

Revisiting the Job Guarantee: Ten Propositions towards a Model for New Zealand

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Abstract

This policy commentary complements the research report on *Transition Assistance for Young People*, released by the New Zealand Mayors' Taskforce for Jobs. It provides a snapshot at the international evidence concerned with job guarantee and welfare-to-work initiatives. Against this background, ten policy propositions are presented to inform the design of a Guarantee-style programme that meets the needs of New Zealand's dispersed and spatially unbalanced labour market.

Introduction

In June 2006, the New Zealand Mayors' Taskforce for Jobs released a research report on *Transition Assistance for Young People* (Higgins et al. 2006). In the Taskforce's 2007 Annual Report, Mayors and local government officials expressed their commitment to "using the information [of the report] to inform future policy and activities particularly around youth transitions and keeping young people engaged in our communities" (Mayors' Taskforce for Jobs 2007:9).

This commentary revisits one of the report's primary objectives: to examine the possibility of introducing a guarantee for all people under the age of 25 to be in paid work, training, education or in useful activities in our communities.

A snapshot at the international evidence of related job guarantee initiatives is being provided with the intention to inform the ongoing deliberations of relevant policy makers. Whilst Mitchell, Cowling and Watts (2003) already draw on experiences in Norway (Hummeluhr 1997) and the Netherlands (van Berkel 1999; Brodsky 2000), this paper, without attempting to be exhaustive, complements their arguments by reference to selected experiences in North America and the United Kingdom.

On this basis, ten propositions are offered to provide a platform for further debate, challenging the conventional wisdom and promoting the design of a Guarantee-style programme that is best tailored to New Zealand's labour market conditions.

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Job Guarantee: Old Wine in New Bottles?

In much of the OECD, concern about the changing composition as well as the numbers of young and long term benefit recipients has been growing. Whereas most claimants some thirty years ago were considered unavailable for work due to disability and illness, for example, the majority of working age claimants is now available for work but not employed. The weight attached to different explanations has changed over time (including labour taxation, employment protection, trade union activity, and systems of unemployment support; see e.g. Kluve and Schmidt 2002) and in recent years politicians and policy makers have attributed growing importance to the problems faced by particular claimant groups – most prominently the long-term unemployed and the young. As both, the scale and duration of unemployment spells for these target groups reached unprecedented and persistently high levels in a number of countries, the focus on welfare-to-work and job guarantee initiatives sharpened.

At the outset, it is unremarkable to state that such programmes are not new. A wide range of local, regional and national policy instruments has been employed to reduce the barriers into paid employment, and various forms of training and work creation schemes have been developed, often through a combination of voluntary incentives and mandatory requirements (for example, the UK's New Deal programme; Ontario Works; British Columbia Benefits; British Columbia Youth Work, the Alloa Initiative in Scotland as well as a range of other local pilot programmes). At the same time, more demand-responsive initiatives, which include employers within local partnerships providing job or interview guarantees for programme participants, were developed as a means of delivering training and employment that is relevant to the needs of the labour market and provides security and long-term benefits for job seekers (e.g. Hoogvelt and France 2000; Adams et al. 2001). As a consequence and throughout OECD member states, a consensus emerged asserting that economic recovery will not on its own resolve the societal ills of youth and long-term unemployment and respective welfare dependency.

Against this background, a policy proposal to target youth and long-term unemployment has gained in prominence: the *Job Guarantee* (Mitchell 1998; Mitchell and Watts 2002; Mitchell et al. 2003; Quirk et al. 2006). Developed and advocated by economic policy research centres in Australia (the Centre of Full Employment and Equity (CofFEE) at the University of Newcastle), North America (Centre for Full Employment and Price Stability – CfEPS, Kansas City) and Europe (CofFEE Europe, Maastricht) the proposal encompasses two policy initiatives:

1. A Job Guarantee for all long-term unemployed; and
2. A Youth Guarantee, comprising opportunities for education, technical training, and/or a place in the Job Guarantee program for all 15-19 year olds who are unemployed.

