



Australian Government

**Department of Employment and
Workplace Relations**

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE
ON EMPLOYMENT AND WORKPLACE RELATIONS:
INQUIRY INTO “EMPLOYMENT – INCREASING
PARTICIPATION IN PAID WORK”**

**SUBMISSION BY DEPARTMENT OF EMPLOYMENT AND
WORKPLACE RELATIONS**

SEPTEMBER 2003

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INTRODUCTION/OVERVIEW

The Department of Employment and Workplace Relations (DEWR) aims to maximise the ability of unemployed Australians to find work and to support strong employment growth and improved productive performance of enterprises in Australia.

The Department achieves both of these aims by developing and implementing policies and programmes that support an effectively functioning labour market, and workplaces with higher productivity and higher pay.

These aims are apposite to the Terms of Reference for the House of Representatives Employment and Workplace Relations Committee 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.

Economic Growth and Participation in Paid Work

Economic growth has widespread benefits, particularly when, as in Australia, it is supplemented with environmental protection measures and a social safety net. Rising real Gross Domestic Product (GDP) per person is associated with increasing living standards and gives an economy a surplus capacity that can be devoted to dealing with problems that a society faces such as environmental deterioration and population ageing.

As the Treasurer and the Minister for Finance and Administration pointed out in Statement 4 of Budget Paper No. 1 of the 2003-04 Australian Government Budget, economic growth is a function of the following three “P”s:

- Population;
- Participation (in paid work)¹; and
- Productivity.

As shown in this Statement and in the Treasurer’s Intergenerational Report last year, the population growth rate is highly likely to slow over coming decades in response to lower fertility rates, although this effect should be attenuated by net migration and lower mortality rates. With a slowdown in population growth, Australia will rely on participation in paid work and labour productivity growth to fuel future growth in living standards. Given the strong challenges that we are likely to face in coming years from population ageing, the

¹ Participation in paid work can be boosted by increasing the labour force participation rate (above what would otherwise be the case), reducing the unemployment rate or increasing the average hours worked per employed person.

demand for better health services, environmental sustainability and other sources, it would be sensible to boost participation in paid work and not rely solely on labour productivity growth.

The Treasurer and the Minister for Finance and Administration make a cogent case in Statement No. 4 that Australia should be able to maintain robust labour productivity growth and boost participation in paid work above the likely baseline level through stable and supportive macroeconomic policies, investment in education and training, flexible labour market policy, taxation policy, welfare and health policy and product market reforms.

Welfare Reform - Assistance, Incentives and Obligations

In 1999 an extensive process of review of Australia's social support system was undertaken by the Reference Group on Welfare Reform, chaired by Patrick McClure, CEO of Mission Australia. The group identified three key objectives for welfare reform:

- a reduction in the incidence of jobless families and households;
- a reduction in the proportion of the working-age population needing to rely heavily on income support; and
- stronger communities that generate opportunities for economic and social participation.

The *Australians Working Together* package announced in the 2001 Budget was the initial response to the recommendations of this group's report. *Australians Working Together* was about providing more flexible and integrated services that struck a balance between incentives, obligations and assistance. The introduction of the *Active Participation Model* in July 2003 further developed and improved on the *Australians Working Together* initiatives by providing job seekers with more active and individualised assistance.

However, more can be done to ensure the social support system encourages and rewards participation for working age people. To help progress welfare reform the government has released a consultation paper, *Building a simpler system to help jobless families and individuals*.

Key Messages Emerging

The analysis of labour market data and trends provided in this submission strongly indicates several key messages.

- A whole-of-government response is required to address the impact of demographic change.
- Increasing participation in paid work, or at the very least stemming the tide, is a key ingredient to future economic success and well being for Australians.
- Workplace reform is needed.
- Work and family issues need to be addressed.
- Welfare reform is needed to achieve a balance of assistance, incentives and obligations for income support recipients.

DEWR is already addressing these issues by implementing a range of measures which are described in more detail within this submission.

Ongoing Policy Development

Importantly, policy development is ongoing. DEWR is participating in several whole-of-government policy development processes that are relevant to the Terms of Reference for this Inquiry including:

- Workplace Relations - legislative reform;
- Demographic Change – the Demographics Taskforce;
- Work and Family Agenda – the Work and Family Taskforce; and
- Welfare Reform - progressing the *Building a simpler system to help jobless families and individuals* discussion paper - Working Age Payment Taskforce.

These policy directions are consistent with those outlined in Budget Statement No. 4 and should assist in boosting participation in paid work and thereby contributing to improved living standards.

LABOUR MARKET DATA AND TRENDS AND COMMENTS ON KEY ISSUES

Australia's Economic Performance

Australia has made great economic strides over recent years. Since 1971 our real gross domestic product per capita has increased by an average of 1.8 per cent annually. Since the March quarter 1996, average annual growth in GDP per capita has been 2.4 per cent.

Australia has survived from the economic reversal of our Asian neighbours in the second half of the 1990s and we continue to hold a strong economic position especially in relation to Japan, our largest trading partner.

Similarly, we continue to hold our own while the American economy temporarily treads water to realign its financial sector.

The Australian labour market has also transformed itself. Between 1996 and 2003 employment has grown by nearly 14 per cent (or 1,143,200 jobs) while unemployment has decreased by more than 17 per cent.

Demographic Trends – Impact on Population and Labour Supply

Trends in fertility, mortality and migration will have a significant influence on Australia's future population size and structure and hence on the composition and size of its labour force. The prospect of considerably lower than current labour force participation rates highlights the critical importance of increasing participation in paid work. DEWR examined these issues in its submission to the House of Representatives Standing Committee on Ageing *Inquiry into long term strategies to address the ageing of the Australian population over the next 40 years (August 2003)*.

The likely impact on the population and the labour supply of demographic trends resulting from a range of possible population scenarios facing Australia over the next 50 years is set out at **Table 1 - Attachment A**. Key points to note are that:

- Under what is known by demographers as the 'standard projection' – that is, assuming Australia's total fertility rate (TFR) stabilises at around 1.65 children per woman from 2005 (it is currently around 1.73) and assuming net overseas migration (NOM) remains constant at around 80 000 persons per annum – Australia's population should stabilise at around 25 million by 2050 while its labour force should stabilise at just under 11 million.

- However, even at this level, Australia's working age population as a share of total population would be considerably lower than today, down from 67.1 per cent in 2002 to 59.6 per cent in 2050. The labour force participation rate would drop from 63.8 per cent to 50.8 per cent over the same period.

Labour Market Participation

The decade to July 2003 has seen the labour force participation rate increase by 1.1 percentage points to 63.6 per cent. This increase has been driven by rising female participation, from 51.6 per cent in July 1993 to 55.8 per cent in July 2003. While the male participation rate (71.6 per cent) remains higher than that for females, over this period it has fallen by 2.0 percentage points (See **Chart 1 in Attachment B**).

Women

Women's participation in both the full-time and part-time labour force increased significantly over the last decade, continuing a trend that began in the 1960s and is expected to continue over the coming decades. The female part-time labour force (women either employed part-time or looking for part-time work) has recorded particularly strong growth, increasing at an annual average rate of 3.5 per cent, more than twice the rate for the labour force as a whole (See **Chart 2 in Attachment B**).

