

## Little difference between Labor and the Coalition's jobs programs for young people

Written by Phil Lewis, Professor of Economics, University of Canberra

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[Labor](#) and the [Coalition](#) have both put forward plans to boost employment for young people but the plans are both based on the same economic reasoning and are little different.

Both the Coalition and Labor seek to improve the employability of unemployed youth by providing basic work skills which in turn help them to increase profit for businesses.

The essence of the Coalition's Youth Jobs PaTH internship scheme is that firms will be paid A\$1,000 to take on young, unemployed people as interns for up to 12 weeks and a further payment of between \$6,500 and \$10,000 if they hire them full-time. Interns will receive \$100 a week on top of their welfare payments.

The Labor proposal is part of its Working Futures scheme. Its major features are a six week "work readiness" course covering essential personal presentation, interview techniques and job hunting, a six-month work placement with an employer (paid at a training wage, a percentage of the award wage) and a Certificate III in a subject of their choice on successful completion.

The differences in the two schemes are mostly in their design although at first sight the Labor plan doesn't offer as much incentive to an employer to take on young workers, as that of the Coalition. It's also difficult to see why you would need six months of training in the basic skills which should already be covered by [Job Services Australia](#) .

Businesses determine the demand for labour and the most important factor in this is wages. Businesses will employ more people (or increase hours of employment) as long as the extra revenue generated exceeds the extra cost of employing them. Therefore, extra output and extra employment requires a fall in labour costs.

Unemployment is not a problem for most young people - it is concentrated among the most disadvantaged. This group has little or no skills or work experience. The chances of being unemployed [are much higher](#) if a person lives in a lower socioeconomic area and if a person's parents have a lower level of education.

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These young people are unemployed because, given their lack of skills and/or training, businesses can't find anything profitable for them to do at the institutionally set wage which legally businesses must pay. It may also be the case that the wage that businesses would be willing to pay (in the absence of minimum wages) in order to profitably employ them would not be attractive enough for the unemployed given the level of social security benefits they would get if they didn't work.

Contributing to youth unemployment is a [combination of external shocks](#). Globalisation and an increase in the use of technology have significantly changed the nature of demand for labour, while certain inflexibilities in the labour market, such as rigid wages and employment conditions in awards, have prevented adjustment to these demand changes. The effects of this can be seen in the relative growth in service sector employment, the growth of [part-time and casual work](#), the relative decline in demand for manual skills and the growth in demand for knowledge-based and people skills.

To increase demand, under both the Coalition and Labor policies, wages are reduced. In the Labor plan employers are allowed to pay trainee wages, which are lower than the general award for junior employees, while under the Coalition plan employers are paid a subsidy.

To encourage young people to go for jobs, under Labor's policies they are paid more than they would get on the dole – a trainee wage. For a 17 year old in the retail sector is about \$10 per hour. This is compared to the Coalition's \$100 per week plus social security benefits. The exact amount depends on a number of factors but for someone under 18 living with parents the Youth Allowance is \$237 per fortnight.

Already critics are [pointing out potential problems](#). They point to the danger employers will simply take advantage of cheap labour without real jobs resulting at the end of the subsidy period.

This would certainly weaken the impact of the schemes but the policies will still provide opportunities for young people to be exposed to work experience, to develop networks, self-confidence and skills on the job that could lead to a job.

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Another criticism is that businesses will employ subsidised workers in place of those they would have employed anyway, resulting in no net increase in employment. However both policies still have value in correcting for the exclusion of the most disadvantaged from the labour market that exists now.

*During his career he has received funding from many private and public sector organisations including most recently the ARC, NCVER, DEEWR, the AFPC, ABLA and CPA Australia.*

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