Specifically, under this proposal the Federal Government maintains a “buffer stock” of jobs available to policy target groups. What is more, the Guarantee

“...would be funded by the Commonwealth but organised on the basis of local partnerships between a range of government and non-government organisations. Local governments would act as employers, and [...] workers would be paid the Federal minimum award. Any unemployed teenager (15-19 year old) who was not participating in education or training would receive a full-time or part-time job. Equally, all long term unemployed persons would be entitled to immediate

employment under this scheme [...] positions could be taken on a part-time basis in combination with structured training.” (Mitchell, Cowling and Watts 2003:7)

Such an initiative would thus be funded centrally and made operational at the local level. In Australia, and specifically in the Hunter region, this proposal was unanimously endorsed by local businesses, the Hunter Region Organisation of Councils and the Trades Hall Council and adopted as official policy by Newcastle City Council. With this growing momentum, the Job Guarantee’s underlying principles have also attracted the attention of policy makers and policy interest groups elsewhere, including the *Mayors Taskforce for Jobs* in New Zealand.

This interest should come as no surprise. Based on quarterly New Zealand Household Labour Force Survey data, youth unemployment in New Zealand is more than quadruple the general unemployment rate. For example, during the four quarters between September 2006 and June 2007, youth unemployment rates for the 15-19 year olds averaged 14%, compared with a general unemployment rate in New Zealand of 3.7% during the respective period. In a similar vein, long-term unemployment remains a stubbornly persistent phenomenon. Of the total number of people unemployed, 16.7 percent were in the long-term unemployment category in the June 2007 quarter, up from 15.2 percent recorded in the June 2006 quarter.

However, two important questions remain largely unexplored. Can the Job Guarantee proposal be emulated for application in New Zealand? What lessons have been learned from international job guarantee experiences elsewhere?

The Public Sector as Employer of Last Resort?

One of the crucial, underlying assumptions behind the Job Guarantee model is that much unemployment occurs due to demand deficiencies and that the jobs on offer would be drawn from a pool of public sector jobs that support community development and advance environmental sustainability. As such, publicly created demand would meet unfulfilled supply, and workers would participate in community-based, socially beneficial activities that have intergenerational payoffs, including urban renewal projects, community and personal care, and environmental schemes. It is claimed that much of this work is both worthwhile and labour intensive, and would require little in the way of capital equipment and training. Moreover, it would be of benefit to communities experiencing chronic unemployment. It is in this sense that the proposal is being presented as a new paradigm in employment policy.

Whilst the envisaged scale and focus of the proposed initiative on excluded communities probably deserves the new paradigm description, some of its building blocks draw heavily on previous experiences, such as Britain’s Community Programme for the unemployed, which was introduced during the early 1980s (Finn, 1988). Not unlike the Guarantee proposal, participation in the Community Programme was open to both, the young and the long-term unemployed. Until October 1987, participation was aimed at unemployed people aged over 25 who had been without work for more than twelve months and at 18 to 24 year olds who had been unemployed for six months. Equally, the work carried out had to be additional to conventional jobs and services and was primarily focused on projects of community benefit. The elements of a *guaranteed* job and payment at a fixed rate (the Federal minimum award) represent the most significant differences between both initiatives. In Britain, by contrast, not

everyone who wanted to participate was able to do so¹, and Community Programme workers were paid the going wage rate for the job (at least, until the 1986 Social Security Act when the controversial “Benefits Plus” package was introduced).

Notwithstanding the similarities and differences between previous programmes, however, what remains truly unclear is the extent to which the proposed model, if thought to be beneficial, can be emulated in other countries, including New Zealand.