Mature Age Persons

The last ten years have also seen a strong increase in the participation of persons aged 45 to 64, due almost entirely to the increasing participation of mature age females. However, while the mature age female participation rate increased over this period (from 49.0 per cent to 59.6 per cent), it still remains well below the 77.0 per cent recorded for mature age males as at July 2003 (See **Chart 3 in Attachment B**). It is worth noting that the participation rate for persons aged 55 to 64 in Australia (48.6 per cent) is significantly below the rate for comparable nations like New Zealand (62.9 per cent), the United States (60.2 per cent) and the United Kingdom (54.0 per cent).

People With Disabilities

The labour force participation rate for people with disabilities is lower than for the population as a whole. In 1998 (latest data available), the participation rate for all persons with a disability was 53.2 per cent, compared with 80.1 per cent for people with no disability². People with a disability also recorded a higher unemployment rate, of 11.5 per cent, compared with 7.8 per cent for people without a disability. Not surprisingly, the level of participation diminishes with the level of activity restriction caused by the disability. Males with a disability tend to have higher participation and unemployment rates than females with a disability. While the latest data available at this stage are for 1998, in September the ABS is expected to release the results of its 2002 *General Social Survey* (ABS Catalogue no. 4159.0), containing more up-to-date information on people with disabilities.

- Administrative data show that there are currently 673,334 persons on the Disability Support Pension (DSP), of which 54 per cent were aged over 50. The number of people on DSP has grown strongly over the last ten years, up by 65.6 per cent from 406,572 in 1993. DSP is currently not activity tested, and 34 per cent of new entrants to DSP over the year to March 2003 were previously on Newstart allowance.

² From Disability, Ageing and Carers: Summary of Findings (ABS Cat. No. 4430.0), 1998 DEWR Submission to Inquiry into "Employment – increasing participation in paid work"

Indigenous Australians

Indigenous Australians continue to record significantly lower rates of participation than the non-indigenous population. As at August 2001 (latest available data) the labour force participation rate for Indigenous persons stood at 50.4 per cent, while the unemployment rate was 20.0 per cent. The Community Development Employment Projects (CDEP) programme is a significant contributor to maintaining this level of Indigenous participation. An aim of Government policy is to increase Indigenous participation in mainstream employment, including outside CDEP where the labour market allows and through business and economic development.

Trends in Rural/Regional and Urban and Outer Suburban Areas

Labour force participation varies between the State capital cities and non-metropolitan areas, between individual States and Territories and at the regional level due to a number of factors, such as the age profile of the region, the type and level of economic and labour market activity, population size and growth, the size of the labour market, natural attributes and climactic conditions and the personal and family situations of individuals in the region.

As at July 2003, the Northern Territory (71.1 per cent) and the ACT (71.0 per cent) recorded the highest participation rates of any State or Territory, while Tasmania (58.5 per cent) recorded the lowest. Further, on average the participation rate in metropolitan Australia (64.4 per cent) is higher than that for non-metropolitan areas (62.5 per cent).

At the regional level, the highest participation rates in July 2003 were recorded by Remainder – Balance of WA (74.5 per cent) followed by Northern Beaches in Sydney (72.5 per cent). Wide Bay – Burnett in Queensland (51.8 per cent) recorded the lowest participation rate of any region, followed by Mersey-Lyell in Tasmania (53.6 per cent)³.

Work and Family

Different family structures and the age of children in families have a significant impact on the labour market participation of family members and, in particular, mothers. In June 2003 (latest data available) there were 2,033,400 couple families and 583,700 one parent families with dependants in Australia. Couple families with dependants had very high rates of participation, with the vast majority (95.8 per cent) having at least one member in the labour force. At the same time, the unemployment rate for couple families with dependants was 3.6 per cent. In comparison, the participation rate for lone parents with dependants was 60.5 per cent, while their unemployment rate was significantly higher at 15.0 per cent.

Participation, for both lone parents and parents in couple families, is linked to the age of the youngest child. For instance, only 38.7 per cent of lone parents whose youngest child was aged 0 to 4 were in the labour force, however where the age of the youngest child was 10 to 14 participation had increased to 67.1 per cent. Similarly, the proportion of couple families where both parents were working and the youngest child was aged 0 to 4 was 46.8 per cent, rising to 69.2 per cent where the youngest child was aged 10 to 14.

- While women are more likely to work part-time than men (46.1 per cent, compared with 14.7 per cent), the age of the youngest child also has an impact on the type of employment of female parents and, in particular, female lone parents. For instance, 70.3 per cent employed female lone parents whose youngest child was aged 0 to 4 worked part time, compared with 51.1 per cent whose youngest child was aged 10 to 14. Similarly, female parents in couple families are more likely to be employed part-

³ Data are from the ABS *Labour Force Survey*, averaged over three months to reduce variability in the estimates. DEWR Submission to Inquiry into "Employment – increasing participation in paid work"

time when their children are younger, from 67.8 per cent when the youngest child was aged 0 to 4 down to 53.8 per cent when the youngest child was aged 10 to 14.

MEASURES

Workplace Flexibility

Flexibility and Participation

The last decade has seen rapid changes in the Australian labour market with the advent of globalisation. This has had profound implications for organisations, in terms of skills and training requirements. Most importantly it has brought about the need to adopt new and more flexible workplace practices.

Flexible labour market arrangements are one of the crucial determinants of an economy's capacity to take advantage of growth opportunities in the information technology age.

In an environment in which Australian industry is being exposed to ever increasing levels of international competition, and where technological change is accelerating, it is crucial that governments examine how they can provide a policy and legislative framework most conducive to creating efficient, flexible and competitive businesses.

On the supply side, the changing composition of the Australian workforce also necessitates flexible workplace practices. Australia's population is ageing, a trend that will continue to impact on the labour market and the composition of Australian workplaces over the next 50 years. By the year 2050 the aged dependency ratio (the ratio of people aged 65 and over to those of working age, 18-64 years) will have increased from 20 per cent to 40 per cent. By 2016, over 80 per cent of the growth in the labour force will occur in the 45 years and over age group.

Workplace reforms in the future will need to be mindful of the ageing Australian workforce, in particular by encouraging older workers to stay in the workforce for longer.

Another major factor influencing the composition of the workforce has been the increasing participation of women. This has and will continue to put pressure on workplaces to develop and adopt family friendly work practices. This flexibility in working arrangements, required by employees as well as employers, can realistically only be worked out through arrangements developed at the individual workplace level. In order to accommodate a changing workforce and respond to an increasingly competitive environment, the way we work has had to change and will need to continue to change in the future.

Agreement Making

The *Workplace Relations Act 1996* (WR Act) provides a range of bargaining options, recognising that different workplace arrangements will suit different employers and employees. Agreement-making is now the primary focus of the Australian workplace relations system with individual and collective agreement-making streams that place primary responsibility for negotiating terms and conditions of employment with employers and employees at the workplace level.

While the Government is pursuing further reform, the opportunities for agreement-making have helped Australian workplaces become more efficient and competitive. Employers and employees are more conscious of their mutual interests and are increasingly reflecting those interests in innovative agreements. The flexibility provided in the WR Act has seen an increase in the range of flexible provisions appearing in agreements in Australia. It is now commonplace to see some of the following provisions in workplace agreements:

- flexibility in start and finishing times;

- averaging hours over weeks, months and a year;
- staggered starting and finishing times (on a regular or irregular basis);
- flexible working time arrangements;
- greater flexibility in utilising rostered days off;
- cashing out of some leave entitlements;
- annualised salaries incorporating penalty rates and overtime components;
- flexibility in rest and meal breaks; and
- provisions to assist with balancing work and family responsibilities.

