



**National Office**

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Mr Paul McMahon  
The Secretary  
House of Representatives Standing Committee on Employment,  
Education and Workplace Relations  
House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear Mr McMahon

**INQUIRY INTO ISSUES SPECIFIC TO WORKERS OVER 45 YEARS OF AGE SEEKING  
EMPLOYMENT, OR ESTABLISHING A BUSINESS, FOLLOWING UNEMPLOYMENT**

I refer to the letter from Dr Nelson of 26 November 1999 which sought the Department's comments on a number of proposals that the Committee may consider during the development of its report. Attached are comments on those proposals relevant to this portfolio.

As you would appreciate, the proposals in Dr Nelson's letter are complex and we have only been able to address them to the point allowed by the time available.

The Department has not been able to comment on the costs of the proposals as, in a number of instances, there are too many unknown parameters. However, we have provided general comments aimed to assist the Committee as far as possible.

I trust that these comments will assist the Committee with its deliberations.

Also enclosed are responses to the Questions on Notice arising from the Department's appearance before the Committee on 9 December 1999.

Yours sincerely

R B Yates  
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Labour Market Policy Group

February 2000

## **RESPONSE TO 15 PROPOSALS PUT FORWARD BY THE COMMITTEE**

**Proposal 2.** *Relax hardship guidelines to allow early release of the preserved component of superannuation savings to enable unemployed people aged 45 – 55 to continue regular house mortgage payments.*

The Australian Prudential Regulatory Authority governs hardship and early access to superannuation entitlements provision. The Department is aware that the Assistant Treasurer reviewed the list of relevant allowances in 1998 and specifically excluded the NEIS Allowance on the grounds that superannuation should not be used to bolster a business enterprise.

NEIS participants' business plans and cash flow projections are scrutinised by NEIS Advisory Committees (consisting of independent business people) who would not recommend approval for clients to establish a business under NEIS if it entailed severe financial hardship. Accordingly, the Department has received very few enquiries about early access to superannuation from NEIS participants.

The Department does not favour the proposal to relax such provisions to NEIS participants as they are not generally considered to be facing severe financial hardship.

**Proposals 5 and 6.** *Provide greater incentives for unemployed mature-age people to accept and report casual and part-time work by allowing tax credits and/or easing the withdrawal rates of benefits. Reduce the waiting time for unemployment benefits for unemployed mature-age people with savings from 13 weeks to 8 weeks and raise the threshold amounts to \$3500 for a single person and \$7000 for a couple.*

### General Comments

The issues raised under Proposals 5 and 6 relate to the fundamental nature of the social security system and its broader interaction with the taxation and wage systems.

The "poverty trap" problem caused by high effective tax rates has been significantly addressed particularly through ANTS' personal income tax cuts and the improved assistance for families.

- low and middle income earners benefit significantly from an increase in the tax free threshold, a reduction on the lowest marginal tax rate from 20 per cent to 17 per cent, and replacement of the 34 per cent and 43 per cent rates with a 30 per cent rate for taxable incomes between \$20,001-50,000;
- the families assistance package increases the income test threshold from \$24,350 to \$28,200 (in July 2000 values) and reduces the withdrawal rate from 50 to 30 per cent. These changes increase effective marginal tax rates (EMTRs) at higher levels of earned income because the proposed 30 per cent withdrawal rate extends family assistance to higher incomes. However, these families will have significantly higher levels of disposable income than they do under current arrangements; and
- the families assistance package also reduces EMTRs by simplifying twelve current types of assistance, including Family Tax Assistance/Payment, Minimum Family Allowance, Family Allowance, Basic Parenting Allowance and child care benefits into three benefits.

The structure of the social security system reflects tight targeting of benefits to those most in need, with those having the capacity to support themselves doing so. There are two broad issues here:

- incentive issues - as reflected in effective tax rates and financial returns from working - are broadly speaking the same for all individuals regardless of age (although household composition necessarily introduces significant differences);
- the discussion under Proposal 5 raises general issues and does not make a case for reductions in EMTRs, introduction of tax credits, or reductions in waiting periods for those aged 45 or over (or any other “mature age” threshold); and
- to the extent that the fundamental structure of the social security system and its administration could be improved, these are matters that should be informed by evidence. As such, they might most appropriately be considered in the context of the broader review of the welfare system announced by Senator Newman on 29 September 1999.

Broader macro-economic considerations are also important. The proposals raised under 5 and 6 would add to Budget outlays, leading to cuts in Budget spending elsewhere if the changes were to be Budget neutral, or to a loosening of fiscal policy if they were not.