At a time when unemployment in New Zealand is amongst lowest in the OECD, sufficient numbers of employment opportunities of the described nature may be available to meet the likely demand for them. Even then, however, the distribution of available jobs may be uneven. Some localities may find it relatively easy to identify and offer community development jobs, but others may not. And even if local asymmetries could be ignored, it remains far from certain as to whether there is sufficient public sector capacity to accommodate respective job requirements if the count of the jobless increases. In such a world, it is important to examine if the model can also be applied, at least in part, to job guarantees in the private as well as the public sector.

Whilst international approaches are without clear and consistent guidelines over time and whilst the question of compatibility with other countries’ labour markets has thus far remained largely untested, a number of interesting findings have nevertheless come to light. A summary of selected findings and their policy repercussions are brought forward in the following pages.

Responsibilities and the Importance of Job Preparation

Some form of reciprocal agreement between the government and the individual is usually required for any kind of active labour market policy intervention. It follows that active labour market policy interventions carry responsibilities for Government to be active in reducing barriers to work, not just the claimant. However, it is noteworthy that some of the existing programmes are more active than others; indeed, some find it difficult to be enforced. In some American states, for example, lone parents have been exempted from schemes because the states did not provide a guarantee of adequate childcare. Until they did, the courts ruled that mandatory participation could not be initiated (McCormack and Oppenheim 1998).

The mix between government and individual responsibility also varies. For example, *Ontario Works* was a mandatory programme offering three streams of Employment Support, Community Placement and Employment Placement (Government of Ontario 1992; 1997). The programme’s mission was to secure the ‘shortest route possible to a job’. According to those who designed the programme, if an employer offered a job, which did not actually require basic literacy and numeracy skills, the Province did not consider it had a responsibility to provide training to those who lack such skills. Despite Guarantee proponents’ claims that the guaranteed public sector jobs require little in the way of skills and training, it is doubtful that many such jobs paying minimum wage and meeting minimum standards will be available. As such, the Ontario experience is revealing: it shows a laying off of risk onto the individual where neither the employer nor the government considers it their

¹ However, it is worth noting that in 1986/87, the Community Programme provided jobs for over 307,000 unemployed claimants at an overall cost in excess of £1 billion.

responsibility to invest in a second chance of basic education. Whilst it may be possible to secure a job without these skills, the odds are against keeping it and moving into a better job.

If this risk is to be reduced, publicly funded investment in job preparation is arguably essential. This then indicates that finding the shortest route to paid employment may not necessarily be a suitable and sustainable approach for all participants. Some may need to move through a number of stages before they will be in a position to hold down a job. The Ontario experience together with what is known from other countries (including research evidence from the UK and Australia on the barriers of the long term unemployed and the most disaffected in the labour market) holds some important lessons for any attempts in New Zealand to introduce a job guarantee initiative. It may be in no-one's interest if the first destination for a group of the most disaffected is formal training, full-time, or even a part-time job. Some participants will face numerous hurdles in their lives implying that work, training and learning are simply unrealistic first options. Care leavers, the homeless, those with drug and alcohol problems and young offenders are among those most at risk of being unable to hold down one of the options without co-ordinated effort to address the other barriers.

In a number of countries, these concerns have been taken seriously. What is more, they have also been acted upon. Added at a late stage to plans for the UK's New Deal, for example, the "Gateway period" offered up to four months of job preparation before the core options (employment, training) commenced. It certainly had the potential to make a Guarantee initiative work for some of the most difficult to reach target groups. A wage subsidy is little compensation to the employer, including Local Government, who recruits someone lacking in the basic skills required in the labour market. Without these as the building block, many will be reluctant to invest in job-specific skills even if a training allowance covers respective costs. If the young unemployed are to be offered the guarantee of a job with training and further learning opportunities, private or public sector employers will also seek a guarantee of employability. It is therefore vital that something like a "Gateway Period" is included, tailored and appropriately resourced.