Promotion

The Department promotes the agreement-making options available under the WR Act primarily through its main workplace relations service delivery arm, the Office of Workplace Services (OWS). In early 2003, OWS introduced a new Workplace Advisory Service (WAS) to better promote the flexibilities and options available under the Act and to encourage employers and employees to take up these options.

Further Reform

A key objective of the Government's 1996 programme of workplace relations reform was to enhance employment opportunities through a workplace relations system based on enterprise-level bargaining and freedom of choice. The Government has been pursuing legislative measures aimed at building on the 1996 reforms. Key elements of the legislative programme introduced to date are:

- further reducing the burden of unfair dismissal laws on business, particularly small businesses;
- extending the federal unfair dismissal jurisdiction to cover employees in all incorporated entities;
- requiring a secret ballot before protected industrial action can be taken;
- providing a mechanism for resolving transmission of business complexities in relation to certified agreements;
- providing improved protection against unacceptable industrial behaviour;
- improving compliance by unions with orders and directions of the Australian Industrial Relations Commission and Federal Court;
- further simplifying awards;
- ensuring that adjustments to the award safety net are made with appropriate recognition to the needs of the low paid; and
- simplifying agreement-making procedures.

Many of the Government's proposed workplace relations reforms have been blocked in the Senate.

Work and Family

A significant change that has occurred in family workforce participation is the increase in two-earner households as a result of the increase in women's participation. As noted earlier, a majority of couples with children now have both partners working, the most common scenario being one full-time and one part-time. However, at the same time there are also a small proportion of jobless couple families and only half of lone parents are employed. Unemployment rates are also high among lone parents and higher than in couple families.

Russell and Bowman (2000)⁴, using data from The Australian *Longitudinal Study of Women's Health* found that most young women want to have children and a good career. They also report that many mothers who work do so not only for financial reasons but also for personal satisfaction, desire for social contact and in order to build a career. This is the case despite the frequently low returns to work for the second earner in some families, particularly after childcare costs.

The desire by many parents to combine work and family is a trend that appears likely to continue. The increases in women's educational attainment levels and participation in tertiary education are important aspects of this trend.

For many families, decisions about workforce participation will be impacted by their ability to manage work and family responsibilities and obtain part-time work or flexible working arrangements. These considerations and the perceived low level of financial returns from working for those on low incomes, are likely to be particularly important for the choices lone parents make in regard to work.

The income test for Parenting Payment Single (PPS) is generous allowing a lone parent with one child to earn \$144.60 per fortnight with no reduction in their payment and, for income after that level, PPS is only reduced by 40 cents for every dollar earned. However, it is the complex combination of the PPS income test, taxation and child care costs that impacts on *perceptions* about returns from working, although analysis by National Centre for Social and Economic Modelling (NATSEM) found that low income lone parents are better off working. Lone parents can work full-time on the Federal minimum wage and still receive some PPS payments.

Workplace Relations Policy

The Workplace Relations Act provides the opportunity, through its agreement-making provisions, for employees to negotiate a range of family friendly working arrangements that are mutually beneficial to them and their employer. Increasingly, employees and employers are reaching agreement on flexible hours and working arrangements to accommodate the needs of families and the workplace. In current⁵ federal certified agreements data indicates that⁶:

- 80 per cent of agreements contain at least one family friendly or flexible working hours provision;
- 37 per cent of agreements have family/carer's leave provisions; and
- 36 per cent of agreements have part-time employment provisions.

Of employees covered by a federal certified agreement:

- approximately 91 per cent have access to at least one family friendly and/or flexible working hours provision;
- 65 per cent have access to family/carer's leave; and
- 76 per cent have access to part time employment provisions.

In addition, parents who have been employed permanently for 12 months on a continuous basis are eligible for 12 months unpaid parental leave, providing a right to return to their job (or similar job) enabling them to retain a connection with the workforce.

⁴ Russell and Bowman, Dept of Family and Community Services, (2000), p.14, *The Australian Longitudinal Study on Women's Health*, The Research Institute for Gender and Health, University of Newcastle, 1995-2000

⁵ Current as at 31 March 2003

⁶ Department of Employment and Workplace Relations Data 2003

Transition To Work Programme

The primary objectives of Transition to Work (TTW) are to provide preparatory assistance that builds self esteem and addresses confidence issues and to improve individuals' prospects of obtaining paid employment through assessment, skills training, support and advice on how to get into the jobs market. For some, updating their skills, for example in basic IT training, will be the first step in their return to paid employment. TTW brings together a range of individual and flexible assistance to help parents, carers or mature age people aged 50 years and over who are looking for paid employment or planning to join or rejoin the workforce after an absence of two or more years. Participation in TTW is voluntary and available to people receiving income support as well as those who are not.

Thirty four organisations are contracted to deliver TTW services from over 400 sites across Australia with 10,000 places being made available annually.

The demand for TTW services is high. To end July 2003 there have been around 13,700 commencements of whom 91% are parents, 17% are mature age and 10% carers (not mutually exclusive).

Around 40 percent of commencing participants have exited the programme. Post Programme Monitoring three months after the participants exit the programme show that 51% have positive outcomes with 38% in employment and 18% in education (not mutually exclusive).

Work and Family Awards

The National Work and Family Awards have been held since 1992 to recognise organisations that provide a more family friendly work environment for their employees. The Awards recognise excellence in work and family initiatives. They showcase small, medium and large organisations with outstanding flexible working arrangements that meet the needs of the business and its employees.

The Awards are a partnership of the Australian Chamber of Commerce and Industry, the Business Council of Australia, the Australian Government Department of Employment and Workplace Relations, the Council for Equal Opportunity in Employment Ltd and the Office of the Employment Advocate. The major corporate sponsor of the Awards over the next three years is IBM.

Policy Development Processes

In late 2002, the Government established an inter-departmental taskforce to review the options that might better facilitate choice for parents in balancing their work and family lives. The Government's policy goal in relation to work and family policies is to facilitate choice for families. Issues include the range of measures to support families, childcare arrangements, how the workplace relations system is delivering family-friendly practices, and meeting the needs of parents around various transition points such as returning to paid work after a period caring full-time for children.

Job Network Employment Services

Job Network is a national network of private and community organisations dedicated to finding jobs for unemployed people, particularly the long-term unemployed. Job Network is designed to provide flexible assistance tailored to the individual job seeker. Job Network members operate from sites across Australia.

Job Network provides varying levels of service to job seekers, depending on the barriers to employment that they face and the length of time they have been unemployed. Job seekers typically register with Centrelink for income support and are then referred to Job Network members for assistance. For the majority of job seekers Centrelink is the 'gateway' to Job Network services.

Active Participation Model

The *Active Participation Model* of employment services (the third Employment Services Contract (ESC3 - 2003-2006)) commenced in July 2003. The *Active Participation Model* simplifies access to services for job seekers and streamlines services provided by Centrelink, Job Placement Organisations, Job Network members and complementary employment and training programmes.

Key features of this model include a single Job Network member providing continuous assistance and working with job seekers until they find employment. Job seekers can choose their preferred Job Network member, including specialist providers where available. Job Network members focus on the needs of job seekers by providing the Job Search Support service and, for longer term unemployed people, Intensive Support services. Under Job Search Support, Job Network members assist their clients to lodge their résumé or 'vocational profile' on JobSearch so that they can be auto-matched against available job vacancies. Job seekers are notified of matches to suitable jobs placed on the site in the preceding 24 hours through JobSearch kiosks or a phone service for the cost of a local call. Eligible job seekers with mobiles can also choose to be notified of matches via SMS messages.

