Submission 168.

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Ms. Allyson Essex
Principal Research Officer/ Inquiry Secretary
Standing Committee on Ageing
Parliament House
CANBERRA

Dear Ms. Essex,

Thank you for the opportunity to make a submission to the inquiry into ageing strategies.

I have been employed as a manager for almost twenty years and my submission is based on that experience. As a manager it is my job to make good choices, or (as older dictionaries would express it) to discriminate.

I hope that this modest contribution will help parliamentarians understand that there is a direct conflict between the first priority of a manager, sustaining their career, and the communities interest in full employment for all its members. The motivation for discrimination, regardless of who may benefit or suffer, is powerful. Far more powerful than almost unenforceable anti-discrimination legislation.

Businesses are communities with their own cultures. Where those cultures value, in this case youth, a manager cannot advance their career by challenging this norm.

There is an imperative to defeat age discrimination. My submission proposes a mechanism to bring down to the level of each manager, financial advantage for making selections outside the cohort favoured by fashion, "age under forty, twenty years post PhD."

The mechanism proposed has no cost to Government, uses a simple measure for calculation and protects small and vulnerable enterprises.

Yours sincerely

R Venner

Ross Venner FCA

Submission to Standing Committee on Ageing

Inquiry into long term strategies to address the ageing of the Australian population over the next 40 years

By Ross Venner FCA

Introduction

Successful ageing starts with a successful career providing an adequate financial base from which ageing can be approached with some confidence in the opportunities to participate in the community. Age discrimination in employment, which is now degrading the prospects of even 40 year olds has the potential to weaken the bonds of our communities and the social contract. It is already blighting the lives of many entering unwillingly and impoverished on premature retirement.

This submission takes as its starting point the acceptance of two key facts:-

- The resistance of employers to the recruitment of older workers as evidenced by the well known Research of Drake International submitted to Dr. Brendan Nelson MP's inquiry which lead to the report Age Counts.
- The economic imperative to reintegrate into and retain older workers within the active workforce. Some of the public and private benefits of success in this area are listed in (Appendix 1)

Taking these contentions as facts, this submission will examine the incentives to individual managers to discriminate against older workers and the nuances within corporate culture which reward these strategies. If these strategies are successful and their widespread adoption indicates that they are; such success will have ensured that the ranks of senior management in Australia are skewed towards users of such strategies. Corporate excess of recent years supports this view (Appendix 2).

Effective policy to redress an entrenched culture of discrimination reflected in the discrimination against older workers (and other disadvantaged groups) requires two separate elements:-

- An unambiguous but simple measure of the employment benefit received by the community from individual entities. This measure must reflect the benefit derived from the integration of older (and disadvantaged) workers; and secondly,
- a mechanism which impacts directly at all levels of an entity where discrimination takes place. The mechanism proposed has zero cost to the national budget, while leaving gains from increased taxation and reduced welfare and health expenditure untouched.

Why managers discriminate

Managers discriminate because it enhances their own prospects significantly. Although hard to prove, discrimination is illegal. Why would otherwise law abiding managers take this action? Because of the stronger imperative to enhance their status. The manager who fails to manage their own career manages, nothing!

Drake International reported that of 500 respondents to their survey, **none** would consider the recruitment of a manager over 50 years of age. The participation of this age group within the workforce falls below 50% in many areas suggesting that exclusion is not only from managerial positions. Why? Because a manager can not enhance their own position from hiring an older worker. Older workers have low status and low status workers have low status managers. Low status managers do not get promoted. (Appendix 3). This effect is compounded by corporate culture which is dominated by budgets and short term targets. These reward perceived image in short time frames over quiet undramatic progress.

Measuring employment outcomes

A practical measure of employment must be simple, unambiguous and provide scope to reflect the community interest in the outcome. The aggregate of employees weeks is proposed as the basis of this measure. It can be computed easily as part of the process of preparing PAYG summaries. The calculation requires no special training or computer software. A supplementary score is computed to reward recruitment decision which favour disadvantaged workers. Two tables which together provide a model for weighting this result for positive outcomes are shown in Appendix 4.

The result is a single numeric value the "Weighted Employee Weeks" ("Points") generated by the entity over the fiscal year.

This methodology provides a potent mechanism for the expression of changing community interests in employment outcomes. Community interest will reflect demographics change over time.

Trading employment outcomes

Management's task is to increase the "bottom-line". Effective policy must therefore distil to a financial outcome at that same bottom-line.

Many attempts have been made with public policy (in Australia and overseas) to provide financial rewards for employment outcomes. These have been expensive and have generally enjoyed limited success. The creation of this simply numeric measure of employment offers an alternative. Entities with lower aggregate points than the preceding year could buy surplus points from entities generating an increase. The incentive to undertake this trading would be a significant financial penalty for a decline in aggregate points.

The penalty proposed would be restricting the amount of individual employees' salaries which could be offset against the income of the entity in the calculation of business income tax liabilities. Disallowance could apply to salaries in excess of $50,000. The provision of this restriction or threshold has several effects:-

- Most small businesses will be protected from the penalty provision while having the opportunity to benefit from any employment growth which they generate.
- Businesses in acute distress are protected because they have losses rather than profits.
- The policy impacts at the level of line managers whose recruitment decisions are the active tool of age discrimination. In particular the policy provides a cogent defence for "taking a risk on an oldie". A particularly damning accusation often directed at junior managers in these circumstances.

