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Community Development 6.1 Text 100i	

The purpose of this report is to examine the impacts of the Community Wage on the community as a whole rather than community wage recipients, as requested by the Council on 23 April 1999.

### INTRODUCTION

At its meeting on 23 April 1999, the Council resolved that the Community Services Committee “look at the Community Wage Scheme as it relates to the wider community, including other units of the Council, excluding the Canterbury Development Corporation.”

The Community Wage Programme was discussed by the Strategy and Resources Committee of the Council at its meetings of 2 February 1999 and 12 April 1999. That Committee received a deputation from the Council of Social Services and the Canterbury Volunteer Centre which raised concerns about a number of aspects of the Community Wage Programme, particularly the Community Work component of the programme. The deputation requested that the Council discuss the ethics of the programme and develop a policy regarding Council’s support for and involvement in this.

That Committee also received reports from the Canterbury Development Corporation responding to issues raised by the deputation. To date the Council’s involvement in the community wage programme has been accepting Community Work and Training referrals from the CDC Employment Services Team.<sup>1</sup>

This report focuses on the issues associated with the Community Work component of the Community Wage regime.

### BACKGROUND

On 1 October 1998, Central Government introduced the Community Wage Programme. This programme introduced a community wage to replace the unemployment benefit, sickness benefit, young job seekers’ allowance, emergency unemployment benefit, training benefit and 55 plus benefit. The basic “wage” paid to recipients under the new Community Wage Programme is equivalent to the amount previously paid as benefits under the old regime.

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<sup>1</sup> The CDC entered into a contract with WINZ to provide 180 placements on the Community Work and Training programme (an adaptation of the Community Work programme involving community work, training and work experience rather than a single focus).

Under the Community Wage Programme, the Work and Income Agency (WINZ) can direct recipients to participate in “organised activities” for up to 20 hours per week. Organised activity can take the form of:

1. Community Work
2. Training
3. Other organised activity

Participation in “organised activity” (Community Work, Training or other approved activities) is not voluntary, but determined by case managers at WINZ. Once placed in community work participation is compulsory; if a participant does not turn up for community work or training, or performs unsatisfactorily, their “wage” may be docked or withdrawn. Appendix 1 provides an outline of the scale and length of penalties.

A participation allowance is paid to people in approved community work. This is the basic benefit, plus a \$21 "top-up" for participation, and up to another \$20 for "actual and reasonable costs incurred".<sup>2</sup>

The Government is only expecting a modest increase in the number of unemployed people taking part in community work or training under the Community Wage Programme. An estimated 51,000 unemployed people were involved in community work, training or other activities prior to the programme. It is anticipated that this will rise to only between 63,000 and 65,000 people this financial year under the Community Wage Programme. Long-term, only 30-50% of the unemployed are expected to be involved in the programme at any one time.<sup>3</sup>

### **Sanctions**

An unemployed person on the community wage who refuses to accept a work or training opportunity faces possible suspension of their full benefit. If they perform unsatisfactorily in community work, training or other activities, they can lose up to 40% of their benefit. Appendix 1 provides a detailed outline of sanctions.

### **Legal protection**

Community wage community workers are not covered by the Employment Contracts Act. The workers are not able to take personal grievance cases under the Employment Contracts Act (because it is not an employer-employee situation).

Community wage community workers are not automatically eligible for sick or holiday pay. In case of accident they will receive ACC cover for work-related accidents, paid out of the ACC non-earners' account. This means that while they will get most of the costs associated with recovering from their accident met, they will lose any ‘top-up’ they are receiving.

### **Community Agencies**

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<sup>2</sup> The basic benefit people receive under the programme remains that same as previously, for example **for single unemployed person aged 25 and over : \$147.34 per week**, for married couple with two or more children : \$260.94 per week.

<sup>3</sup> "Workfare" proposals have been dismissed by government in the past because of the costs involved in organising it properly

The community work is not provided directly by WINZ. It is provided by community organisations and, in some cases, private businesses.<sup>4</sup> The programme imposes significant costs on a community sponsor and it does not mean 'free' labour. Organisations are expected to supervise participants and provide necessary safety equipment and project materials.