For job seekers in Intensive Support, Job Network members have access to a new Job Seeker Account to purchase a wide range of assistance to help eligible job seekers secure work and encourage on-going active participation. The assistance could include skills training, such as a TAFE course, help with transport costs to attend job interviews, providing a wage subsidy to an employer, or purchasing appropriate clothing to attend job interviews. Mature aged and Indigenous job seekers could also access additional training funds through the Training Account to meet the cost of accredited training, including that provided by employers. There is no upper limit placed on funds available to individual job seekers. This funding is in addition to the Training Credit which is earned through participation in Work for the Dole or Community Work.

Job Network member services to job seekers are underwritten by a Service Guarantee which defines the nature and frequency of services to be provided by Job Network members. Sanctions are applied to Job Network members who do not deliver the services and standards set out in the Guarantee. DEWR will monitor the types of services provided to different job seekers and will develop better practice guides.

Job Network members are paid service fees to maintain regular contact with job seekers throughout their period of unemployment. The focus on placing job seekers into sustainable jobs is retained through the payment of a range of outcome fees which vary according to the duration of placement in work or qualifying education and the length of time that the job seeker has been unemployed.

In addition, under the *Active Participation Model*, a new Job Placement service was introduced to provide a dedicated recruitment service to employers to help them find suitable employees. Job Placement Organisations canvass employers for vacancies, then screen and refer suitable job seekers to those vacancies. These firms include specialist personnel recruitment organisations with expertise in particular fields. All their non-executive vacancies are listed on Australian JobSearch, the national vacancy database.

Job Placement Organisations are paid a placement fee by the Government each time they place a Job Network eligible job seeker into work.

By harnessing the expertise of the private recruitment industry, the Government expects that the new Job Placement system will make over 600,000 additional jobs available on the Australian JobSearch database over the coming three years.

In the 2002-2003 financial year Job Network provided substantial opportunities for unemployed people to access employment:

- 693,759 vacancies were lodged on the national vacancy database;
- 284,825 eligible job seekers were placed directly into jobs through Job Matching placements;
- 72,519 job seekers were provided with Job Search Training assistance with the most recent Labour Market Assistance Outcomes report (March 2003) showing a positive outcomes level of 51 per cent for these job seekers;
- 228,607 long-term unemployed and other disadvantaged job seekers entered Intensive Assistance with a positive outcomes level of 54 per cent; and
- 6,990 job seekers were assisted in starting up their own small businesses through the New Enterprise Incentive Scheme with 82 per cent positive outcomes.

Quality - Job Network Star Ratings

Job Network Star Ratings are sharply focused on the achievement of employment outcomes for job seekers and provide reliable comparisons between Job Network members. Star Ratings are based on performance indicators compiled from DEWR's Integrated Employment System. These performance indicators are specified in the Employment Services Contract and focus on the over-riding objective of Job Network, assisting job seekers by addressing their individual needs and placing them into jobs. The Star Ratings are weighted towards achieving sustainable outcomes for the long term unemployed and other disadvantaged job seekers.

A Job Network member's rating can vary from "one star", indicating room for improvement, to "five stars" representing performance that is well above the average. On a national basis, approximately 70 percent of Job Network members are rated at 3 Stars or better.

The Star Rating system will be further developed and refined for use as appropriate to the changed service delivery arrangements under the third Employment Services Contract. It is expected that, following their initial production in the first half of 2004, Star Ratings will be updated and publicly released at the end of each six month Contract Milestone period.

Locational Disadvantage

From 1 July 2003, clients deemed to be locationally disadvantaged will be eligible for extra assistance. Providers will be credited with supplements to the Job Seeker Account in respect of these job seekers. Eligibility will be determined where jobseekers' commuting time is more than 90 minutes each way to their nearest Job Network member or the cost of the travel exceeds 10% of gross income.

Job Network members will be able to modify service arrangements to better assist their locationally disadvantaged clients. For example, Job Network members can access the Job Seeker Account to offset the costs of providing services to job seekers by outreach, or they could use the Job Seeker Account to help with relocation costs.

Fee for Service Arrangements

DEWR is developing employment service arrangements in a number of locations around Australia on a fee for service basis. In general, these locations are remote and have high levels of Indigenous job seekers. Organisations being contracted to deliver the services are required to demonstrate their ability to effectively provide employment services to Indigenous job seekers, taking account of local conditions.

The Employment Service Areas (ESA) identified for Fee for Service are: Top End; West Kimberley; Ceduna; East Kimberley; East Pilbara; and Karratha. Contracts for Top End, West Kimberley and Ceduna ESAs commenced on 1 July 2003 thus ensuring coverage of Job

Network services across all ESAs in Australia. The Fee for Service arrangements in the remaining ESAs are expected to be in place before October 2003.

The services are being developed to meet the specific needs of local communities and DEWR has consulted at the local level to determine requirements. For the areas where contracts are already in place the services include:

- Top End — A Community Account is available for use by the Job Network member to provide a pool of funds to assist communities to develop and implement a Local Employment and Volunteering Plan. This plan will identify local jobs for local people, identify what the skills are of job seekers in the local communities and provide for quality community participation opportunities.
- West Kimberley— job seekers will be helped to engage in activities aimed at addressing barriers to employment and by providing a financial incentive to assist job seekers find sustainable jobs.
- Ceduna— services will be enhanced by providing for a greater focus on promoting Indigenous participation and retention in education. Indigenous job seekers will be supported to return to secondary education. In addition, training delivered in Yalata and Oak Valley will be modified to ensure relevance to the job seekers and the opportunities in the area.

Coverage by Employment Services

Under the *Active Participation Model* there are now over 2500 sites which deliver Job Network, job placement and other related employment services to job seekers. The total number of sites will increase further once Fee for Service contracts in remote areas are finalised.

Complementary Employment and Training Programmes

The *Active Participation Model* offers flexible linkages with complementary employment and training programmes provided by DEWR and other Australian Government, State and Territory-funded providers. Improved linkages will increase the skills and expertise available to Job Network members to assist job seekers to overcome an identified vocational or motivational barrier to employment. Job Network members who refer job seekers to a complementary programme will, in most circumstances, continue to provide them with assistance. Complementary programmes include Australian Government funded programmes such as Work for the Dole (WfD), New Enterprise Incentive Scheme (NEIS), the Language Literacy and Numeracy Programme and the Personal Support Programme. State government complementary programmes include work experience programmes and programmes for particular groups such as disadvantaged youth.

State and Territory Governments have responded positively to proposals to establish stronger linkages between Job Network and employment and training programmes offered by State/Territory Governments. DEWR has signed Memoranda of Understanding with the Victorian, Queensland, South Australian, Northern Territory and Tasmanian Governments on ways to establish stronger and more flexible linkages between State and Australian Government programmes. Discussions are continuing with remaining State/Territory Governments. The Memoranda of Understanding commit State/Territory Governments to consult and collaborate with the Australian Government on employment assistance and labour market issues. While the Memoranda have a similar content, they also reflect particular issues of concern to a State or Territory Government.

New Enterprise Incentive Scheme (NEIS)

NEIS is a comprehensive package of assistance providing small business training, income support and mentoring support during the first year of business operation for unemployed

people who wish to establish a new small business and exit the social security system. DEWR contracts NEIS providers with special business expertise to deliver the programme.