Focus, Timing and Targets

Given what is known about the link between poor educational attainment and long-term benefit reliance, it is commonly agreed that the most poorly qualified should be encouraged to join early. Longitudinal panel analysis in British Columbia influenced the Province's decision to open its *Youth Works* programme to 16 to 18 year olds where appropriate, even though they fell outside the original target group. Moreover, it became apparent that those who dropped out of school early should not be forced to complete their education before being allowed to work. A period of work experience may act as a route back into learning. If a family member, career adviser or income support officer advises a young unemployed to go back to school, the latter is likely to take only limited notice. However, the incentive may be different if a youngster has gained some work experience and if the respective employer advises to complete the educational qualification, and then to come back for a guaranteed job.

It should therefore be possible to move away from a *Job Guarantee* towards a *Generic Guarantee* initiative for the young (and potentially for those as young as 14 or 15 who have all but given up on formal education or training) and to offer a mixed package of work experience, education, assisted job search and ultimately the take-up of sustainable employment for those under-18s who are, at any rate, likely to join a work creation or

Guarantee scheme in the coming years. As for the targeted age brackets, it should also be noted that the original Guarantee proposal concurs entirely:

“A person who can remain attached to paid employment has greater prospects or upward mobility, than if they languish for years in long-term unemployment. A teenager who is engaged in useful activity at an early age is less likely to be “lost” from the system of paid work in later life.” (Mitchell, Cowling and Watts 2003: 29)

Early intervention should thus become a guiding principle, with a “Gateway period” offering a range of options to test job readiness, including employment ‘tasters’. This could be based on the best practice example of the 1996-97 Pre-Vocational pilots undertaken in 60 areas of Britain. These offered a range of basic skills, job preparation and team-work activities to people of all ages unemployed for more than six months. The methods used by one training and work project have been described as a world away from the job-specific training found in output-driven funding regimes (Crighton 1997).

Following periods of preparation, pre-vocational training can commence and is likely to work best where it is related to the workplace. Drawing on the experience of work trials would have the advantage of bringing employers into contact with the Guarantee initiative without either side having to commit too early. Such a programme could place job-ready people who have been registered unemployed for at least six months with an employer for three weeks. Research by White et al (1997) confirmed the effectiveness of such endeavours, reporting that the chances of securing employment at the end of trial periods increase fivefold.

Local Partnerships

A further issue concerns the condition of local labour markets. Utilising “buffer stock” employment and local partnerships, and using local government as an employer for local target groups, as advocated by the Job Guarantee proposal, provides a promising alternative to a centrally designed, controlled and executed monopoly. It also serves as a possible explanation for the success of local pilot schemes, where nation-wide programmes have failed. However, local labour market asymmetries raise concerns about the capacity of the public sector to supply all of the jobs required.

Local unemployment is sensitive to local labour market conditions. It would thus be wholly unreasonable to expect an unemployed person in Dunedin to take up public sector employment in or around Auckland, or vice versa, especially if community employment is low pay or temporary. Spatial mismatch is an issue that cannot be ignored and one that calls for localised solutions in partnership with private sector employers. A recent project in Alloa, Scotland, for example, has shown that locality-sensitive and partnership enabled solutions can be highly successful (McQuaid, Lindsay and Greig 2005). It is also an example of involvement from the private sector.

The *Alloa Initiative* was charged with implementing a local programme in partnership with Tesco, the UK’s largest retail chain, in preparation for the opening of one of the company’s retail superstores in Alloa in central Scotland in July 2002. The outcome of this project was the placement of 109 disadvantaged job seekers into positions at the store, and proved particularly effective at targeting the long-term unemployed and those with limited experience of the retail sector.

