of Bill's doctoral students has recently completed his thesis looking at the growth in the numbers of people on Disability Support Pension in Australia, which I believe exceeds the number of people on Newstart allowance. We know from the data that one of the reasons that is happening is that a lot of that is older workers who, as I said earlier, have been cast on the scrapheap—and I am not suggesting for a moment that they are faking illness or injury.

**Ms HALL**—The figures I have seen identify that group as the group that has the highest level of unemployment in Australia, and I am sure that our region reflects that as well.

**Ms Cowling**—The problem with running an exclusively supply-side strategy, an exclusive focus on active labour market programs as the means to address unemployment, is that it needs an analogue on the demand side. It needs jobs in which to help people make transitions.

I will refer to one of the things that CofFEE is doing over the next two to three years. It received an Australian Research Council grant in partnership with Jobs Australia, which is the umbrella body for the not-for-profit Job Network providers, to look at how we could administer the job guarantee and how we could make it work at a bureaucratic or operational level. I have found it quite interesting that Job Network providers would be keen to be part of this research project, because what we were saying to them in our proposal is that we want to take all of their intensive assistance business away from them.

What they are interested in is: if we were to have a pool of jobs—and they can be community development job guaranteed positions—how could we then reconceive the role of Job Network providers? How can we look at their capacity to not only assess people's formal skills but also the skills people have picked up informally through the course of their lives? What sort of matching roles are they able to take on? How could they work in with careers advisers within the secondary school system to assist young people who are leaving school early so that there are not these lost years in their lives. The Job Network providers are interested in being part of this three-year research program. They are saying, 'At the moment we churn and park people, because what else do we do with them? If there are six unemployed people for every job vacancy in Australia at the current time, what else do we do with them apart from recycle them through programs?'

I think what the community development job guarantee would do at an operational level is open up a plethora of opportunities for our employment services infrastructure as it currently exists to evolve in very innovative ways. This is what is happening in Europe. There is some excellent literature on this. Generally they are public service employment systems of the style that the CES was, but a number of countries have followed Australia's path in terms of privatisation of their employment services. In Europe, because they are paying attention to the demand side, these institutions are evolving. They are evolving in terms of matching, in terms of their interest in skills and in terms of playing broker roles between training organisations and public sector employers.

With Job Network mark 3, my prediction would be that we are not going to see particularly different results from those of the earlier models, precisely because we have not seen any change on the demand side. That is where the lack of action is in Australia at the moment. I think that, if we get something happening on that front, then we can also look at some very interesting things about how we use area consultative committees, community work coordinators and Job Network providers in new and innovative ways.

**Prof. Mitchell**—I would make the point that some European governments have realised that being disabled means that you may not be able to work to full capacity but you may want to work and probably should work, as your contribution to the community and the economy, in some less than full capacity. In Australia there are some excellent examples of private sector employers who bend over backwards to accommodate people with moderate to severe disabilities—in fractional employment and structured in a way that you can contribute. But the fact is that there are a number of other disabled people who cannot find job opportunities, which means that there are not enough of them.

The European solution is that the public sector is the ideal place to structure work that can be meaningful work, ongoing work, in the same way that the private sector is able to structure

meaningful work, and that would fall into the job guarantee. The job guarantee does not have to be full-time work; it can be part-time work and it can be structured in ways to accommodate people who are disabled. The point I would make on that is that I do not appreciate the disabled being berated for not contributing when there are not the opportunities for them to contribute.

**CHAIR**—Some of the evidence that we have seen, particularly from large companies in the United States, indicates that the disabled workers rate very highly on just about every employee category: morale, job retention, absenteeism, job satisfaction—all the way through. Our public service in fact is not a great model at the moment for employing disabled workers.

**Prof. Mitchell**—But it could be.

**CHAIR**—I guess what I am saying, though, is that it is not the sector that makes it; it is more the attitude of the employer and the employees that work with those disabled individuals.

**Ms HALL**—And in the past it has been better. I actually used to work in an area where I worked with people that had disabilities in employment. A number of these people found work in the public sector, and in more recent times they have all been retrenched, which shows that there is actually a move away from providing public sector employment for people with disabilities. In your submission you spoke a bit about assessing competencies of people that are working under the scheme that you have outlined. How do you think this could be done? Would this be along the lines of a recognition of prior learning type scheme, looking at transferable skills? How do you think this would work? Have you got any parameters set for this?

**Ms Cowling**—Our interest in this area once again came from international literature. One of the difficulties with the job seeker classification instrument as used by Centrelink and Job Network providers to determine what level of assistance unemployed people are going to receive—whether they are going to be classified as needing job matching or intensive assistance, although I think some of those terms have changed under the new model—is that it assesses people's deficiencies. It focuses almost exclusively on people's deficiencies. What you see in international literature is that, while that is important in order to get a sense of the type of support, assistance or training that people will need within a job, there are a range of methodologies that are used internationally to assess skills that have been acquired by people informally as part of their life experiences.

One of the things that interests me as we look to needing to increase female participation in the labour force—and some of the points that were made about promoting participation of sole parents in the consultation around building a simpler system to help jobless families and with looking at how we help sole parents make transitions into the labour force—is that there are so many jobs where we currently have shortages and we are only going to continue to have shortages in the future where skills that are developed through parenting are absolutely imperative. I am not suggesting those skills are developed exclusively by women, but they are developed by people who have undertaken parenting roles.

Some of the areas in which we are going to have severe skill shortages in the future are around caring responsibilities. We have massive shortages in the child-care work force at the moment, partly due to atrocious pay and conditions. That needs to be addressed if those areas are going to be attractive to people. With skills that people develop as parents, you might not have a piece of

paper so that you can go and say, 'Ah, there's my TAFE certificate in being a mum or dad,' but you certainly have skills, and they are skills that can be used in areas of emerging skill shortages. So there are methodologies in which Job Network providers and Centrelink agencies can gain a more complete understanding of the skills that an individual has rather than focusing exclusively on areas in which they are deficient.

**CHAIR**—Regarding the aged care sector, we heard from a witness up in Queensland that, if we had a recognition of prior learning system in place, a lot of the people who have tended their loved ones during times of great need could then move into the aged care sector if those skills were recognised.

**Prof. Mitchell**—On that issue, we have recently done—

**CHAIR**—It is just that I know we are running short of time.

**Prof. Mitchell**—I will be 30 seconds.

**CHAIR**—I have at least another 10 questions, but I am not sure I am going to get through them all.

**Prof. Mitchell**—We have just done some commissioned research for Centrelink. I am not really at liberty to disclose the results of that, because it is their work. It was on a very creative outreach program for homeless people which delivered Centrelink services in a totally different way. Centrelink said to themselves, 'The way we deliver services to these very disadvantaged people is not working.' They were keen to reduce the amount of breaching et cetera due to administrative issues. In general, I can talk about this. The overwhelming result is that they have created a new way of delivering outreach services to these people—and we have run focus groups with these people—and have brought a new recognition. Our characterisation of people within conventional paradigms is probably misplaced. When you actually work out a way to communicate with these people, they have more skills than you think. They are disadvantaged because of the way our government, our educational systems and our other systems recognise their skills, but they do have skills. If you give them paid work opportunities, those skills can flourish. You just need some creativity.

**Ms HALL**—The committee has received evidence from Professor Saunders of the Centre for Independent Studies—

**Prof. Mitchell**—The alternative one. There are two of them!

**Ms HALL**—I will throw in a couple of ideas that he has put to the committee and see your reaction to them. The first idea is that it is useless directing any policies or programs towards people when they leave school because—and I think there could be a strong correlation between what you are recommending and what Professor Saunders was saying—if they failed at school they were just not interested in doing anything else, so just leave them and let them grow up and move on. But maybe your answer to that would be, 'Let's put them into a job development program.'

**Prof. Mitchell**—I am not sure that we actually said that, but anyway please go on.

**Ms HALL**—That is my interpretation. His other idea is that the only area that it is worth while putting any significant effort into is women who had been out of the work force and were now returning to it. Mature aged workers, particularly blue-collar workers, were not going to get back into the work force, so therefore the effort directed towards that should not be significant.

**CHAIR**—Just so that we get it correct, what Professor Saunders was putting to us—based on research from 20 OECD nations—was a value for money issue. The training dollar is far better spent, you get better value for money for the training dollar spent, on women returning to the work force than on any other cohort. The return for your dollar in other groupings is far less than it is on women returning to the work force.

**Ms HALL**—Where I was going with the question I was asking is that, in some ways, there is a correlation between what you are both saying: he is saying training, you are saying training. You are also saying that the best option is to get people into the work force and to give them full paid work at a basic or minimum wage level. I would like you to comment on that in that context.