<u>Appendix 1</u>

Some benefits of engagement with workforce for older people

- Increased tax revenue / reduced welfare dependence
- Improved health – reduced health costs
- Increased savings for retirement
- Greater opportunities for discretionary expenditure
- Increased pool of labour
- Retention / enhancement of skills available to employers
- Enlarged market for training services
- Increased employment and economic activity

Appendix 2

A brutal analysis of Management culture

Extract from Disparity – Autumn 2002 – used with permission

Twelve tablets for the Stony Hearted

- Rule 1: Always promise at least the demanded outcome or growth, this will buy time.
- Rule 2: Keep it simple and short term. No one is interested in three-year lead times. Profits in six months are required and this means sackings. As for a long-term future, research and development, social outcomes, social goods, get real!
- Rule 3: Sackings are good, not only to achieve growth but also in themselves. They show that the manager is decisive, committed to the goals of the organisation and prepared to spill blood, albeit other peoples, to achieve their targets.
- Rule 4: A little bit of fear goes a long way. Scared of losing their jobs most workers can "lift their game" for a short time. It looks good, for the manager. And a related tip; casuals, lacking security, are easier to frighten.
- Rule 5: Choose carefully the subordinates with whom they will be seen. Image is crucial here, ability secondary. Until promises are proved false, image is the only thing on which the manager can be assessed; and image is largely physical. Those in your proximity must include some square jawed young men (dynamism) and at least one attractive woman (appeal). Anybody with disability must disappear. And what about age and experience? Having seen it all before, workers with age and experience are a positive threat to your strategy. In any case, age, experience, wisdom and loyalty add nothing to the quarterly results. An easy decision, then: they're gone too.
- Rule 6: Get promoted, thus the failure of your gutted former department can easily be distributed where you think it will serve you best.

Congratulations, you are half way there! The rules have worked and you, the sacker, have reached the executive suite. What now? You are the hero who delivered "share-holder value", or "targeted budget savings" but still they must perform. What strategies can maintain the image, provide short-term results and enhance the share-price now? Let us continue.

- Rule 7: More of the same is a good start; a few tantrums here or there will certainly maintain the reputation as a "hard man" or "ruthless bitch" and inspire the more reluctant subordinates to wield the axe with equal enthusism.
- Rule 8: Bring on the consultants. This one is always useful, like the brazen comic in the strip club who fills in the gap between the acts and about as much practical use, when corporate memory has been massacred and morale dragged low by fear, distrust and exhaustion. To get the bonus points, choose your consultants carefully. Former colleagues at twice their departmental salary will owe you matching favours; a non-executive directorship would clear such favours well.

- Rule 9: A merger, this translates as “maintain the interest”. Positive market comment will boost your image and the share price. The grateful shareholders will increase executive salaries and give then another year or two on the promise of results.
- Rule 10: The merger didn’t work. But never mind. Be strong, keep the faith and instigate more sackings. Consultants are useful here too, as they buy more time to deliver that elusive bottom line.
- Rule 11: Now demand the unachievable of your subordinates, thus restarting the whole process at rule one. These targets are broadcast as holy writ and the share price rises again.
- Rule 12: Finally, ensure that your parachute is golden. You have wrecked thousands of lives, redeployed resources, (read economic oblivion for whole communities) but you have gone as far as they can. Your credibility will support these strategies no longer, but now you are rich, who cares?

Appendix 3

Models for discrimination

"A manager can not benefit from hiring an older worker"

Outcomes from recruiting an older worker

Outcome	Assessment of Manager
Recruit goes sick	Wasted time on older worker - (Overlooks greater mobility of young workers and maternity leave obligations to female staff)
Recruit requires training	Why waste time on oldie – (Assumes all younger workers have superior skills)
Recruit under performs	Bad judgement on older worker - (ignores general recruitment risk)
Recruit performs above expectation	Threat to manager, recruit could do his job more cheaply, etc.
Recruit achieves average performance	Manager is responsible for older workers. Older workers have lower status; therefore manager is low status manager.

Conclusion – avoid older workers

Appendix 4 – Specimen Tables

Summary

The tables below are structured to promote permanent employment and make such employment available to stereotypically disadvantaged groups, particularly older workers. The scores attributed in the tables can be readily amended to reward job creation in, for example, depressed geographical regions or other priority areas. This provides scope for political participation in shaping the employment market.

When an employee with service greater than one year leaves an entity, the weighted score rewarding their longer service is lost (table 1). The entity can regain those points by means of a favoured recruitment selection (table 2) or by buying the required points in a free market thereby transferring value to job creating enterprises.

<u>All figures measure "weighted employee weeks" or points.</u>

Table 1 – Incentives to promote Full Time / Permanent employment

Description	Week	Month	Quarter	Year
Full time employment	1	4	13	70
Full time – Eligible for disadvantage Points	1	4	15	90
Part time Permanent employment > 20 hrs	½	2	6½	35
Full time Casual employment > 34 hrs	½	2	6½	35
Part time or casual (disadvantaged)	½	2	7½	45

Table 2 – Incentives to promote disadvantaged candidates

Disadvantage	Points	Aggregate Points
Over 50	**2**	**3**
Over 58	**5**	**15**
Unemployed one month	2	3
Unemployed two months	3	6
Unemployed X months	X + 1	
Non-English Speaking Background	3	6
Aboriginal or Torres Strait Islander	3	6
Under 22 (Or first job)	3	6
50 YO NESB 3 months unemployed	9	45

Disadvantage Points (Table 2) for any recruit, reduce by one for each week of service.