A genuine local partnership model was at the heart of the initiative. The *Alloa Initiative* linked the private sector employer with relevant policy actors in the Alloa and wider local areas, including: Clackmannanshire Council; Jobcentre Plus; Scottish Enterprise Forth Valley (the Local Enterprise Company); and Triage Central (a private sector organization which has led the delivery of the New Deal in the area since 1998). The Employability Training Course (ETC) was at the centre of the Initiative's approach. The ETC programme provided a range of training provision, including: team working; personal presentation; retailing skills and customer care; stock control and security; workplace health and safety; and communication skills (including written communication). In total, 184 unemployed local residents took up new jobs. The initiative's eight-week Employability Training Course (ETC) was designed to provide a route into work for local unemployed people who would not otherwise have found employment with the company. 119 individuals were recruited to the course, with 109 completing the programme and taking up work at the store. The success rates were thus impressive and represented a course completion and job entry rate of 92 per cent.

To be fair, evaluations of such small samples make generalising successes a difficult task. Equally, it may be impossible to realise private sector, large scale job guarantee programmes in New Zealand's dispersed labour market (or in other countries' labour markets for that matter), especially in rural areas. However, it is conceivable that the concept of job guarantees in a large retail chain can be replicated through "buffer stock" type employment opportunities within local government agencies *together* with pockets of guaranteed employment opportunities in private companies.

Utilising the Shadow Economy

However, despite evidence of localised partnerships and respective employment successes, the Guarantee initiative may need to go beyond 'mainstream' thinking and the usual political constraints if it is to deliver lasting results in the most excluded communities, where even "buffer stock" employment opportunities through local government agents may be difficult to realise (in terms of both, scale and scope). As such, a more controversial proposition may be warranted.

This author contends that in many of New Zealand's lowest income neighbourhoods, thriving networks of cash-in-hand trading can be found. This assertion is borne out by recent estimates (Schneider, 2007), which place the value of the hidden economy for New Zealand in 2004/05 at around 11% of GDP – an increase from 9% over the period 1990-1993 (Schneider and Enste, 2000).

In most cases this is a response to market failure. Unless people pay their neighbours what they can afford to provide childcare, the home and car repairs and other basic services, they will go without. Few people can earn enough to make a living in this way. The modest amounts of extra cash available should be distinguished from the dark end of the shadow economy characterised by drug dealers and loans sharks rather than baby-sitters and window cleaners.

The standard response of politicians is to attack benefit fraud. Government is charged with the responsibility of policing people's benefits but that should not mean the choice is restricted to work in the formal sector or full-time inactivity. Involvement in the informal economy is often the result of careful risk assessment, reflecting entrepreneurial talents and the kind of commitment, which governments and employers wish to see being incorporated

into formal education and training. It follows that the informal economy is probably too large and certainly too important to ignore.

Alternative employment support services should be given the resources – at arms-length from government – to identify the skills and half-skills developed in this part of the economy. Innovative programmes might then enable claimants to combine training with trading and develop skills, which would attract mainstream employers or sustain a new business. Whilst local governments in New Zealand will not have policy-making powers over the Department of Labour or Income Support agencies, they could negotiate a number of pilot projects to test the effect of higher disregards on claimants' earnings (providing incentives to declare activities).

This does not mean that benefit fraud is being condoned. Rather, I seek a new focus on the skills that people in New Zealand actually have, including the ones they are forced to hide. A 'skill-seeker's amnesty' on a trial basis might enable the Guarantee to reach further than it otherwise would.

Criticisms and Responses

Thus far, then, this analysis identified a number of the crucial issues for the success of a Guarantee initiative in New Zealand. However, in recognition of the plethora of sceptical commentaries it is equally important to turn our attention to some of the fundamental criticisms, which have been levied at welfare-to-work and job guarantee programmes. Mitchell, Cowling and Watts (2003) already address in some detail the accusations that a job guarantee initiative would negatively affect price stability, balance of payment, economic efficiency, work incentives and national competition principles, and we do not need to recapitulate at length.