**Prof. Mitchell**—There has to be a range of approaches to youth. The introduction of a job guarantee provides a range of opportunities for a certain component of 15- to 19-year-olds. If a 15- to 19-year-old, for whatever reason, is lucky enough not to have to work, does not want to go to school and has parents who are willing to support them, then that is a separate issue. We do not have a doctrinaire position that you have to be in this category or that category.

What we observe is that a number of people in the 20 to 24 cohort and beyond are severely disadvantaged because they broke their attachment with the economy—that is, with mainstream activities—in the 15- to 19-year-old group. They broke it because they could not cope with the education system and there was nothing else for them to do. They did not have a semester off, so to speak, to find themselves; they lost themselves. They need paid work opportunities immediately, not welfare. If they do not want to go to school but they have not got another income source and they need that, then that is what the job guarantee is for. It is essential.

**Ms HALL**—I think the one similarity between you and Professor Saunders is that you say work is the answer. Probably the way you would do it is the thing that is quite different.

**Prof. Mitchell**—I would provide training pathways for everybody, but only in paid employment. The evidence is that the effective rate of return on training comes from it being constructed in a paid employment structure. The reason the OECD report high rates of return for more mature people is that they more easily benefit from the training by finding the few job opportunities that emerge from time to time. The youth are severely disadvantaged in the labour market in competing in the queue, and that is why you do not get the same rate of return. Under our proposal, you will get the same rate of return for everybody who participates in training, because they will all be able to start work.

**CHAIR**—Let us go to some of the basics. What are the types of jobs that you envisage will be part of the community development job guarantee?

**Ms Cowling**—We list a number of them in the paper.

**CHAIR**—You mention environmental type projects—environmental renewals, personal care and so on. My concern there is that these people will be working alongside those who are employed within that sector. This group, as I understand it from your proposal, would be managed by a local government authority or some sort of community organisation.

**Ms Cowling**—Yes.

**CHAIR**—So they could be working alongside people who are actually in the industry. Have you looked at the social consequences of that in the work force?

**Ms Cowling**—One of the things that we are very interested in is what role mature age unemployed people can play as supervisors, mentors and trainers within the job guarantee program. I am not really sure what your question is oriented to, when you ask about the social consequences.

**CHAIR**—You will have people who have come through the normal employment stream into that particular industry working alongside people who are part of a pool and on a federal minimum award. Do you envisage employment barriers, or even integration barriers, there?

**Prof. Mitchell**—The construction that you have made currently exists, because there are people who have come through the normal employment process—as you referred to it—working with people in the private sector on minimum awards. If you are referring to the fact that these jobs would be stigmatised, which is a real danger, then at the moment the people are highly stigmatised anyway as unemployed or underemployed people. That is reinforced by the fact that the construction of their status is that it is their fault—that they are lazy no-hopers. What we would argue is that you can change the possibility of stigma by education and by the way in which these things are constructed. If the government came out and said, 'Listen, this is an exciting new era for us in terms of community development. We're welcoming people back into the paid work force. They're coming in at this level and it's up to them to move forward, but they are contributing,' that would put a different spin on the events than if the government said, 'You've got to tolerate these people in a scheme.'

**Ms HALL**—Isn't the idea underpinning your whole philosophy that the community development job guarantee would be real jobs for real people and that they would be part of the real work force of the community?

**Prof. Mitchell**—We do not anticipate any phantoms in the jobs.

**CHAIR**—I am looking at the structure of it. You are saying that the pool of labour will be managed by the local authority.

**Prof. Mitchell**—We are not putting these people out on a lot on their own. These people are being integrated back into job opportunities. If you go back to the Spencer Street rail yards, the day labour were interacting with permanent Spencer Street staff. I did not feel stigmatised.

**CHAIR**—So there could be a pool that works with the Newcastle Port Corporation, another pool with the rail yards and so on.

**Prof. Mitchell**—Exactly.

**CHAIR**—It is not just simply one pool of labour.

**Ms Cowling**—It is a key difference between the way we have conceived this program and Work for the Dole programs. It is not just getting your group together and saying, 'Here's your three-month project and you'll all to wear orange vests' or something like that. You are out there on your own and you have one person in charge. These people are going to effectively be paid by Commonwealth funding because the Commonwealth has responsibility for employment. The Commonwealth will make payments for local government to provide minimum award wage jobs which can be integrated in local government structures in whatever way best suits the type of work that is being done.

**CHAIR**—How do we control some of these authorities not using the pool as an opportunity not to create a full-time job?

**Prof. Mitchell**—I think that is a real danger. No system is perfect and every system requires structures of accountability and feedback. I think that is in the operations. It is a danger that you could get capricious employers who want to substitute jobs, which is going on anyway as we speak in terms of substituting full-time for part-time and so on. I think that is in the operational design. How do you discipline Job Network providers from not taking advantage of their contracts? You have systems of checks and balances. Every system of public funding needs checks and balances.

**CHAIR**—I see that there is a major difficulty. We already have a problem with cost shifting that takes place between state and local government. It could very well be a shifting that takes place with this pool.

**Prof. Mitchell**—There is a possibility of that. One thing I would add is that the way we construct the job guarantee is that it would be run through local governments and local not-for-profit organisations. Our American colleagues who advocate the same scheme in America say that it could be organised through the private sector. There is no reason why the private sector could not compete for job guarantee jobs.

**CHAIR**—You made some comment about tax credits. There are witnesses who have put that forward as an option. Could you run through your concerns about the use of tax credits?

**Ms Cowling**—The point that Bill made at the end of his comments is that, once again, there is no problem with tax credits in principle, but tax credits as a key job creation strategy is a very expensive way to go about creating very few jobs. You are operating through indirect mechanisms and creating incentives, and that suggests that the reason individuals who are either outside the labour force or who are part of the labour force but unemployed are not making a transition from welfare to work is because of poverty traps—the effective marginal tax rates are too high. That is probably the case for a pool of those people. However, our point is that, even if you introduce a tax credit system, you still have to have jobs. That is the thing that we keep forgetting in this debate. If Peter Saunders at CIS wants to go big on training, we still have to ask: training people to do what? We still have to have an emphasis on jobs. The point we have made and the reason we made a comparison with the research that was commissioned by the

*Australian* from the Melbourne institute was that when they looked at returning the proceeds of bracket creep post GST through an income tax credit system—which had the same net cost to government of about $2.7 billion—the maximum number of jobs that they would deliver was 79,000. They thought they could get a range between 34,000 and 79,000 for $2.7 billion—an expensive way to generate jobs.

**Prof. Mitchell**—We have no ideological problem with tax credits, but they are not the solution to full employment. They may be the solution to some employment and to some other individual issues about giving more purchasing power back to individuals, but they are not the solution to full employment.

**CHAIR**—Do you have any last comments to make before we close?

**Prof. Mitchell**—We urge the committee to advocate to the federal government the creation of a job guarantee in the Australian economy as one small step towards restoring proper macroeconomic responsibility.

**CHAIR**—Thank you very much for coming today and presenting your proposal. It is very well thought out and very extensive in its research. We may need to get back to you; if so, we will give you a call.

**Proceedings suspended from 10.26 a.m. to 10.38 a.m.**

**DAY, Mr Shawn, Manager, Economic Development and Tourism, Newcastle City Council**

**PENSON, Dr Barbara, Chief Executive Officer, Hunter Councils Inc.**

**CHAIR**—Welcome, Dr Penson and Mr Day. The proceedings here today are formal proceedings of the parliament. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The committee prefers that all evidence be given in public but, if at any stage you should wish to give evidence in private, please ask to do so and we will consider your request. I invite you to make some preliminary comments and then we will move on to general discussion.

**Dr Penson**—By way of introduction, I would like to explain a little about Hunter Councils. The organisation represents the 13 councils in the Hunter Valley. We are a not-for-profit organisation. Our role encompasses cooperation and resource sharing, advocacy, business investment and organisational development, which is now based on a corporate model. As such, we have formed a trading company, separate from Hunter Councils Inc., and are actively pursuing commercial opportunities by providing services to councils and others, including training, regional purchasing, environmental research and programs and most recently the construction of a $3 million records repository. Any benefits from our project of course will be returned to the community via Hunter Councils and our member councils. Under our cooperative banner, the 13 councils share professional expertise. Approximately 20 professional teams share intellectual property. Several councils share staff. Shawn Day is representative of the economic development officers that work for the various councils. They meet to share their skills and experience and to progress economic matters of a regional nature.