NEIS is one of the suite of complementary programmes described above and has assisted some 60,000 people into business through self employment since its inception in 1985. Around 6,800 people will be assisted each year. Full NEIS coverage across Australia has been achieved through the third Employment Services Contract and Fee for Service tender arrangements including metropolitan, regional and remote areas.

Work for Dole (WfD)

In 2002-03 there were over 64,000 WfD commencements. The objectives of WfD are to:

- develop work habits;
- involve local communities in activities that provide for the unemployed and help the unemployed at the end of the activities; and
- provide communities with WfD activities which are of value to those communities.

Participation in WfD activities also enables job seekers to meet their Mutual Obligation responsibilities under the *Active Participation Model*. More information on Mutual Obligation is provided later in the document.

Referral arrangements will be improved further under the *Active Participation Model* including referral from Job Network members through an electronic diary to Community Work Coordinators (CWCs). The job seekers' skills and interests are taken into account to ensure referral to the most appropriate activities available.

The types of WfD projects available include clerical, IT, web design, theatre and historical and natural restoration.

Policy Development – Future Versions of the Active Participation Model

The contractual arrangements through which the *Active Participation Model* is delivered will provide the opportunity to incorporate policy responses arising from the work of the Demographic Taskforce and other whole-of-government policy processes.

Indigenous Employment Policy (IEP)

Job Network is designed to maximise the chances of all job seekers to find sustainable employment and is the primary source of employment assistance to Aboriginal and Torres Strait Islander people. Additionally, in recognition of the particular disadvantage experienced by Indigenous Australians in the labour market, the Government introduced the Indigenous Employment Policy (IEP) in July 1999. The major components of the IEP were measures to improve the employment outcomes of Indigenous clients through Job Network, the Indigenous Employment Programme and the Indigenous Small Business Fund. Other initiatives have since been introduced to broaden and strengthen assistance to Indigenous job seekers. The various elements of the Policy are described at **Attachment C**.

Indigenous job seekers will benefit from improved assistance under the *Active Participation Model*. In locations where the *Active Participation Model* does not apply, a fee-for-service model that is tailored to the needs of local communities and labour markets has been introduced (see above). This model has particular application to remote areas where many Indigenous people live.

The number of Indigenous job seekers assisted into employment has increased each year since the IEP was implemented. The IEP Evaluation Stage One found that good outcomes are now being achieved at a lower unit cost than previous Indigenous employment programmes. The Evaluation highlighted the need for incentives to stimulate grassroots economic activity in those areas with limited employment opportunities. Both the Self-Help Programme (currently DEWR Submission to Inquiry into "Employment – increasing participation in paid work"

being trialled in selected areas) and the Indigenous Capital Assistance Scheme (to be introduced in 2004), which include financial literacy and business skills training, are intended to promote business development and therefore increase employment opportunities.

While significant numbers of Indigenous youth are being helped to gain employment through Job Network and the Indigenous Employment Programme, the Evaluation found more needs to be done to ensure they have the skills, job search techniques, confidence and motivation to benefit from strong economic growth. Initiatives to improve the school to work transition for Indigenous youth have been jointly developed and trialled with the Department of Education, Science and Training including school-based traineeships and apprenticeships, allowing for the achievement of both academic and employment qualifications and linking Year 11 and 12 students to employment and further training/education.

Indigenous Employment Centres (IECs) were introduced as part of *Australians Working Together* in 2001 to assist Community Development Employment Project (CDEP) participants to find suitable ongoing employment outside CDEP. IEC participants can receive Job Network services at the same time as being in an IEC.

DEWR is the Australian Government lead agency in the trial sites of Cape York and Shepparton as part of the Council of Australian Governments' trial of a whole of government approach to the delivery of programmes and service. The Australian Government is working in cooperation with individuals, families, communities and State Governments to achieve better outcomes through the flexible use of programmes and services to support priorities set and managed by individual communities.

DEWR Industry Strategies

One of the methods by which the Department is now seeking to advance the application of the *Active Participation Model* is to engage with specific industries to tailor recruitment strategies to meet their needs. This will be achieved by making better connections between employers and employment services, drawing on other programmes and services where appropriate.

The focus is on industries with high potential growth, skill shortages and good prospects for job seekers, in particular, participation by mature age, lone parents and other target groups. Five industries have been identified for initial consultation based on industry analysis and labour market characteristics. These are Retail, Manufacturing, Health and Community Services, Property and Business Services and Accommodation, Restaurants and Cafes. In addition, it is proposed to complement the industry specific approach with a regional, cross industry approach.

In collaboration with employers and employment service providers, the Department will seek to facilitate the development of business solutions that meet industry needs. Projects may include initiatives that create better relationships between Job Network members and specific employers or industries, vocational training pathways for specific jobs, screening or assessment tools for specific industries or recruitment and training packages. The projects will also provide an opportunity to trial innovative approaches that may challenge existing employer attitudes or recruitment methods.

Ongoing Welfare Reform and Improved Incentives to Move from Welfare to Work

Achieving a Balance

To improve social inclusion and self-reliance, the welfare system needs to offer an appropriate balance of obligations, assistance and incentives which encourage and support ongoing participation in paid work. This needs to be supported by a fair but firm compliance regime with penalties for non-compliance.

Such a balance is essential for boosting effective labour supply, improving the efficiency of the labour market (in terms of filling job vacancies as they arise) and as a means of preventing the future development of structural labour market impediments.

An appropriate balance will allow people to engage in society and participate in employment programmes to help them make the transition from welfare to work. Specifically a balance of incentives, obligations and assistance has three broad roles:

- helping people move from welfare to work by enhancing their long term employment and self sufficiency prospects;
- as a safety net, but one that does not become a permanent destination for those who are capable of greater self-reliance, but does provide adequate support and assistance for the most disadvantaged who do need the social safety net on an ongoing or longer term basis; and
- maintaining social engagement and retention of employability skills and attitudes for those in the safety net.

The Disability Reform Bill, introduced by the Government in 2002, but not passed by the Senate, is an example of a balance of incentives, obligations and assistance to enable more people in receipt of Disability Support Pension and with the capacity, to move from welfare to work.

Obligations

Appropriate obligations allow for people who can work, whether full-time or part-time, to be connected with economic opportunities. Changes to the conditions attached to income support - including mutual obligation policies, introduction of a requirement for some job seekers to fill out a job seeker diary, the introduction of a common Youth Allowance, an increase in compliance activity and *Australians Working Together* initiatives - contribute to an increase in effective labour supply by increasing the engagement of job seekers in the labour market.

Mutual Obligation (MO) policy and related programmes like Work for the Dole are built on the principle of promoting personal responsibility and increasing self-reliance. The aim is to encourage job seekers to engage or re-engage with work and community activities. Providing job seekers with the opportunity to participate both socially and economically, improves their chances of getting off welfare and becoming self-reliant.

Mutual Obligation requirements encourage self reliance and responsibility, rather than welfare dependency, by requiring unemployed people to take part in an activity in addition to job search. They encourage unemployed people to look for work more actively and participate in programmes that improve their skills and work habits and increase their chances of finding employment. By thoroughly participating in the labour market, the long-term unemployed, those at high risk of becoming long-term unemployed, and other disadvantaged groups increase their chances of obtaining paid work and becoming self-reliant.

From September 2003 key *Australians Working Together* initiatives will be implemented relating to flexible participation requirements for parents and mature age Newstart Allowance recipients; and the closing off of Mature Age Allowance and Partner Allowance. To support these measures additional Personal Advisers will be recruited in Centrelink.