The sorts of costs community organisations can expect: expenses in finding placements for job seekers, monitoring these placements in order to avoid job displacement rates, matching and referring the job-seekers to the work or training opportunities, monitoring compliance as a result of the compulsory aspect of the scheme and administering work-test sanctions, processing claims for "actual and reasonable costs incurred" by the participants, providing the various work-related expenses, and compliance costs such as ACC and OSH, participating in appeals processes for any disputes, and evaluating the ongoing progress of the scheme (Jobsletter 1998).

The Labour Department reportedly informed a Select Committee that community organisations offering community wage placements are liable for workplace accidents under the health and safety legislation. The Department argued that failure to comply with OSH regulations could result in prosecution (NZ Herald 1998).

Whether enough community groups or businesses will participate in the Programme is yet to be determined.<sup>5</sup>

#### **SUPPORT FOR THE PROGRAMME**

A number of voluntary organisations reportedly believe that they are benefiting from the programme.

Others argue that the scheme can be used to legitimate non-market work and could be the cornerstone upon which to rebuild local economies. Rankin (1998) also argued that the programme could be interpreted as legitimating an alternative lifestyle which "involves transforming the 40 hours we sell to the market into a combination of leisure and non market work."

The CDC have indicated that their adaptation of the programme offers participants opportunities to:

- gain experience in work environments relevant to their future aspirations
- participate in comprehensive training opportunities
- receive advice and support
- gain skills and confidence
- avenues to full time employment
- develop work ethic

Time has not allowed us to interview community agencies and community wage participants about their experiences with the programme and benefits experienced, however, comments will be tabled at the meeting.

#### **CRITICISMS OF THE COMMUNITY WAGE PROGRAMME**

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<sup>4</sup> **No private businesses are providing placements in Christchurch.** Comments from these groups will, however, be tabled at the meeting.

<sup>5</sup> Figures released under the Official Information Act indicated how expensive the scheme was to promote in New Zealand (**\$3.2 million to find and contract 47 organisations** = 6,115 placements) (Speden 1998).

Sections of the community, particularly the voluntary welfare sector, have expressed concerns about the impact the scheme may have on the community.

Concerns expressed include that the programme:

- will not create jobs;
- will displace work and/or result in a drop in real wages;
- will impose costs on community organisations including training and supervision and compliance with OSH and ACC standards;
- will impact on the culture or ethos of the volunteering and voluntary sector;
- is contrary to the International Labour Convention, to which New Zealand is a signatory.

These concerns are discussed below.

### **Job Creation/Job Transition**

Critics of the community wage concept argue that a major flaw is that it does not create real jobs for the unemployed, and in fact may threaten existing employment.

Both the NZIER and the Government's own economic adviser, the Treasury, have forecasted that New Zealand may face zero growth and rising unemployment over the next three years<sup>6</sup>.

Critics of the programme are therefore asked what the participants in the Community Work Programme are "transitioning" to? (Tolich 1998).

### **Displacement of work and/or drop in real wages**

Don Brash of the Reserve Bank reportedly predicted that the scheme would depress wages<sup>7</sup>. The Trade Union Federation predicted that the programme would:

"transform the unemployed into a very much larger group the working poor. If the scheme takes hold we will be confronting a Third World situation, where unemployment has ceased to be a meaningful category and replaced by chronic, widespread poverty (Michael Gilchrist, Acting Secretary Trade Union Federation quoted in Jobsletter No 77. 1998)."

Research also documents the possible impacts of the programme on work and wages. Research undertaken during the 1996 coalition talks and released by the State Services Commission under the Official Information Act, estimated the displacement rate under the community wage scheme to be some 26%. This equates to one real worker losing their job for every four beneficiaries taken on to the scheme ("Policy Costing – Requiring Unemployed Job Seekers to be Employed in Community Work and/or Training", 8/11/96). The displacement effects estimated by this research could have underestimated the effect for the programme, as it assumed a two day a week community work, whereas the current programme is three days (20 hours).