This background demonstrates that not only are we well positioned to make submissions on behalf of local government in the Hunter but the strength of the relationship between the councils demonstrates our capacity to deliver programs and projects on a regional basis. You have before you a submission on behalf of Hunter Councils which has been considered and endorsed by the economic development officers and general managers of our member councils. Our board, comprised of elected representatives—both mayors and councillors—has similarly endorsed the proposal. I will not speak to the detail of the proposal as I am sure you have had an opportunity to canvass it. Our submission follows the more extensive submission from CofFEE. However, I would like to take this opportunity at the hearing level to reinforce the proposal and to table a few preliminary remarks with regard to how such a program may be implemented and the necessary criteria to ensure its success.

The successful implementation of such a program could lead to further benefits. The CofFEE proposal suggests that the benefits in terms of community life can be measured in financial terms through reduced social disharmony. In support of the program, Professor Tony Vinson has studied the range of medico-social problems in Newcastle and identified that the problems of a state or region tend to be concentrated in a small number of localities. In Newcastle, problems like infant mortality, low birth weight, dependence on relief, notifiable diseases, unemployment, mental illness, crime and truancy were concentrated within just seven of Newcastle's 72 minor

suburbs—5.5 per cent of the city's then population. The seven suburbs contained two to three times their share of the problems mentioned. The professor's research, as reported in the *Sydney Morning Herald* this week, refers to Windale—which I have to mention is actually in the Lake Macquarie LGA—which is still in the worst five per cent of New South Wales postcodes on many disadvantage indicators.

To put a personal face on it, the article focuses on Coral Sandford, a mother of five and grandmother of seven, whose 25 years of unemployment and welfare dependency have come to an end due to the Hunter Community Renewal Scheme. She graduated from a course in October and now works for a health agency that helps sick and disabled people in their homes. I want to quote her words: 'I've always wanted to be a nurses' aide; it's just taken me 30 years to get here.' Work in our society is linked with much more than income—as important as that is. It links us to our forms of identity, our place in the social structure, friendships, connectedness to the community and, hence, our feelings about the purpose and value of our lives. I want to quote from research by Professor Richard Layard of the London School of Economics:

> On average, the loss of happiness suffered by people who are unemployed is three times greater than the loss of happiness suffered by people whose family income drops by a third relative to average income.

I will now move on to discuss some broad issues of implementation. We believe particular strengths and, indeed, requirements for success of such a program as community development job guarantee from a local government perspective should focus on job creation at a micro or local level. It is important that the opportunities that are identified do not compete at a macro level with the economic supply-demand dynamics and that the jobs are locally relevant so that the impetus begun by the program can be sustained. It is futile to prepare the unemployed for the work force, if we focus on skills and competencies for jobs that are not locally available.

A targeted skills based program would provide for strengthened employability resulting in an enhanced economy and reduced demand for government support. For example, a major regional issue is weed control. It is estimated by the CSIRO that weeds cost the Australian community around $4 billion per annum in control measures, lost production, contamination of produce and loss of biodiversity. There are about 1,000 introduced plants that are considered weed species and new species are being added each year. They threaten agricultural production by competition and contamination, animal and human health by causing allergic reactions or poisoning, and native flora and fauna by reducing the available food sources and the nesting or breeding sites.

The current expenditure for declared noxious plants in the Hunter and Central Coast councils is in excess of $800,000 per annum, and figures for programs to control environmental plants would be commensurate. These are already funded by government programs. The skills required to control the weed problem could be transferred to other environmental work, whether it be remediation, erosion control or, indeed, landscaping. This example can be replicated into a broad range of projects where the work can enhance the wellbeing of the community and strengthening of industry. Port Stephens, for example, is seeking support to manage the mosquito population within its area, which impacts on the health of residents and is also damaging to tourism.

In terms of implementation, our economic development managers have highlighted the following as concerns or constraints to successful implementation on the ground for local government: the requirement for suitable project managers or coordinators to facilitate the

introduction and operation of specified programs—the skills and abilities of these project managers are sometimes underestimated, even though with past experience we can conclude that the program is highly reliant on these individuals; the provision of all the materials and tools to undertake the identified project or program—these materials and tools can range in diversity from computers to plants or building materials and so on; and, of course, as has been previously mentioned, training to bridge the possible knowledge gap between projects being undertaken by the individual, and appropriate training, including OH&S, to not only fulfil the requirements of that project but also to set the stage for retraining, multiskilling and so on.

Hunter Councils support the view that the Hunter would be a suitable environment in which to trial such a project. I understand that CofFEE is undertaking research as to how such a program might be trialled. However, I offer for consideration the following remarks. It is considered that successful implementation which could lead to expansion and entrenchment would need to have input from a range of community players who have strengths in various fields. We propose that a feasibility project be commenced, which might take the form of a committee comprised of interested parties with representatives from Hunter Councils as a local government regional coordinator, the Hunter economic managers forum and/or community development team, the Hunter Area Consultative Committee, the University of Newcastle, the Department of Employment and Workplace Relations, Centrelink and potentially others. This group would work in concert with the research currently being undertaken through CofFEE to contribute their experience from the local level and from previous schemes as to the necessary parameters required for successful implementation. The group could also work to identify a suitable community in which to conduct a trial of the program to determine the resources required and the most practicable form of work project, which is necessarily aligned with the needs of the location and the likely competencies of the incumbents.

In conclusion, I would simply like to say that Hunter Councils, representing the 13 councils across the region, endorses the concept of the proposed project for the community development job guarantee. We offer our support for the concept and practical support for implementation. Our primary concern is for the success of the project, which at a micro level is dependent upon the resources available for implementation, and the consideration to the needs of the community and the links between the jobs identified and the local economy. Thank you for this opportunity to speak to our submission.

**CHAIR**—Thank you, Dr Penson. Mr Day, do you have any opening comments?

**Mr Day**—In essence, if I was to summarise the submission or the position being put forward, it would probably boil down to three things. What we are suggesting through this proposal is that the issue of joblessness obviously requires a balanced response which focuses on the demand side of the economy as well as the supply side. On the supply side, the role of government has been to create an environment that is conducive to investment. It does that at all three levels. On the demand side, we are suggesting that the job guarantee proposal be looked at very seriously as a mechanism to stimulate that side of the economy.

The second point, reflecting on the role of local government, is that a job guarantee type project would require strong participation from local government. Possibly one of the key implementing agencies would be local government; there might be others that one could

consider. But local governments are not resourced for that. They do not have the revenue for that, and so for the project to go anywhere would require a draw-down from the fiscus.

The third point we are making here is that we are suggesting that the Hunter region, or parts of the Hunter region, be used to trial a pilot job guarantee project to see how implementable it is. What we have on the table now is a concept which has been worked through to a level of definition. What we are proposing is that we need to move from the concept into something that will enable us to trial a pilot on the ground. As a result of that, to get to the trial period we need to look at a prefeasibility investigation, which will enable us to look at a range of issues—such as how a job guarantee might work, operationally, on the ground and what will be the operational design required to make it work institutionally, organisationally, resource wise, capacity wise, infrastructure wise et cetera—and put us in a position to come back to the Commonwealth government, and other levels of government, and say, 'Here is a model which we'd like to test in our region and, along the way, define where a useful test case might be, how big it might be and how long it might take to implement.'

**CHAIR**—Let me start where I ended with the previous witnesses. If these projects and these jobs are highly needed—if there is an imperative for them—why can't the 13 councils embark on employing people to do these jobs right now? Are we just seeing a project which will be used for cost-shifting purposes?

**Dr Penson**—I do not believe so. I believe that the resources of local governments are stretched beyond their capacities to supply all the services that the community would desire. I have focused on weed management because I think that is an excellent exemplar of the sorts of issues that we have. The Hunter has fabulous diversity, and people choose to live here because of the environmental benefits that it offers. But we are losing them. I do not know that I appreciated the impact of the weeds issue until I came into this role, and I think to a number in the community it is seen as being a low priority. But the encroachment of noxious and hazardous weeds is impacting the loss of our diversity—the loss of our native flora and fauna—and it has a significant cost on agriculture in terms of its impost on production. We have small resources that are committed to this. It is a battle that we are losing. All we can do, really, is try to hold back the tide a little. We are not successful; there are small amounts of government funding that come through for identified noxious weeds and, while we do what we can, it is certainly a battle that we are losing. We could spend as much money as we could get to fight that battle for the benefit of the community and the economy, but the money is just not available to do that kind of work.

**CHAIR**—So through either state or federal environment departments—I do not know what the department is called in New South Wales—there are not sufficient funds or grants available to tackle the problem?