People receiving Parenting Payment whose youngest child is aged 13-15 years will be subject to flexible participation requirements (of 150 hours each 6 months – averaging about 6 hours a week) to help them prepare for work. These provisions are supported by breach waiver provisions whereby once a person starts complying with requirements they will have their payments restored with complete back pay.

Mature age job seekers who are aged between 50 and 60 years will be required to undertake at least two job searches per week or 24 over each three month reporting period. Mature age job seekers over 60 years will be required to undertake at least one job search per week or 12 over each three month reporting period. These activity test requirements have the objective of increasing the participation of mature age people in the labour market and increasing their chances of finding work.

Assistance

The *Australians Working Together* initiative announced in the 2001-02 Budget, represented a substantial investment over 4 years, in a balanced package of measures designed to increase active participation amongst working age people on income support. It includes additional spending of \$324 million on improving and better integrating employment services.

Labour market assistance must provide appropriate measures to help job seekers move from welfare to work. Reforms to labour market assistance, including the implementation and ongoing improvement of Job Network through the *Active Participation Model*, have improved the incentives for the providers of labour market assistance to place job seekers into real and ongoing jobs.

Job seekers will have an enhanced opportunity to participate both socially and economically thereby improving their chances of getting off welfare and becoming self-reliant.

This is especially relevant for mature age job seekers, people with disabilities and women wanting to return to the workforce after a period of absence. The *Intergenerational Report* emphasised the importance of raising labour force participation levels for these groups. The Demographic and Work and Family Taskforces are considering options to achieve this.

The *Active Participation Model* recognises the particular situations of people with disabilities by providing outcome payments for Job Network members when the job seeker achieves their assessed level of restricted work hours in employment. Similarly, outcome payments are made to Job Network members when job seekers in receipt of Parenting Payment achieve their chosen reduced working hours.

Personal Advisers in Centrelink will assist mature age income support recipients, Parenting Payment recipients, Indigenous people and those who have activity test exemptions or have recently been released from prison. They will assist in identifying barriers to employment (both vocational and non-vocational) and ensure that clients understand their obligations, have help to meet activity test requirements and are referred to services such as Job Network for individualised assistance.

Incentives

In late September 2003, the Working Credit will be introduced as an incentive for people to work part-time or full-time and retain more of their income support payments. This *Australians Working Together* initiative will be a strong incentive for people to seek work. Other elements of the social support system which impact on people's decisions to work include payment rates, means tests, participation requirements, labour market assistance and the relationship between the tax transfer and wages systems. Different combinations of incentives can promote efforts to increase financial independence of individuals. The *New Tax System*, for example, significantly improved financial returns from working, especially for low and middle income earners.

Ongoing Policy Development

The balance and structure of the working age income support system are being reviewed as part of the consultation process of the *Building a simpler system to help jobless families and individuals* paper released by the Australian Government in December 2002.

This paper identifies the need for an income support system for working age people that:

- provides stronger work incentives;
- increases participation and reduces the number of jobless families and individuals;
 - for most Australians paid work not only provides money to live on and raise children, but also increases self-esteem and connects people with the community; and
- produces better lifetime outcomes for parents and their children.

The paper has a balanced assessment of the problems remaining in our working age social security system:

- the system has become too complex and difficult to understand;
- the system does not always provide clear incentives to work;
- people in similar circumstances can get different levels of assistance - this is unfair and creates inappropriate incentives; and
- the system does not adequately support and encourage participation;
 - of 2.8 million working-age income support recipients, only 1 million are on active payments, and only half of these must look for work.

The paper recognises that modernising the social security system for working age people is not a short term goal; the McClure Report identified a 5-10 year timeframe to complete the welfare reform process. A consultation process lasting from March to May 2003 was held with key stakeholders and community groups to seek views on the consultation paper. The consultation process aimed to:

- educate the wider community and stakeholders on the need for change, the complexity of the issues, and the inevitability of tradeoffs if reform is to be achieved;
- obtain input on community views and priorities; and
- identify areas of community agreement and disagreement about the need for and possible direction of change.

There will be a report to Government later in 2003 on the issues raised in the consultation paper.

CONCLUSION

Factors affecting participation in paid work are multi-faceted and complex. The range of measures currently being implemented by DEWR makes a significant contribution to increasing participation in paid work in Australia and achieving a balance of assistance, incentives and obligations for income support recipients. Flexibility of service delivery mechanisms will enable ongoing policy responses to be incorporated in practical ways to further improve the positive outcomes for job seekers already being achieved. The Government's forward-looking Workplace Relations and Welfare Reform agenda will also contribute to achieving the right economic outcomes for all Australians.

TABLE 1: PROJECTED SCENARIOS OF POPULATION AND LABOUR FORCE GROWTH

	Working Age as % of total Population	Labour Force Participation Rate	Population (projected) (million)	Labour Force Size (projected) (million)
Year 2002 (June)	67.1	63.8%	19.7	10.0
Year 2025				
Standard ^a	63.9	55.5%	23.3	10.8
Zero Migration ^b	62.9	54.0%	20.8	9.5
High Migration ^c	64.5	56.6%	25.3	12.0
Low Fertility ^d	65.7	55.5%	22.4	10.8
Low Mortality ^e	63.5	55.2%	23.4	10.8
Year 2050				
Standard	59.6	50.8%	25.0	10.9
Zero Migration	57.2	48.2%	19.5	8.1
High Migration	61.4	53.1%	30.9	13.8
Low Fertility	59.9	49.1%	22.6	9.8
Low Mortality	57.5	48.8%	26.1	10.9

Working age: defined as aged 15-64

- TFR falling from 1.75 in 2000 to 1.65 in 2005 and then remains constant and a NOM of 80,000 per annum.
- TFR falling from 1.75 in 2000 to 1.65 in 2005 and then remains constant and a NOM of zero per annum.
- TFR falling from 1.75 in 2000 to 1.65 in 2005 and then remains constant and a NOM of 0.67 % of population per annum.
- TFR of 1.75 in 2000 falling to 1.3 in 2015 and then remains constant and a NOM of 80,000 per annum.
- TFR falling from 1.75 in 2000 to 1.65 in 2005 and then remains constant and a NOM of 80,000 per annum. Mortality is assumed to rise from 77.5 years for males and 83.0 years for females in 2000-05 to 86.5 years for males and 92.0 years for females in 2045-50. For all the other previous scenarios mortality is assumed to rise from 77.4 years for males and 82.6 years for females in 2000-05 to 83.1 years for males and 86.3 years for females in 2045-50, in line with Australian Bureau of Statistics assumptions.

Source: McDonald Peter, Demography Program, Australian National University (unpublished projections, 2000).