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<sup>6</sup> The NZIER is predicting the percentage of the workforce unemployed for March 1999 at 7.7% falling to 7.4% in 2000 and 6.8% in 2001 compared to 7.1% in 1998. Also Treasury 1997:2.

<sup>7</sup> Jobs Letter no 80 18 June 1998

American research on the US Workfare schemes also found that workfare displaced other employment. A University of Massachusetts study prior to the implementation of Workfare in New York argued that it was likely to have a “substantial, negative effect on the broader workforce – and particularly on the lowest-wage, most disadvantaged workers (Tilly 1998:1). This study estimated that the 30,000 workfare placements of welfare recipients in New York would displace approximately 20,000 other workers and reduce wages from the bottom third of the workforce by 9% (Tilly 1998).

### **Work will become less rewarding as alternative to welfare**

Over time the effect of the scheme may be to all but eliminate the difference between the rates of pay for unskilled work and the community wage.

Ironically this undermining of wages and employment for those at the bottom of the labour force is likely to make real work less available and a less rewarding alternative to welfare.

### **Ethos and culture of the voluntary sector**

The Council has debated many of the above concerns. An issue not yet debated by the Council is the possible long-term impact the programme may have on volunteering. There are fears that the scheme will distort the concept of volunteering because the only voluntary work the programme values is that which leads to paid employment. Community groups are faced with being seen a ‘second class’ providers of work, with people placed with them being expected to look for a ‘real’ job and move to that as soon as they can.

Voluntary work has been one of the few ways that beneficiaries have been able to feel they are participating in the life of the community and contributing to the common good. For some, voluntary work has also been the first step into paid employment. Forcing people to take on community work devalues it. It could transform community work into a form of punishment rather than an opportunity to build self-esteem and social capital.<sup>8</sup>

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<sup>8</sup> Research by Colmar Brunton for the Government stated that jobseekers would lose self-esteem if they were placed in a job where they were unsuited (Community Taskforce Extension Research June 1997)

## **Scheme is a violation of the International Labour Convention**

It may be that the programme conflicts with the International Labour Convention, to which New Zealand is a signatory. The convention urges governments to "suppress the use of forced or compulsory labour in all its forms".

The International Labour Organisation has indicated that the sanctions for programme breaches are contrary to the Convention. The ILO argue that the loss of the right to benefit as a result to an unemployed person's refusal to carry out assigned work is equivalent to a penalty in the meaning of Article 2 of the Convention. The ILO's definition of forced or compulsory labour in Article 2, paragraph 1, of the Convention includes the loss of rights or privileges.<sup>9</sup>

### **CONCLUSION**

In our opinion the real and potential negative impacts of the programme (as currently structured), on individual participants and the wider community, outweigh the benefits. The scheme has the potential to undermine social well-being and accentuate divisions within society. In particular, its failure to pay the beneficiary for community work undertaken, the element of compulsion and the punitive sanctions involved in the scheme make it unacceptable and counter-productive. It is suggested that the Committee confirm its support for programmes that provide unemployed people with opportunities to earn money, build self-esteem and contribute to the community, but express its opposition to the unacceptable aspects of the Community Wage programme.

**Recommendation:** That the Committee:

1. Receive this report.
2. Reconfirm its commitment to eliminating unemployment and to publicly funded programmes that provide unemployed people with opportunities to earn money, build self-esteem and contribute to the community.
3. Reconfirm its opposition to the punitive and compulsory aspects of the Community Work component of the Community Wage Programme.
4. Recommend that the Council write to the Minister of Employment expressing the views contained in recommendations (2) and (3) above and seeking to have the scheme amended.

### **Chairman's**

**Recommendation:** That the above recommendation be adopted.

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<sup>9</sup> Fax from M.A. Zenger, International Labour Office Geneva to J.M. Stevenson, Director, Centre for Psycho-Sociological Development, Dunedin Committee of Experts, 10.2.1997