**Dr Penson**—The infrastructure for getting moneys to fight this problem is somewhat convoluted. I say that with respect; it is just that I come from private enterprise and it has taken me a little while to get my head around it. But there are moneys available through the Department of Agriculture for declared noxious weeds. The weed has to be declared first, and then we can draw down moneys for those particular weeds. The money then must be distributed to local governments, depending on the need in the area. There is also money that comes down through the Natural Heritage Trust, and there are small moneys available within councils. The emphasis is that the problem is enormous.

**CHAIR**—There is also the regional assistance program. The ACC should be working to get through that pool of money that is available.

**Dr Penson**—Yes, there are some moneys available. I suspect that the major focus is on community development issues, but I guess it is more that the mountain of work that is available to be done and the amounts that we can currently direct towards that are very small in comparison.

**CHAIR**—So, getting back to the other half of my question, how do we ensure that we are not seeing cost-shifting taking place?

**Dr Penson**—There is a small risk for that to occur should those agencies then cease to deliver funding for weeds management. With the deepest respect—and this is my opinion, not that of Hunter Councils—I perceive that those sorts of moneys are getting harder and harder to obtain as we presently speak. Hunter Councils at the moment has a funded position through the Department of Agriculture, Fisheries and Forestry as a regional weeds coordinator to endeavour to fight our battle on a regional front rather than perhaps piecemeal. That funding ends at this financial year. I am not sure how we continue that battle into the future.

**CHAIR**—If it gets to a trial of it and if the trial is funded, would you envisage it being for 12 months or two years? What time period are you looking at?

**Dr Penson**—I personally would like to see it continue for a period of years because I believe—

**CHAIR**—It is a trial to begin with. We have to do an evaluation of it.

**Dr Penson**—Of course. I see perhaps three phases: the prefeasibility, which could take a few months as we discuss the appropriate structure and process for this to be delivered and identify an area; then, perhaps, a six to 12 month trial; and then I would like to see a program interplanted a little bit broader. But there would need to be a commitment to it for a number of years to see the outcome.

**CHAIR**—My concern with the CofFEE proposal, which I have been thinking about since the end of our last witness group, is that we have a pool of labour that will be doing some defined jobs which have been identified in this case in what seems to be a critical area of need in the Hunter Valley. There is no plan for those people to actually move through, so they are not transitory jobs. But it is seen as a pool of labour. What happens with the next batch of young people coming through? Where do they go? If this pool of labour is going to be there for however long it is going to be and there is no training or transitionary component, that is fantastic for those who are looking for jobs and are unemployed now, but what about tomorrow's kids who need jobs and are wanting to get into it as well? What do we do with them? Do we just simply grow the pool larger and larger until we eventually find that the Commonwealth is the single largest employer in the entire Hunter Valley?

**Dr Penson**—I would like to focus on what the concern is. Is it that the work would run out or that these people would be receiving funds which I perceive they would be receiving anyway as unemployment—

**CHAIR**—No, I am saying that the work is actually there for those who are unemployed today and that is fine for them. They are not transitory positions and they are there for however long they want them. What happens to the next pool of people coming through?

**Dr Penson**—I have no doubt that there is plenty of work out there.

**CHAIR**—That is my point. Therefore the pool gets larger and larger and the CD-JG becomes probably the largest pool of labour in the entire Hunter Valley, which makes the Commonwealth the single largest employer.

**Dr Penson**—I would perceive that the alternative would be that they would be receiving benefits.

**CHAIR**—Or you put your money and efforts into making other changes in the labour market, whether it be through regulation, through the tax system, through other employment training programs or through the promotion of the apprenticeship schemes or whatever it may be. Recognition of prior learning is one exercise and there could be other things as well.

**Dr Penson**—I do not disagree. I am not a sociologist or economist. I would imagine that a multipronged scheme would be the way to go. But, as I understand it, the focus of this proposal is that it is for the long-term unemployed. As you would appreciate better than I, this region has gone through significant macro structural readjustment. There has been a very heavy focus on manufacturing and, indeed, mining. Both of those industries are significantly reduced in terms of the work that is available and the nature of the work that is available.

The nature of work in the Hunter Valley is changing significantly to service based industries. Perhaps the proclivities of those people who are currently unemployed do not naturally fit them to some of the work that is becoming available. One of those that I am aware of is the hospitality industry. We have a very strong need for labour in the hospitality industry. There is a lot of effort from the tourism industry to attract young people into that industry. I am being a little circumspect with my words here. In families where the primary breadwinner in the past has been from a heavy manufacturing industry, it is a bit of a culture change for the children of those families to come into a different type of work. Yes, a need is there. How do we skill up those young people for the work that is available within the Hunter? Nonetheless, we still do have a very large pool of unemployed people who have been out of the work force for a long period of time. Perhaps their skills do not necessarily fit them to the hospitality industry and perhaps, because of the family experience of younger people, their tendencies do not lead them to that field either.

I have no doubt that a considerable amount of work is available and that we can keep people genuinely employed in roles that benefit industry. I know that the benefit from eradicating such things as weeds, mosquitoes and so on can improve opportunities for tourism. I will lightly touch on the issue of mosquitoes in Port Stephens. It is a large problem which does not really live with anybody totally. I have been in a meeting of state government agencies where the major discussion was about whose responsibility it is: is it the responsibility of local government, Health or Parks? Whose issue is it? The end result is that the community is being affected by ill health, and it is a real detriment to tourism. If we can address this issue and resolve it, then hopefully it will allow more positions to be created in the tourism industry.

**CHAIR**—I noticed from your submission that there are varying degrees of unemployment in the Hunter—from about 4.5 per cent in Singleton right through to 13.2 per cent at the Great Lakes, which is three times more than Singleton. Why are there varying levels of unemployment? What is Singleton doing that Great Lakes is not doing? Or what does Singleton have that Great Lakes does not have?

**Dr Penson**—It is a fascinating area. I come from Melbourne also, so I can perhaps relate a little. A number of smaller pockets have a fascinating history. Should you wish to be bored anytime over dinner, I am happy to go into it. Singleton has moved through a number of transitions from being primarily a mining industry, and in the past mining was significantly labour intensive. It has been mechanised, moving to long-wall operations, a large capital investment in trucks and so on. The nature of the work has become more sophisticated but less labour intensive. Because of the good wages paid in that industry, it is able to attract, in particular, skilled people. It attracts a certain type of person to that region.

**CHAIR**—That is fine for skilled labour. But what about the unskilled and the semi-skilled?

**Dr Penson**—That is precisely my point.

**CHAIR**—Singleton has only 4½ per cent unemployment.

**Dr Penson**—Because property values increase and the people who may have previously been in that industry or resident in the area move to areas where housing is cheaper, such as Cessnock, the problem is exacerbated. The population in Cessnock grows and the opportunities for work in that region are very low. Great Lakes attracts a retirement population—again, because of lifestyle, the ageing work force and housing prices. There is a significant variety in property—having searched for one, I can very well attest to this—and there are extreme disparities in housing prices across the region. For example, to get a property on the lake at Lake Macquarie, you would need at least $1 million. If you go two blocks back in any of these areas, you pay $200,000. The opportunities for homes, lifestyles and jobs are very disparate across the region, and the lines of demarcation can be very narrow.

**CHAIR**—I have one last question before we move to Jill. What other alternatives have Hunter Councils looked at to address the labour problems that you have here? Obviously you cannot put all your eggs in one basket, hoping that the CD-JG is going to get up and running. So what else are you doing?

**Dr Penson**—Councils themselves are heavily involved in this. Hunter Councils in itself is not. I joined the organisation about two years ago, when we had two or three staff, and I have been working assiduously to drive that up into an environment where we can grow and develop and deliver more resources. But I certainly do not have the capacity within our organisation to address a program. Of course, the councils themselves have tight constraints. We have a cap on rates in New South Wales which constrains our capacity to grow the revenue base. So our opportunities are very limited. There are a number of state based programs that are working on issues. The renewal project I mentioned is state based. That, intriguingly—and I heard your remarks before—is based on an assets based model. It goes into the community and determines what community assets, competencies, attitudes and skills predispose them to certain types of work and then tries to build on that. But these programs are, of their nature, generally short lived

and perhaps not so focused on driving towards an employment issue. I believe in driving something towards genuine employment, which can lead people back into the normal employment world—and again I refer back to the weeds or other environmental programs which can be replicated where the money in the private sector is.