Chart 1: Labour Force Participation rates by sex, July 1993 to July 2003

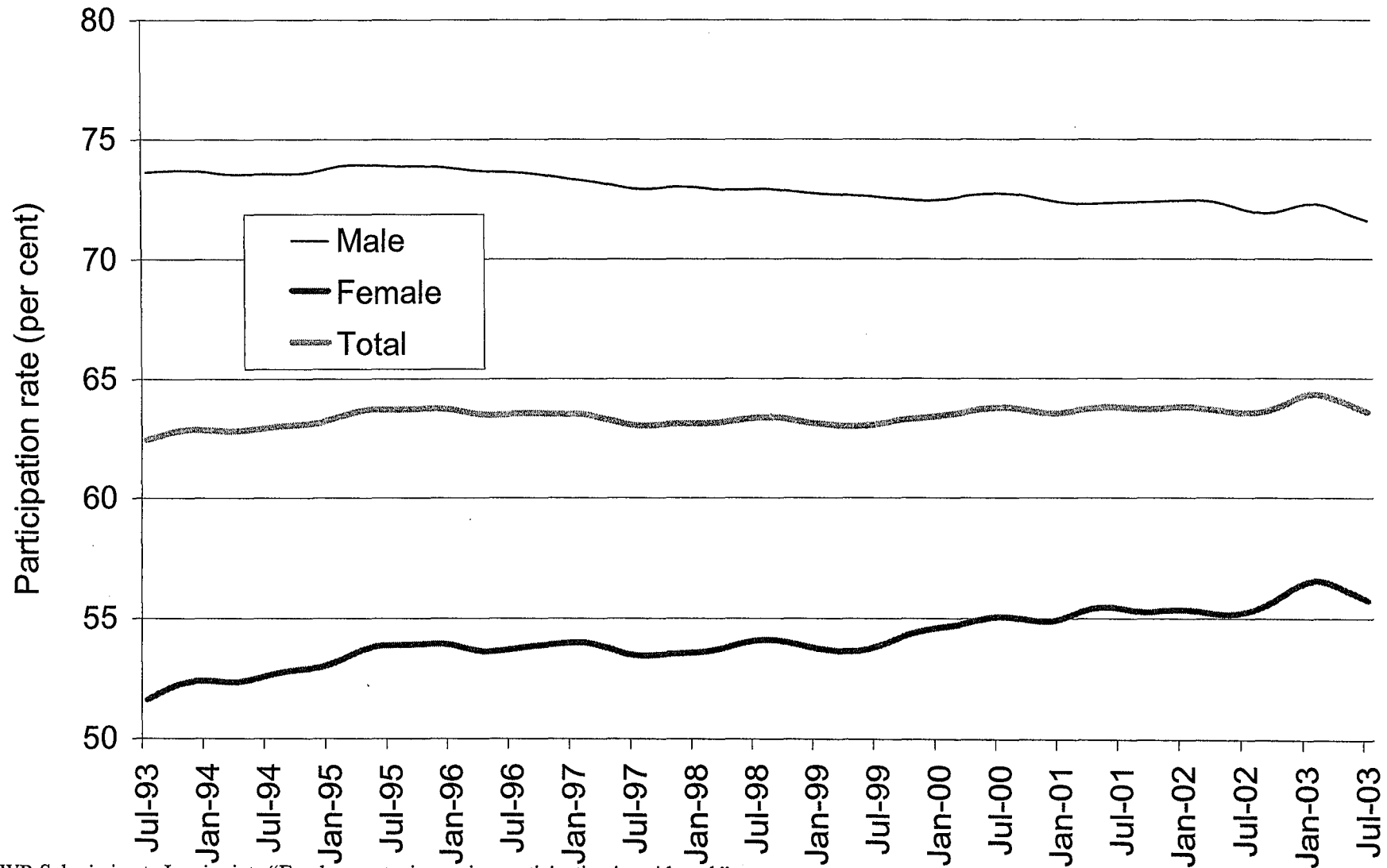


Chart 2: Female full-time and part-time labour forces, July 1993 to July 2003

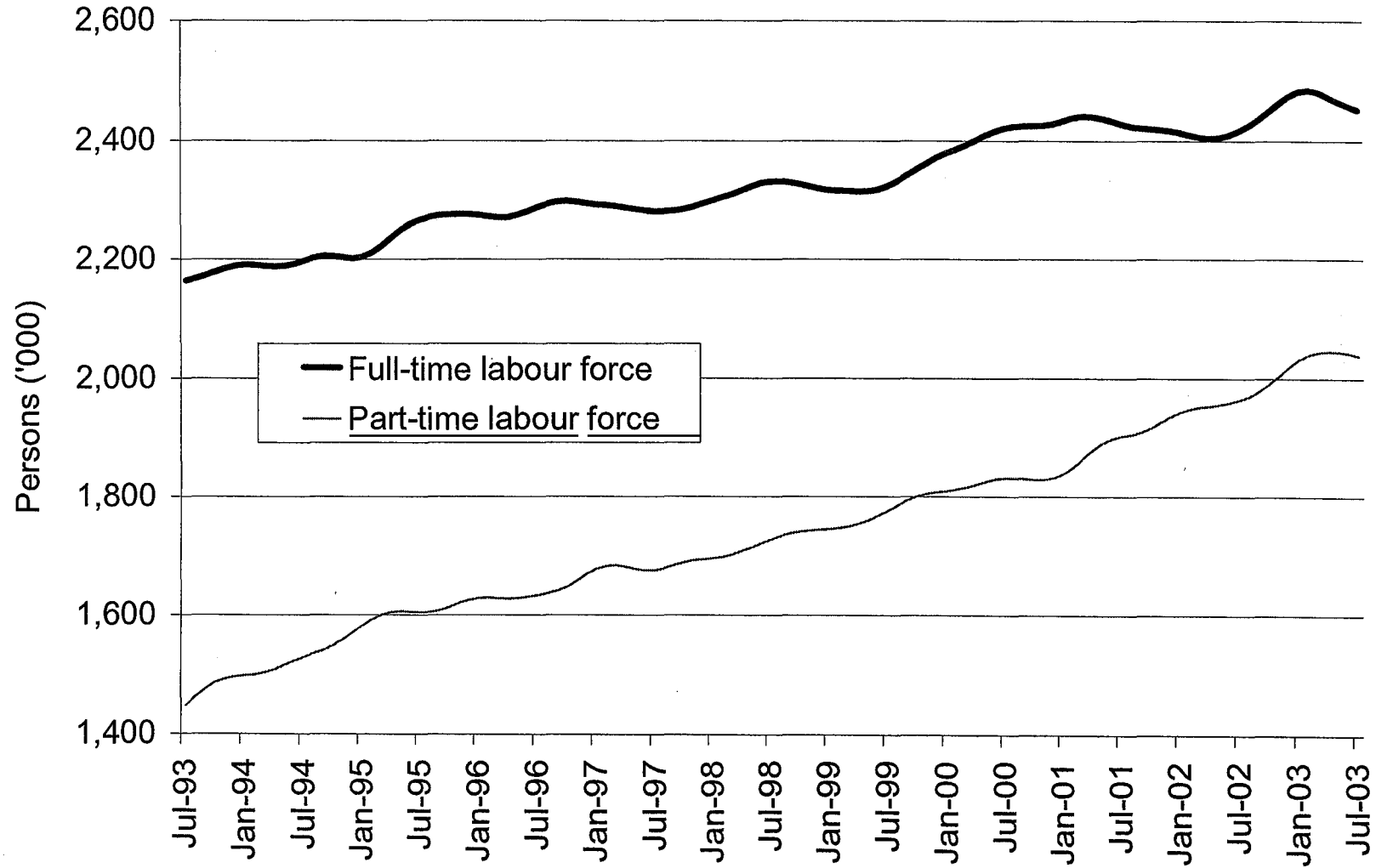
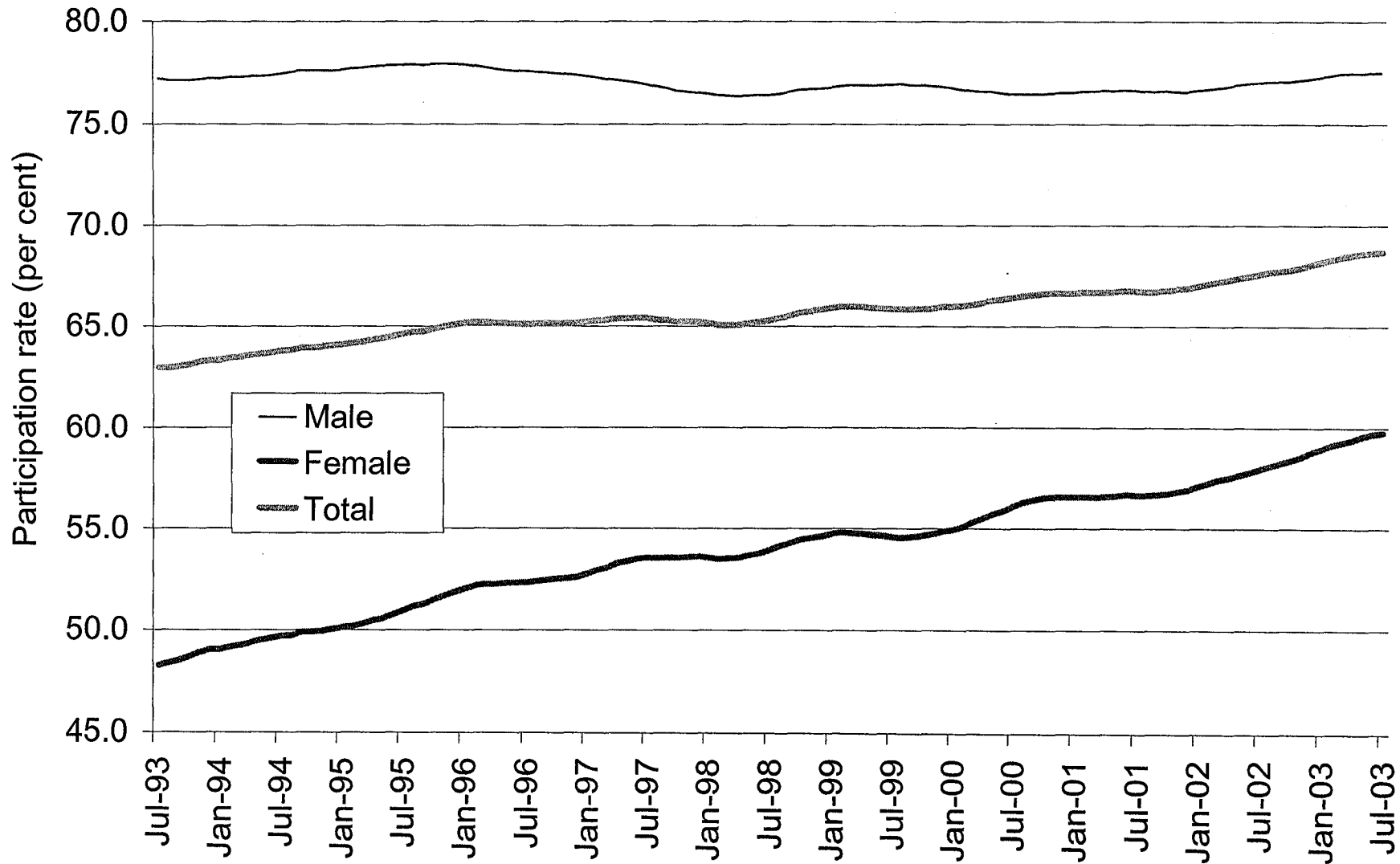