Only a modest boost to aggregate demand is expected because the design of the Job Guarantee at a fixed wage rate sets a wage floor and does not disturb the private sector wage structure (Mitchell 1998). In a similar vein, only a modest increase in import spending is envisaged due to slightly higher disposable incomes for Guarantee participants, which will not generate any chronic external instability. As for competition and economic efficiency, the Guarantee proposal and related research provides persuasive evidence that the macroeconomic costs of unemployment dominate any realistic measure of the costs of microeconomic inefficiency (Productivity Commission, 1999). Direct macroeconomic intervention is thus justified on this basis. Finally, research has demonstrated that the Guarantee would not create disincentives to work (Mitchell and Watts 2002). Whilst it was shown that claimants would prefer benefits to Guarantee rates, the same individuals would prefer private sector employment to Guarantee job opportunities. This, in turn, justifies a balanced policy mix, in which Guarantee employment would be provided to those target groups who would then not have access to benefit payments.

In view of previous arguments, however, another area of criticism merit some renewed attention. Whilst the Guarantee proposal is based on public sector, additional employment opportunities, the present analysis already raised the concern about the required public sector capacity to absorb the likely supply of workers, especially if unemployment increases. In response, it was proposed that private sector employment could, at least in part, fill the gap. However, with the introduction of private sector employment, potential substitution, deadweight loss and displacement effects will need to be addressed. Deadweight describes

the situation where subsidised employment is used to hire people who would have been hired in any case. Substitution occurs when the subsidy displaces other workers in the employing organisation. Displacement describes the possibility that the subsidy allows the recipient organisation to undercut other providers thus causing an indirect loss of jobs (for a more formal treatment of these effects, see Lange and Shackleton 1998). In combination, the literature also refers to these effects as “churning”.

Despite careful monitoring, some degree of substitution or deadweight in the private sector may be unavoidable. However, the situation is not as damning as it first appears to be. In fact, it is reasonable to assume that at least some proponents in Government circles do not much mind churning effects. The reasoning is that churning reduces the average duration of unemployment for any given aggregate level, and thereby reduces the NAIRU², on the assumption that the short-term unemployed have more effect upon wage behaviour than do long-term unemployed.

There is considerable merit in this argument but it ignores a potential political problem: the public acceptance of the proposal. There is a danger that publicity about substitution and churning will discredit the initiative in the public mind. It is for this reason that public sector employment should remain the preferred option for Guarantee jobs and that private sector employment, whilst potentially necessary to boost capacity, be used as a “top-up” only and kept to a minimum.

Ten Propositions for New Zealand

Against the above background of significant labour market complexities and various indicators of successes as well as failures, several questions emerge about how a potential New Zealand guarantee initiative could make a real and lasting difference. Without being exhaustive, the following ten propositions are suggested:

1. *Persuade employers.*

There is an asymmetry at the heart of the Guarantee. While the young unemployed can be forced to take part or have their benefits cut, government cannot compel employers, especially those in the private sector, to take on the target group of claimants. Employers who are sceptical about the job-readiness of the Guarantee client group are unlikely to be persuaded by this or further reductions in their non-wage labour costs. The international evidence suggests that most employers want to recruit those who already have the core skills and do not expect to share responsibility for pre-vocational training (Finn 1997). If the Guarantee is to succeed for those who are least likely to find jobs and keep them, excellent pre-vocational training programmes are needed. The Gateway zone may thus prove to be the most important part of the employability strategy. Both, private and public sector employers should be given incentives to become involved in the design of Gateway activities at an early stage. An active Gateway could offer a series of options encompassing teamwork, community volunteering, creative writing, family learning and work trials (on a part-time basis for a few weeks in the first instance). The last of these will provide a ‘low risk’ means of experimenting for employers as well as the claimant.

2. *Include under-18s.*

² The so-called ‘non-accelerating-inflation rate’ of unemployment; when unemployment falls below this rate, inflation is thought to accelerate indefinitely.