### Specific Comments

#### *Personal Income Test Changes (proposal 5)*

Care is needed when considering changes to benefit withdrawal (taper) rates. Other things being equal, reducing benefit withdrawal rates would:

- reduce effective tax rates for some of those already on benefits (ie part rate beneficiaries); but
- increase effective tax rates for those brought onto benefits by the change (lower withdrawal rates increase the income at which benefits cut out, bringing individuals on these incomes onto benefits).

There is no way of determining in advance what overall effect lower effective tax rates would have on labour supply. Labour supply is the amount of hours that people want to work, not necessarily the hours they actually work. That is, outcomes can be constrained by a lack of labour demand regardless of how the actual returns from working and how many hours individuals may want to work.

However, outcomes from individuals whose work preferences are not constrained by lack of labour demand are also uncertain. For some people increased returns to work may act as an incentive to work (or seek) longer hours (a substitution effect), while others may work less because they can earn their preferred (or target) income by working fewer hours (an income effect). The net impact of these two factors is basically an empirical question and is uncertain at both the individual and aggregate levels.

Leaving these considerations aside, there is also no clear rationale for making such changes for those aged 45 or over, and not for those aged less than 45.

#### *Tax Credits (proposal 5)*

Effective tax rates can also be reduced in some income ranges by introducing new benefits such as earned income tax credits (EITCs), that compensate for the high EMTRs driven by the existing tax/benefit system. However, if tax credits are withdrawn gradually, rather than having a “sudden death” cut out at a specific income level, then tax credits will, other things equal, increase effective tax rates in the “withdrawal” income ranges.

Tax credits would add to the complexity of an already complex tax-benefit system, raise significant administration and compliance issues, and increase “churning” (paying tax while receiving government benefits).

Leaving these considerations aside there is, again, no clear rationale for making such changes for those aged 45 or over, and not for those aged less than 45.

#### *Changing the Liquid Assets Test Waiting Period (LAWP) and Thresholds (proposal 6)*

The LAWP is a targeting measure designed to encourage people with sufficient funds to support themselves for their initial period of unemployment. Liquid assets do not include superannuation and other termination payments that have been rolled over or are going to be rolled over directly. Only one LAWP is applied in a 12 month period.

It is unclear what it would cost to reduce the waiting period and/or increase the liquid asset threshold amounts. However, as with the other proposals in 5 and 6, there is no clear rationale for making such changes for those aged 45 or over, and not for those aged less than 45.

#### **Proposal 7.** *Early or immediate access to Job Search Training (Flex 2) or Intensive Assistance (Flex 3) for unemployed mature workers.*

Early intervention provisions are already in place for eligible job seekers who are classified as being at high risk of long term unemployment and most in need of assistance to find employment. This is assessed on an individual basis rather than through membership of a particular job seeker group. This move to a needs based approach makes programmes more efficient and effective and ensures resources are tightly targeted and not directed to people who do not need assistance.

Centrelink uses the Job Seeker Classification Instrument (JSCI) to identify the relative difficulty that job seekers have in finding employment because of their personal circumstances and labour market skills. Classification to types and levels of assistance including Job Search Training (JST) and Intensive Assistance (IA) is a reflection of personal circumstances and need, not predetermined by membership of any specific group.

The JSCI is a statistically based instrument that has been developed through a process of extensive research, expert judgement and wide consultation to ensure that it includes all factors that contribute to labour market disadvantage. Key among the 18 factors included are age, educational attainment, duration of unemployment, recency of work experience, country of birth and disability/medical condition. Each factor is assigned a numerical weight, or ‘points’,

indicative of the average contribution that the factor makes to the difficulty of placing a job seeker into employment.

The increasing levels of labour market disadvantage experienced by older job seekers are reflected in the JSCI, which allocates age related points. For example, a job seeker aged less than 25 years is allocated 0 additional points while a job seeker aged 45 to 49 years is allocated 6 extra points; a job seeker aged 50 to 54 years is allocated 7 additional points; and a job seeker aged 55 years and over is allocated 9 additional points. Males aged 45 years and over receive an additional 3 points in recognition of their greater levels of disadvantage compared to females of the same age. This ensures that job seekers most in need of assistance have quick access to the service they need.

The JSCI is applied to all eligible job seekers when they first register with Centrelink. This means job seekers classified as in need of Intensive Assistance have immediate access to the service.

Eligible job seekers who are not identified as in need of Intensive Assistance are eligible for JST after 3 months of registration. In September 1999, the Department changed the selection arrangements for the referral process for JST to select job seekers after 2 months of unemployment. To bring this much further forward would result in significant wastage, as there is a very high turnover of job seekers in the first 3 months of registration. This is the period when people are most likely to leave unemployment.