**CHAIR**—The reason I asked that, Dr Penson, is that when we went to Queensland we heard from the Logan City Council, who were trying a very innovative program. They established the Logan employment task force. They had a pilot scheme involving an employment development officer to coordinate access to services for unemployed people. That would include employment, education, training, health, business and industry pathways. It was very much a holistic approach to tackling the area of unemployment. Have the councils thought about doing something along those lines—having a holistic approach to providing employment services to the unemployed?

**Dr Penson**—I would have to pass over to Shawn. He is more locally experienced.

**CHAIR**—The reason I say it is that I would hate to think that the entire future of the Hunter is dependent on the CD-JG getting up. You have to be looking at something else.

**Mr Day**—The point that I began with was that, philosophically, our approach to joblessness is that there should be a balanced approach. The demand side of the economy is the subject of our job guarantee concept. The supply side is historically where local governments in particular have focused, because of the way that local governments are resourced and the kinds of things that we can impact on and have control over.

I can speak for Newcastle as a case. I think there is a fair amount of variability within the Hunter region in terms of capacity. In a nutshell, in Newcastle the focus has been multipronged. We have a focus on one hand on trying to encourage business development as a way of generating employment. That is obviously an indirect and fairly blunt tool when it comes to joblessness, but it works; there is a role for it. There is also an approach which is strongly directed by Newcastle's social plan, which is towards the work force and identifying ways of making the work force more employable. A lifelong learning project has been rolling out. We have been involved with that group. It is a project which involves a number of stakeholders—not just the council but service providers in other parts of the public sector and also the private sector. That is one approach.

At a very local level, in one of our suburbs, Mayfield, we also very recently carried out a project which is focused on piloting the establishment of a local cooperative to enable people to generate income sources by creating local products which they can sell to local markets. That has been a little project which we have trialled. That is given the constraints, firstly, of what councils have in terms of their revenue base and, secondly, of process, of putting together the relevant stakeholders and role players to make something happen and to get their buy-in, in a nutshell.

**Ms HALL**—I am not going to talk any more about the community development job guarantee proposal. I think the proposal has got merit but I do not think that Hunter Councils Inc. is the organisation that should be the implementation and administration body, because I think there is a conflict of interest there. I do not think it is appropriate to talk about it anymore. I think that it has already been spoken about in great depth this morning. I am really interested to look further

at the leadership role that local government and you, representing Hunter Councils per se, have in promoting employment within the communities. I know within my own area that Lake Macquarie Council is the largest employer. What commitment do local governments have to promoting and leading their communities to promote full employment? You have talked a little bit about Newcastle, but what about a general philosophy?

**Dr Penson**—I can only endorse the comments that Shawn is making about Newcastle: I see that replicated across all the councils.

**Ms HALL**—Can you give me examples, please?

**Dr Penson**—I guess they vary, because the councils vary so much. Lake Macquarie and Newcastle have considerable populations. We can go up as far as Merriwa, which has 1,800 people. So their capacities and the outcomes vary wildly. We can talk about the Lake Macquarie programs in Newcastle, which are extensive, because they have the infrastructure and the support and, to a limited extent, the revenue to drive those programs. But they can get down to as colloquially as perhaps Gloucester Council. Again, it goes to whether or not many people in the area are driving programs to address the restructuring of industry there. The dairy industry has gone through significant restructure. 'Significant' is a kind word, I guess. As the small abattoir closed down in Gloucester, the general manager employed the staff—it was the only opportunity available to him—and brought those on board. It is as colloquial and as practical and pragmatic as that, I guess. Given the different sizes of the councils and their different economic bases, I see them all pushing as hard as they can with what they have available to them. Shawn could probably speak better to that than I could, being part of the economic development managers group.

**Mr Day**—In essence, as you are probably aware, in relation to the approach to economic development in the Hunter region as a whole, there are a number of agencies that have a role, particularly within our region—local government just being one sphere of it. I think possibly one of the roles that Hunter Councils—and I do not think I am too wrong in saying this—as an agency performs is a leadership one. It is a question of Hunter Councils providing a collective voice for the local governments in the Hunter region to say to state government or to the Commonwealth or to organised business or organised labour: 'There are issues that are of concern to the people who live within our communities. We are trying to provide some leadership.' The issues might range from infrastructure to joblessness to issues of process about local governments and how they do their business. I think that would probably be, in summary, one of the key roles of Hunter Councils as an agency. That is the leadership and advocacy role it performs with regard to the other agencies within the region. We are talking about a region which is resourced perhaps through agencies such as the Hunter Economic Development Corporation. We have a regional manager of the Premier's department. That is within the state government. We have the Hunter Area Consultative Committee, which gives us a link through to the Commonwealth, as well as regional managers for AusIndustry and Austrade and those kinds of organisations. So coordination, leadership and advocacy are probably it, in a nutshell.

**Ms HALL**—My next question refers to Dr Penson's opening comments about Tony Vinson's report, which was released this week. She referred to the urban renewal scheme within Windale, which just happens to fall within the electorate of Shortland. I am very aware of the contributions that have been made by the state and the Commonwealth. I would also like to refer

to the seven other areas of disadvantage that come in under other councils within the area. I know that another one is within Lake Macquarie and others fall within Newcastle. What initiatives and support has local government given these disadvantaged areas, particularly looking at the commitment of councils to promoting initiatives within areas of poverty and disadvantage and supporting the other levels of government?

**Dr Penson**—If I may, I would like to defer to Mr Day because of his closer association with the detail of what happens on the ground in local councils.

**Ms HALL**—I would not have picked up on it so much if you had not used it to demonstrate in your opening comments.

**Dr Penson**—My concerns are the limited capacities of local government. From what I perceive, they are all stretching themselves to provide what services they can. There are community development officers within most of the larger councils, anyway, whose job it is to interface with whatever agency support they can get and with the programs. Cessnock, I believe, has a very strong program.

**Ms HALL**—Yes, Cessnock Council is another area of disadvantage.

**Dr Penson**—They work very strongly with the state agencies on the renewal project in Cessnock. The presence and the outcomes of the projects that I have seen, such as drug and alcohol projects, projects for the Indigenous population, community transport, child support and aged services—and certainly the transport one has taken some lateral thinking as to how those services can be delivered—absorb a considerable amount of resources and interest and many of them are extremely successful. The assets based management scheme that I have heard a little about is also working very successfully. But, again, I just refer back to the limited capacities of local government, with their restricted financial capacities, to deliver.

**Mr Day**—I am at a disadvantage in responding to the Windale issue, I am afraid.

**Ms HALL**—My next question once again goes to the leadership role of local government. Are local governments within the Hunter promoting and employing apprentices? What is their commitment to the training of young workers?

**Dr Penson**—I do not have any figures on that matter and I am not aware of the detail of it. Again, I would defer to Shawn, if I may.

**Mr Day**—In the case of Newcastle City Council there is an approach towards taking on trainees. I cannot tell you how many, but there is a formal approach to taking on trainees. The local government sees itself as a place for young people to develop skills and learn. Obviously, the rate at which it can do that is constrained, but it sees itself as a place which takes some trainees. We also take people through work experience and I think many councils do that as well. We have approaches towards Indigenous employment, not necessarily within the council formally, but we encourage employment of people within the community in addition to council. Fourthly, on the issue of migrants coming into our communities, through the social planning unit of council we have been working very closely with the Migrant Resource Centre and other agencies to develop a council policy on what we can do and how we can organise facilities and

opportunities, so that when people come to our community as migrants and English is not their first language, things can be made a bit more convenient for them.

**Ms HALL**—I have two more questions. I understand that within local government there has been quite a casualisation of the work force and that a lot of the people who work for local government are actually employed through labour hire firms. Can you give me some idea of whether there has been an expansion or a contraction of employment in local government within the Hunter region?

**Mr Day**—I am not quite sure how to respond to that. Again, talking about the Newcastle case, my sense, and I have been employed at Newcastle City Council for five years now, is that the number of people employed within council as a whole tends to fluctuate; but that is within a percentage point or two, so it has been fairly stable. As far as employment is concerned—and I stand to be corrected—I have not seen, in the case of Newcastle City Council, there being—

**Ms HALL**—Is there a commitment from local government within the region to a full-time permanent work force?

**Dr Penson**—I have not seen any examples of it being otherwise, so unfortunately I cannot respond to that.

**Mr Day**—In the case of Newcastle City Council, within my unit and within the department in which I work I can see a stronger emphasis towards people wanting to enter into part-time relationships. Whether that is casualisation or 'part-timeisation', I am not sure. But there is certainly that degree of flexibility in which the organisation is trying to respond, as I see it—not being a human resources manager—to demands within the workplace, particularly from women wanting to raise families and therefore spend time balancing work and family.