The Gateway zone must also be flexible. There is now agreement in a number of countries that young people with disabilities, care leavers, young offenders and other people with multiple problems should not have to 'queue' for any considerable period before entering publicly supported employment while their chances of getting a job erode even further. This is entirely sensible. But there is a further issue about the age at which young people can receive assistance. Most governments' objective is for all 16 to 18 year olds to remain in some form of education or training. Whilst the intention is the right one, it raises the question of where and how disaffected young people should continue learning if existing provision through schools and colleges is failing them. A start would be to extend the Guarantee to under 16 year olds on a discretionary basis. This would also follow the lines of thought of the Job Guarantee proposal where eligibility for the young is aimed at all 15-19 year olds.

3. *Start at School.*

Even then, one is left with the question of how to provide the best services for those as young as 14 who have all but rejected formal education. It may be more productive to support their transition into the world of work – probably on a part-time basis and only if there is commitment to training. To allay fears that this amounts to 'giving up' on this group, employers could offer work experience to young people for six months or a year, and then make the offer of a longer-term job conditional on achieving agreed educational goals. The signal that is sent by a good employer might raise motivation in a way that even the most committed teacher, parent or career adviser could not.

4. *Include the Private Sector.*

The Job Guarantee proposal is based on truly additional, public sector enabled jobs in such areas as urban renewal projects, community and personal care, and environmental schemes and has demonstrable merits. However, some questions remain about the capacity of the public sector in New Zealand to meet the envisaged demand. Whilst 'additionality' requirements are easier to enforce in the public arena, private sector employers should nevertheless be included in the model, if only to serve as "top-up" options when there is pressure on community employment opportunities.

5. *Include Part-time Options.*

Whilst the Guarantee proposal already allows for part-time combinations, the importance of this point deserves re-emphasising. It would be hard to demonstrate why under a Guarantee initiative the unemployed should be required to choose between full-time education or training and full-time work. A mixed-economy approach combining part-time education and part-time employment or even a stand-alone part-time option for 12 months would provide an appealing and flexible alternative without imposing higher costs. It might also have the effect of reducing some of the gender barriers that remain in the New Zealand labour market, by preparing young men in particular for work that does not always come packaged as 'full-time'.

6. *Reduce Cherry-Picking.*

A number of problems have been identified in the international literature with existing, publicly funded employability schemes, not least the drive for output-related funding or even surplus generation among operators. This has created strong incentives to 'cherry-pick' the most employable who will generate more successful outcomes. It follows that the publicly supported employment and training markets have in part come to mirror existing inequalities (and perhaps made them worse) rather than reducing them. An alternative structure of incentives is needed for operators to overcome these risks. A start would be to replace short-term, empirical targets with longer-term, qualitative measures of success and link part of the

budget for agencies to clear evidence of successful job outcomes in the longer-term. Bonus payments could also be offered upon placement in the competitive labour market of those individuals with multiple labour market disadvantages.

7. *Measure Added Value.*

The occurrence of deadweight loss and substitution effects will need to be monitored closely to ensure added value and net employment growth. Targeting Guarantee employment opportunities primarily at the community/voluntary sector and the public sector can reduce these risks. However, the task becomes more complicated with private sector employers. Local watchdogs (including economic development departments of local government authorities and local economic development agencies) will have a role to play to ensure that funded jobs comply with 'additionality' requirements as far as possible, thus ruling out public funding for jobs which would have been on offer in the absence of the Guarantee. This is not an easy task and policy makers will need to be aware that some degree of displacement is probably unavoidable.

8. *Tailor the Guarantee to Geography.*

A locally sensitive approach is needed in the Guarantee. In the relatively tight local labour market of Canterbury (with low unemployment), for example, supply-side constraints may be the most important barrier to a more inclusive local economy. In other parts of the country, however, the priority may be to create or identify additional community jobs as well as tackle some of the transport difficulties, which result in exceptionally weak linkages between areas of job availability and long-term unemployment (the problem of spatial mismatch).