Chart 3: Mature age (aged 45 yo 64) participation rates (12-month average) by sex, July 1993 – July 2003



COMPONENTS OF THE INDIGENOUS EMPLOYMENT POLICY

Indigenous Employment Programme

Structured Training and Employment Projects (STEP)

Under STEP, flexible financial funding is provided for projects which offer structured training and employment to Indigenous job seekers. The aim of STEP is to generate job opportunities and increase occupational skill levels for Indigenous Australians.

Wage Assistance

This initiative aims to help Indigenous job seekers find long-term employment either through the Job Network, Indigenous Employment Centres or their own efforts, using a wage subsidy. Employers who employ eligible job seekers receive up to \$4,400 over 26 weeks for ongoing full-time work and \$2,200 for ongoing part-time work exceeding 15 hours per week. Eligible job seekers are provided with a Wage Assistance card by Centrelink. To be eligible, job seekers must be registered as unemployed with Centrelink and, if aged 21 years or older, be in receipt of an income support payment. CDEP participants are also eligible. The subsidy is not available where other wage subsidy programmes will be paid. However, the programme can be combined with New Apprenticeship incentives.

Corporate Leaders for Indigenous Employment Project

This initiative is based on a partnership between companies and the Australian Government. The companies commit to employing Indigenous people and the Australian Government provides access to flexible funding for that purpose. Companies can design an employment project or strategy to suit their own business environment and can access a mix of assistance under IEP. The aim of the project is to encourage private sector companies to develop a strategic approach to generating more private sector jobs for Indigenous Australians.

CDEP Placement Incentive

This initiative provides a financial incentive of \$2,200 to CDEP organisations for each participant who is placed in open employment and off CDEP payments. The incentive fee can be paid for subsidised jobs, as long as the participant is off CDEP. A placement incentive is not paid where the former CDEP participant was placed in employment through an Indigenous Employment Centre.

National Indigenous Cadetship Project (NICP)

This initiative improves the professional employment prospects of Indigenous Australians by linking students and employers in a cadetship arrangement. Cadets undertake full time study and a twelve week work placement each year of their course. The NICP provides funding for a study allowance and related costs which is paid to cadets and the employer funds the work placement.

Self Help Programme

The Self Help Programme (funded through STEP) is being trialled in selected regions around the country to promote self-employment initiatives. The trial will provide business advice and support, financial literacy training and funding assistance of up to \$5,500 through a loan arrangement, to assist with non-wage costs for individuals who are able to demonstrate a savings pattern to assist with the set up costs of their self-employment. Contracts have been signed in three regions: Cape York in Queensland, Murdi Paaki in New South Wales and

Shepparton in Victoria. A provider has not yet been selected for the fourth trial region of Wadeye in the Northern Territory.

Indigenous Community Volunteers (ICV)

This service has been established to assist Indigenous communities by supporting skills transfer projects that have lasting value. ICV links skilled volunteers with communities that have asked for expert assistance in areas such as business, finance and the trades. In addition to meeting the needs of these communities, ICV encourages skills transfer and the development of longer-term strategic relationships between the communities and the private sector.

Indigenous Small Business Fund (ISBF)

The ISBF aims to foster the development of businesses owned, operated and managed by Indigenous people and promote sustained Indigenous employment opportunities. The ISBF is a joint initiative of DEWR and ATSISS. DEWR provides funding of between \$5,000 and \$100,000 for organisations, and provides support to individuals. The ISBF complements other ATSISS programmes that provide business support and business finance for new and established businesses.

Indigenous Employment Centres (IECs)

IECs provide assistance to participants in their CDEP organisations to help them move into non-CDEP employment. IECs were introduced in recognition that many CDEP participants are located in areas where there are non-CDEP job opportunities. IECs provide assistance tailored to the needs of each person. This assistance can include help to improve job search skills, training, work experience, help to find a job and to access support services such as Job Network and Centrelink, and ongoing mentoring and support including after a participant has been placed in employment. The services provided by IECs complement the assistance available from Job Network – IEC participants can receive Job Network services at the same time as being in an IEC.