**Ms HALL**—That leads into my final question, which is about the commitment by Hunter region councils to implementing family-friendly work practices and work places. What kinds of plans are in place, and is there a general commitment to that? If there is a commitment, how is it hoped to bring that to fruition?

**Dr Penson**—I can only speak to the evidence that I have seen and, indeed, of the examples of job sharing that I have observed within Newcastle in particular. We have a major project at the moment that is headed by a duo who seek to job share, and that is working very successfully. Within my own organisation we have a very small team, but similarly a few of those employees are moving through a range of employment styles as it suits their personal circumstances at the time, whether that be full-time employment or a break in employment. I have one person who is currently working from home when the time fits in with her family demands. I have another person who is about to take family leave and then return. The variations on a theme are as many as the people involved.

**CHAIR**—Have you had any discussions on your proposal with anyone from the department? Where is the CD-JG proposal at at the moment? Has it progressed anywhere?

**Dr Penson**—No, it has not. My discussions have been with Professor Mitchell. We discussed the concept. Within all the councils it has been discussed and the merit has been identified. As I

say, given the nature of the Hunter—its extreme disparities—there are real pockets where we believe such a project would really make a difference into the future.

**CHAIR**—So there have been no discussions with the Department of Employment and Workplace Relations or with the Department of Transport and Regional Services?

**Dr Penson**—There have not been any discussions at all.

**CHAIR**—I understand they have a research grant to do some analysis of the types of jobs and what interest there is.

**Dr Penson**—I believe so.

**Ms HALL**—But Professor Mitchell has made some contact?

**Dr Penson**—Yes.

**Ms HALL**—You are talking about yourselves, aren't you?

**Mr Day**—That is correct. I cannot speak for others, but my understanding is that this concept is probably not news to parts of the Commonwealth within our area. There are a number of reasons why I say that. What we are doing today is perhaps part of the formalising of the process—putting the agenda on the table.

**CHAIR**—Do you have any last comments?

**Dr Penson**—I have no comment, but, if I am allowed, might I ask a question?

**CHAIR**—Yes, a very brief question.

**Dr Penson**—I will, if I might, because I was intrigued by one comment. I do not perceive that Hunter Councils necessarily need to play a role in this per se. The project, indeed, could be run out by independent LGAs as it affects their work. But you mentioned a potential conflict of interest. I was not sure what basis that was on.

**Ms HALL**—My mention of a conflict of interest referred to the possibility that Mr Barresi referred to—the transferring of costs from local government to the Commonwealth. Currently, the conflict of interest would be in whether you employ them directly. If you have a job that normally you would bring somebody in for—maybe you would use labour hire or employ someone in that position—you have the opportunity to draw from a pool that you are administering. So you are the body that is funded to look after it and at the same time you would be the body that would be using the labour pool that you would be funded to, in a sense, administer and oversee. So there should be a clear delineation between that and yourselves.

**Dr Penson**—That is, the councils per se?

**Ms HALL**—Yes, and even you as the overseeing body, because your membership is composed of all of the councils and would have an interest in using that pool of workers.

**CHAIR**—Can I suggest that, because of Ms Hall's close proximity to where you are, wherever that is, you can discuss that further outside of this hearing. Thank you very much, Dr Penson and Mr Day, for coming in and giving evidence. We may need to get back to you. If we do, we will give you a call. But we certainly thank you for coming in this morning.

**Dr Penson**—Thank you.

[11.31 a.m.]

**FRASER, Ms Lyn, Research Officer, United Services Union**

**MARZATO, Mr Paul, Manager, Energy and Utilities, United Services Union**

**CHAIR**—Welcome. Would you like to make any comments on the capacity in which you are appearing before us today?

**Mr Marzato**—I am the manager of energy and utilities for our union, but at the time of making this submission I was the acting general secretary of our union.

**CHAIR**—Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of parliament and warrant the same respect as the parliament itself. Giving false or misleading evidence is a serious matter and may be considered a contempt of parliament. We do prefer that all evidence be given in public, but if at any stage you wish to give evidence in private, please ask us to do so and we will consider your request. I now invite you to make some preliminary comments that you think are important to our inquiry and then we will move to a general discussion.

**Ms Fraser**—The union's submission to the inquiry into increasing employment participation sought to place importance on the quality of working life and not simply a continuation of disparities. Key issues dealt with in the submission relate to growing inequalities, the need for more family-friendly policies, the positive role of immigration in the economy, the negative impact of economic reform on employment and employment loss in New South Wales local government. I might start off by having a look at some general points made about changes in the work force in Australia. These have been referred to in the submissions, and I note the studies conducted by Mr Pusey, ACIRRT and the ACTU. I will not go into all the details of those stats; I will just create an impression of the changes that have taken place in the work force in Australia in the last 20 years. Certainly, with regard to national income, the national accounts show that there has been a shift from wages to profits over the past 20 years. There has been a rise in the number of low-quality jobs. There are a number of indicators that suggest that we now have approximately one quarter of the work force employed as casuals. There is growing disenchantment in the work force about longer working hours, wage inequality, the loss of permanency and difficulties in balancing work and family life.

There has also been an increase in contract and labour hire and, in the process, a discarding of employee entitlements. Job losses have often been in industries where traditionally workers could find full-time and permanent employment. All this has happened in the context of an acceleration of the contracting industry, leading to a loss of security for the work force, loss of economic stability for their families and inequalities in the community.

The union is well aware of the need for more family friendly policies in the workplace. Members of the panel would be well aware of the range of different kinds of policies that could be included—more flexible working hours, paid maternity leave, job sharing—but also of the importance of child care in freeing up families to be able to cope with difficulties encountered in

everyday life. There has also been much in the media about the longer term benefits of good quality child care for communities as a whole.

In terms of family friendly policies, the United Services Union was successful in having paid maternity leave included in the Local Government (State) Award. We have a lot of members who work in the child-care area. More recently, we have implemented strategies to try to attract more trained teachers and directors to work in the child-care area as it has been difficult to attract people to those areas. We can discuss that further, later.

The union in its submission mentioned some positive aspects of immigration policy—in particular, the establishment of new businesses, the injection of investment into business in Australia and the involvement in exports. The Australian work force is culturally diverse, and the union is aware of advantages that are associated with the language and cultural skills of our work force. To that end, the Local Government (State) Award includes in it a community language allowance, which councils pay to workers who use their community language skills to assist the council to provide services equitably to the diverse community.

Over the years, a number of organisations have assisted in providing information about the benefits of our culturally diverse society and of immigration. In trying to gather information for the submission, it became increasingly obvious to me that many of those organisations under the Howard government either have been defunded or downsized or have been virtually gagged. For example, the Bureau of Immigration, Multicultural and Population Research has played a tremendous role in informing the government about trends in migration and the role that the government can play in terms of making the best of the advantages of having a diverse community. Unfortunately, they were one of the first agencies to be downsized and disestablished; then had a small remnant incorporated into the Department of Immigration and Multicultural and Indigenous Affairs. The Migrant Employment Taskforce, the Immigrant Women's Speak Out Association—I could go on and on about the government's negative impact on organisations which had played an important role in the settlement process, enabling longer term economic benefits for the community.

I will now move on to concern about downsizing of the public sector, the negative impact of this on regional areas and the loss of many social commitments that exist in the public sector and that benefit the community as a whole, particularly in terms of access and equity policies and equal employment opportunity commitments, which are so carefully monitored in many private sector organisations. Also, something that I think requires further attention is that we have found in local government, with the contracting out of many services, that private contractors are not so keen to employ older workers. So, as reform processes take their course, we have an increasing pool of older workers who are virtually left on the scrap heap. The submission discusses the various studies that have talked about the downsizing of the public sector at a national, state and local level.

Perhaps now would be a good time to focus on the final point, which is the loss of employment in New South Wales local government. Members of the panel, I think you have a copy of a document which focuses on employment issues in local government. *Info sheet No. 1.1: NSW local government employment*, contains statistics drawn from census data as opposed to labour force statistics. From 1996 to 2001, across New South Wales there has been a loss of employment of 3,062 jobs in New South Wales councils. This is despite the fact that there have

been increasing requirements on local governments to perform a broader range of tasks. Some of this is the result of the withdrawal of commitments at the federal level and some as a result of state governments requiring increased accountability in a range of areas such as social planning and environmental commitments. So, while there is an increase in expectations on the role of local government, at the same time there has been a loss of jobs in local government and a wider range of expectations. Sorry, I am losing track here.