9. *Reach into the Shadow Economy.*

It would be wasteful to give up on those individuals engaged in New Zealand's economic shadowlands. The stock response that cash-in-hand trading involves unskilled workers in breaking the benefit rules misses the point. Studies in Ireland show employers more willing to recruit informal economy workers than inactive benefit claimants (Lange and McCormack 1998). Whilst governments are responsible for policing the benefit rules, alternative employment support services can get on with identifying the skills developed and maintained in the shadow economy.

10. *Don't Forget Demand.*

This could be the mantra of Job Guarantee advocates of how the Guarantee initiative has been designed. Despite some limited involvement by the private sector to boost capacity, the principle of demand-side intervention to create jobs for the less skilled cannot be ignored. By international standards, if the Guarantee manages to provide a platform for one-third of participants to be placed eventually in competitive employment it will have been a success. The corollary, by virtue of multiple labour market disadvantages, is that it is not unreasonable to expect some members of the target group to be unemployed again when the dedicated budget has been spent. The key question then is whether Government chooses to continuously pay them to undertake socially productive work, which the market is otherwise unlikely to perform, or return to the 'actively seeking work' requirement even where there are chronic demand side deficiencies. Policy makers, if and when they support a Guarantee initiative in New Zealand, will have to address this question sooner rather than later. The biggest challenge will be to design and pay for a programme of socially productive job opportunities in excluded communities – *for as long as it is needed* – and avoid the mistakes of the past.

Concluding Remarks

The intention to develop a Job Guarantee for the young (and long term unemployed) in New Zealand is, without doubt, a laudable one. Moreover, the Job Guarantee proposal provides a promising platform for adoption and further development in a New Zealand context. By drawing on the experiences in a number of other developed countries, this commentary identified some crucial factors for the success of a Guarantee proposition. In particular, it emphasised the importance of private sector involvement, albeit limited, to boost an otherwise potentially constrained public sector capacity, a well-designed partnership initiative across various policy actors, flexible and mixed approaches to full and part-time options, pre-vocational preparations, the need for early interventions in New Zealand's labour market, and – above all – a *long-term* policy commitment to the Guarantee.

Unless these issues are taken seriously and acted upon, the danger may re-emerge that despite good intentions the Guarantee creates little more than an environment where the participant is more than likely to be back on income support quickly and will continue, at best, to cycle on and off benefits in the long-term. In this context, Britain's Community Programme provides powerful warning signs. Despite the varied criticisms that have been identified and assessed over the years (in particular, lacking pre-vocational programmes and a lacking long-term commitment by changing governments), most of the Community Programme workers were positive about aspects of their experience and were hopeful that it would help them back into the competitive labour market. Sadly, according to respective survey analyses (Finn 1988), at the end of the programme nearly three-quarters of participants went back into the dole queue.

Notwithstanding these critical observations, this short commentary concludes with a cautiously supportive verdict on the possibility of introducing a Guarantee initiative in New Zealand. At a time when New Zealand's official unemployment rate stands proud as one of the lowest amongst OECD member states and as the Government's caseload is falling, this author believes that, based on the arguments presented, a Guarantee initiative, combined with a period of job or training preparation in a localised partnership context, will quickly reach the hardest to employ. Maintaining low levels of unemployment and tackling residual problems of joblessness are claimed to be central to the economic strategies and programmes of the major New Zealand political parties, and despite some fundamental differences in approach and philosophy, they all acknowledge the accelerating decline in well-being experienced by those without work for extended periods. A broad consensus thus exists about the necessity for special measures and new initiatives designed to alleviate the position of those worst affected by unemployment. This should be taken as a window of opportunity to target more resources on these individuals.

At a time when the two major political parties in New Zealand, as part and parcel of their 2008 election campaigns, identify youth concerns as a primary political challenge, the proposition of a Guarantee initiative is ideally placed to generate renewed political activism and, it is hoped, new ideas and a lasting policy commitment.

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