Perhaps I will get the focus back by drawing your attention to page 3 of information sheet 1.1. You will see a table which has the title, 'Broad occupational categories which decreased by over 100 employees'. There are other areas that have decreased by less than that. You will see under the heading 'Blue Collar' that labourers and related workers, for example, have lost 559 jobs, just in that one category. In the white-collar area, there has been a decrease of intermediate services workers of 596, for example. They are specific areas within local government where there have been job losses. Some of the jobs lost for child-care workers—as you see, they are down by 444 jobs since the 1996 statistics—was partly a consequence of the withdrawal of subsidies from child-care centres by the federal government. Contracting out of services has had a significant impact, particularly in the blue-collar area.

**CHAIR**—Ms Frazer, I do not want to hurry you along, because you are raising a lot of things that we want to question you on, but are you close to the end of your opening comments?

**Ms Frazer**—That is the end. Thank you.

**CHAIR**—Mr Marzato, do you have any opening comments?

**Mr Marzato**—I would like to be a bit more specific in a sense, rather than following the broad brush approach of our submission. Our union looks after local government as well as the energy area. Now, because of our amalgamation with the Federated Clerks Union, we cover a lot of the private industries where clerks are employed. We have found over the years that obviously national competition policy has created a great deal of upheaval in all the industries that we cover. National competition policy and the COAG agreements with the states have caused local governments to look at more competitive ways of providing their services. Their rating structures do not allow that for many of them. The expectation is greater on ratepayers now. In some areas where their rates have gone up because of the value of their properties, they are paying more but they are not seeing more for their dollar. All this is putting on a lot of pressure on local government to produce their services at a cheaper rate and in a more efficient way. Unfortunately, in a poor reflection on our management in Australia, the way to provide better services or to come up with more efficient services seems to be to cut staff. That seems to be their focus—to cut staff and not really look at inventive ways of doing things.

It is very clear that national competition policy has created a great number of problems for the national electricity market, only because of the focus on the competition that they are going to have to put up with now, with other states providing power. In that sense, their staffing has been reduced. There has been a great deal of pressure on costs. Since probably the mid 1980s to now, cost pressures have meant they have had to look at maintenance levels in all utility and industry services areas, reducing the maintenance levels and going to a more risk management style of managing, in which they have pushed the envelope further than they ever have before. Rather

than having a large staff that maintains things regularly, they have decided now to say, 'We're okay. We won't fix it unless it breaks or nearly breaks.' That causes a decrease in employment.

I will just give a quick example. The Electricity Commission back in 1982 had 12,000 or 13,000 employees. We are not here to argue that that was probably a proper number. There probably was fat in there to be trimmed. But, at the end of the day, if you look at the Electricity Commission, which became Pacific Power and was then disaggregated into three generators in total, plus TransGrid, which was their transmission business, you will see that with those four companies you would be lucky to have 3,000 employees. This is being brought on by all this competition that we are looking at to make the provision of services more cost efficient. At the end of the day, there is a very bad downside, as I said. The downside of it is that it creates a great deal of unemployment.

Also, by managing maintenance with a risk management style, obviously apprenticeships have been decimated. I think back in 1982 there were about 1,000 apprentices in the Electricity Commission. Now, if you look at all four generators, you might be lucky to get 100 apprentices. Also, you will find that there is very little succession planning. In other words, if you look at the age profile of the employees in the power industry in New South Wales—and probably in a lot of the councils as well—you will find that it is between 45 and 55 years old, or older. A lot of these people are under the now closed schemes of defined benefits that were very attractive, and pretty soon, say between five and 10 years, a lot of these people will be retiring. There has been very little succession planning to bring in the skills to cover those people who are going. They have realised it now, after they have found that a lot of things have started to go wrong with the systems. They have decided to ramp up the skills a bit more in the area by bringing in some more apprentices. But it seems to be a little late because they are finding a very big gap between the time that people are leaving and the time that apprentices are qualified to do things. So, until then, they are still going to be very short of the skills.

There has also been a push by these companies, when they have looked to their economics rationalisation issues, to get rid of older people as quickly as possible. Basically, this is because they have a lot of entitlements and that is a cost to the companies. They do not want that ramping up all the time. Pay increases mean more dollars to pay out when people retire. So there has been a fairly concerted effort to try to get rid of as many older people as they possibly can. Then any jobs, the more lower level skilled jobs, that were available for older people—and also for people who may have been injured or who might not have been able to fully do the duties they once had—have now been outsourced to contractors. Contractors have very minimal rates of pay, and therefore anybody who has some sort of impairment in the workplace is usually shunted out the door as quickly as possible, because there are really no other jobs for them to do, other than their substantive job that they were employed to do, which might mean more physical requirements.

So, again, that creates more unemployment. There is a great increase in the use of labour hire companies. They employ young people as much as they can, so they can pay the lowest wages they can. They pay them casual rates. Because they are casual, a lot of young people are hard-pressed to get loans. Most financial institutions do not like lending money to people who are casual, because their jobs can be taken away from them very quickly. Something which goes more to trying to balance lifestyle and workplace is that a lot of people left in the industry as full-time employees have longer hours, because there are less people. Companies would rather

pay overtime. They throw huge amounts of dollars into overtime rather than employing people. That creates a lot of social problems as well as workplace safety issues.

It is no different in the power and electricity industries in local government. Due to these competition policy issues, in the water industry, as well, a lot of places are looking at outsourcing their water resources or their treatment works. There are a lot of companies running around trying to introduce what they call 'BOO' and 'BOOT' schemes. BOO means build, own and operate; BOOT means build, own, operate and transfer. These create unemployment through the simple fact that when a company takes over and builds, owns and operates the new infrastructure they will reduce the staff because they will go to a risk management style. When the local government or local water authority owned it, they tried to keep it on a maintenance basis so that everything was working well and would not fall apart. But, with these people, profit obviously being the motivation, they go to risk management and push the envelope as far as they can and reduce the staff. So those jobs go. A lot of those may be trade jobs and therefore you do not have the apprentices coming through. So young people have very limited opportunities other than menial jobs that pay very low wages. There is an escalation.

I do not know what the answer is. If someone came up with the answer they would become a millionaire. But at the end of the day there has to be some sort of fallback. We have to look at it in a more rational way and say, 'Are profits and efficiency the answer?' In Australia, which has a very small—and ageing—population, just about everybody will be out of work or doing very small tasks and menial work for low pay.

**CHAIR**—Thank you. You have covered some good ground in your submission. I just want to tackle immigration, because you made some fairly critical comments regarding the department and the government in the area of immigration. I am not here to defend the government, but I was certainly under the impression that business migration, which is the focus of your submission, is in fact one of the areas the government has concentrated on in terms of bringing in business migrants. So, although your comments were fairly critical about some of the settlement services, business migrants have actually been coming to Australia. There are some good outcomes as a result of that, and you have pointed to that. My concern, though—and we see varying comments from Bob Carr and other premiers about how much they want to participate in an expanded immigration program—is how do we get the people who come in to go to areas of high need? How do we get them to go to the Latrobe Valley or the Hunter or Wide Bay, which are the three critical areas in Australia at the moment?

**Ms Fraser**—Are you talking about business migrants specifically, or migrants generally?

**CHAIR**—I guess business migrants, because they are the ones who are bringing in the dollars and creating jobs. As you say, most of them average about five people. But it also goes right down the line.

**Ms Fraser**—The submission refers purely to stats regarding business migration but in my verbal presentation I went into migration issues generally, so I appreciate that. This is an area where people who work in migrant resource centres would be very useful in terms of providing information. I know that their funding is often threatened. Council community development workers work at a regional level with people from migrant resource centres. I know that the

migrant employment task force, which incidentally was also defunded, used to do some terrific work in terms of making recommendations to government about those kinds of issues.

**CHAIR**—How do we get those migrants to move to those areas? At the moment half of them are going to Melbourne and four out of five migrants who are given visas through the federal government's regional migration program end up settling in cities—four out of five, and that is under the regional category.

**Ms Fraser**—I guess what I am saying is that I do not purport to be an expert on it but we can look at the reasons why they go there and why Australians who go overseas tend to congregate in particular areas as well. If the business opportunities are greater in the city, that would help, just as it would if Australians want to set up business overseas. Where they felt comfortable in the community is also an important factor which economists often tend to overlook. If there is a region where there is not adequate community support, particularly for people who perhaps came over and were not able to bring their families, or there are not small ethnic minorities, the importance of community support cannot be overstated. Some areas in Australia are not as open to understanding the contribution which these people can make—

**CHAIR**—I understand that, and I would have thought one of the last places in Australia where you would not have that understanding is Newcastle. There would have been a lot of migrants over generations who have come here. It is the same with the Latrobe Valley. They would have been welcoming. I just throw that in there because it is a difficult one for us. We have a regional migration category and yet we still cannot get them to go out to the regions. But I do not want to spend the entire time talking about migrants. You talked about the economic reforms, the local government amalgamations that are taking place, and you present some very good statistics about the job losses and the loss of apprenticeships. In your research have you come up with where people have gone to? You mentioned the electricity industry, from 12,000 to 3,000. There are contractors and there is outsourcing. Has that taken up the load?

**Mr Marzato**—Not really. I said there was probably some fat originally in a lot of these areas because the electricity commission, along with councils and along with the old county councils that became distributors, did a bit of a social service in employing a lot of people in their areas. Being a maintenance based methodology, they employed a lot more people to do it. When they did get rid of a lot of people, some were close to retirement and they lost a lot of skills out of that because they never looked at succession planning to get people to pick up those skills. A lot were unemployed and are still unemployed. People took voluntary redundancies and thought they would probably find jobs, and they did not find jobs. They eventually may have found jobs, but jobs in very low paid positions. Contractors came in later on when labour hire contracting became more prevalent. Those people employed them on probably half the pay they were on when they were employed with their previous employer. A great number of them were unemployed, and that is why we had high numbers of unemployed in the Hunter as well, because of those issues.

**CHAIR**—When BHP went through their major downsizing here in Newcastle a few years ago and we saw those images of both the then opposition leader Kim Beazley and the Prime Minister coming here to talk to the workers, there was an adjustment package that was put together. What effectiveness has that had in terms of getting those who lost their jobs into the work force?

**Mr Marzato**—Unfortunately our union is not really in that industry, but I do deal with other unions that are in that industry.

**CHAIR**—Because that was a dedicated package to look at that issue.

**Mr Marzato**—'Pathways' or something like that, they were calling it.

**CHAIR**—You could not get anything more focused at that time. 'Okay, we're going to have mass retrenchments taking place. Let's give them all the resources of government to help them.' I am wondering what has happened as a result of that.

**Mr Marzato**—My second-hand knowledge of it, having spoken with ETU officials who were involved in the steel industry as well as the AMWU and AWU, is that they found that it did not provide enough employment for people. It sounded very good and it looked very good, but in reality it did not provide as much employment as was hoped. A lot of people who did find employment were probably the trades and technical people who had the opportunity to find work because of their skills, but I am advised that a lot of the general labouring people and people from the lower-skilled positions have not found jobs.

**CHAIR**—Which tends to support the evidence from the previous witnesses that we had today. I do not think you were here when Professor Mitchell said that you can provide all the assistance you like, but if there is not a job there for them to go to—

**Mr Marzato**—Yes. There is a perfect example in the power industry—it is the same.

**Ms HALL**—Thanks, Paul and Lyn. Paul, you gave me the information the Hunter Councils could not give me. You went through a lot of the issues that needed to be raised in relation to work force numbers, the contraction of the work force, the competitive tendering and local government's commitment to employing people. Did you hear anything at all about the community development job guarantee scheme? It has been floating around the area for a while. If so, what is the union's response to it?

**Mr Marzato**—I probably cannot give you a position on it. We have heard about it, but nobody has approached us and given us a broad look at it.

**Ms HALL**—Basically it would employ those people that cannot get work in low-skilled jobs. The Commonwealth would fund the jobs. Most of them would be in the area of community development. Local government is an area that would provide a lot of the jobs.

**CHAIR**—And they would be under a federal minimum award.

**Mr Marzato**—It is similar to the old RED scheme, is it? It sounds like it.

**Ms HALL**—Comment for us, if you could, please.

**CHAIR**—Is there a Newcastle Trades Hall Council?

**Mr Marzato**—Yes, there is.

**CHAIR**—It would be useful and interesting to get a reaction from them to this, because this has been pushed very strongly by this university and the Hunter Councils.

**Mr Marzato**—We have had the experience of placement—I made that comment that they sound like the RED scheme, because a lot of those employment opportunity type schemes have been going for a long time. They have sort of been wound down now. But if there are no real jobs, there are no real jobs.

**Ms HALL**—It is ongoing.

**Mr Marzato**—It is ongoing. But is it a turnover of people or is it just, 'You're in, you're in?'

**CHAIR**—That is my concern.

**Mr Marzato**—Yes. If there is work, that is well and good, but why isn't that work now being dealt with? Our concern is: is it a way of getting cheap labour for work? Obviously I am taking the position of the union here.

**Ms HALL**—That is what I wanted.

**Mr Marzato**—We were very concerned about the RED scheme and all those issues too. We made sure that it was not deskilling our work force or undercutting the permanent work force by eventually doing certain parts of their work. 'We can get it done cheaper by this scheme. We don't need these people in permanently to do it, so we can downsize that side of it.' And some councils did try that in those days with the RED scheme. We had a lot of disputation over that, because they tried to bring people in to do the work of our normal permanent people rather than looking at projects that were never going to be done because they did not have the money. That was the whole intent of it back then—to do projects that the councils may take 10 or 20 years to get to because they never had the funding to do them. But a lot of councils were on the sly bringing people in to do permanent work.

**CHAIR**—This is proposed as a permanent pool.

**Mr Marzato**—A permanent pool of people. They are probably only the concerns we have—that it is not going to be, in a way, used as a cheap labour force to undermine the permanency and the pretty good pays that we have in our local government areas.

**Ms HALL**—Lyn, you mentioned child care, and the submission also refers to child care. It noted the changes to child-care funding arrangements and mentioned that these changes have had a negative impact on local government. Would you like to elaborate on that a little bit more? I would also like you to talk a bit about attracting workers to the industry. You might like to touch on the wages issue, the training issue and all of the issues associated around that.

**Ms Fraser**—Certainly local government child-care centres are increasingly pitted in competition with private child-care centres which have lower wages and conditions. However, there are a lot of people who continue to use local government child care who may choose to go there even though it may cost a bit more than the private ones, because they choose the quality commitment. But local government centres, as with private centres, have had difficulty in

attracting workers, particularly directors and teachers. Part of this is because of the low status which has been given to people who work in the child-care field and also because, if you come out with an early education degree, it is much more attractive to work in, say, the department of education field, where your conditions would be better.

What we had managed to achieve only two weeks ago was a reduction of hours for our professional specialist workers in child care in local government, to have their hours reduced to a 35-hour week from a 38-hour week. We are hoping that that, along with other future packages, will help to attract more staff. There has been a kind of a drag to the lowest level in terms of pay and conditions because of competition. That has a detrimental effect on the quality of service. In 1996, I believe, when the federal government withdrew subsidies from child-care centres, that created a crisis for a number of centres. It seems to be around that time that there was a loss of child-care workers as well and some centres closed or had to reduce their services. I understand there has been a pick-up since then and that the demand is back. There is incredible demand for services for 0-2 years old. They are not profitable for the private centres to focus on, and so you have local government picking up on those areas that may not be so attractive for the private centres.

Certainly there needs to be—and this has been in the papers quite a lot, and various members of parliament have noted this—more recognition of the value of quality child care. Studies internationally as well as in Australia have indicated that it can have a positive impact on reduction of crime in the long term and on helping children to better fit into what is, let us face it, a very stressful life in our world now. It is taking some of the pressure off families that rely on good quality child care—shifting from that impression of child care as being childminding to it being quality early education. I think the regulations have helped to focus a bit on that in terms of programming, consultation with parents, the child-staff ratios et cetera.

**CHAIR**—Ms Hall has to go very soon, so I will ask a brief question. In your conclusion, you make a couple of recommendations: one is the elimination of discriminatory employment practices and the other is the need for the re-regulation of the labour markets. I understand what 'the re-regulation of the labour markets' means, but which practices does 'the elimination of discriminatory employment practices' refer to? I was under the impression that a lot of discrimination has been eliminated, at least legislatively but maybe not so in practice.

**Ms Fraser**—You are absolutely right: a lot of it is the practical implementation of it. In terms of this particular inquiry on increasing employment participation, it is the issue of aged workers and discrimination in the workplace, and also discrimination against women who are trying to return to work after having children and the need for flexibility with that. There have been a number of cases where legislation has had to be used. So you are quite right.

**CHAIR**—Thank you very much for coming from Sydney. We appreciate that. Paul, are you from here?

**Mr Marzato**—Yes.

**CHAIR**—Thank you for your time. We may need to get back to you; if so, we will give you a call.

Resolved (on motion by **Ms Hall**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 12.11 p.m.**