On this basis, the Department considers there is no compelling case to bring forward the intervention points for JST or IA as the current provisions ensure people who need early assistance are identified.

If all mature-age workers (regardless of need) were allowed immediate access to JST and IA, a deadweight loss can be expected through provision of specialised employment assistance to people who may otherwise find their own employment. Within the resources available to Job Network, this proposal would displace more needy job seekers from accessing JST and IA. The net impact of programmes would also be eroded as job seekers less in need of assistance take the place of those more disadvantaged.

**Proposal 8.** *Ease the earning requirements for those starting a small business through NEIS so that deductions to benefits are made after receipt of business income.*

This proposal is unclear and may be based on an incomplete understanding of the income test for continued entitlement to NEIS Allowance.

Income earned from NEIS businesses has no bearing on receipt of NEIS Allowance. The income test for continued receipt of NEIS Allowance takes account only of income generated outside the NEIS business such as interest on savings, dividends from shares, rent from properties and earnings from employment outside of the NEIS business. These arrangements are designed to ensure regular income support for the first year of business operation while NEIS participants establish their new businesses and start to generate business income.

**Proposal 9.** *Expanding the NEIS programme to include people with redundancy assets.*

NEIS is a relatively expensive programme targeted at those most in need of support to establish a viable business. Those who have redundancy assets, which disqualify them from receipt of FaCS unemployment allowances, are not eligible for NEIS as they have other means of supporting business entry.

Nevertheless some NEIS providers offer NEIS type training on a fee-for-service basis. These are private commercial arrangements that do not involve the Department. Many State Government funded programmes, such as Business Enterprise Centres, also offer business advice and mentor support for free.

Should such a measure be considered, it would not be appropriate for the Department to set the fee as all Job Network services are subject to competitive price tendering. The market would need to determine the true cost of service delivery and price accordingly. In addition to this, it is not possible to estimate reliably the cost of allowing more people into NEIS compared with the costs of business failure because there are too many unknown parameters. It cannot be assumed that expanding the number of NEIS places would necessarily result in the same outcome rates. It is also not possible to estimate reliably the likely displacement effect or deadweight loss that would result.

**Proposal 10.** *Expanding the NEIS programme to target people from non-English speaking backgrounds.*

NEIS targets job seekers with viable business ideas rather than job seekers from particular groups. However, many NEIS providers market through ethnic press and networks to attract job seekers from a non-English speaking background. Since 1 May 1998, 14 per cent of NEIS participants have been from a non-English speaking background compared with 13.8 per cent of eligible job seekers registered with Centrelink who are from a non-English speaking background. This does not support the need to specifically target NEIS to job seekers in this group. Some 3.5 per cent of NEIS participants are both mature aged and from a non-English speaking background.

The *1999 Employment Services Request for Tender* advised NEIS providers to take into consideration the characteristics of local labour markets and demonstrate a capacity to help, and to communicate effectively with, job seekers from a non-English speaking background (if comprising 10 per cent or more of eligible job seekers) by providing specific servicing strategies in their tender.

As per the above proposal, it is not possible to estimate reliably the cost of specifically targeting job seekers from a non-English speaking background because there are too many unknown parameters. Further, specifying the client mix NEIS providers are expected to assist may change the current costs of service delivery. This would be problematic as second round Job Network providers have tendered and submitted prices on a different set of assumptions. As indicated above, however, job seekers from a non-English speaking background already comprise a significant proportion of NEIS participants.

In addition there are a range of other initiatives available to assist job seekers from a non-English speaking background which could be undertaken prior to NEIS participation if assistance with English as a second language is required.

**Proposal 11.** *Expanding the NEIS programme to include people with redundancy assets wishing to purchase existing businesses or franchises.*

This proposal is at odds with the current aims of NEIS, namely to generate new and independent businesses. The NEIS business eligibility criteria exclude the purchase of existing businesses or franchises in order to generate additional new employment rather than compete with, and displace, existing businesses. Businesses assisted under NEIS must be new and independent so that participants have a controlling interest in their ventures and are likely to succeed without undue external restraints or funds being channelled to franchise or other parent companies.

**Proposal 12.** *Provide incentives to employers to employ/retain staff over 45.*

Job Network members can tailor a package of assistance to meet employers' needs. This gives both Job Network members and employers added flexibility. For example, rather than having set payments at set periods of time under standard eligibility criteria as per the previous arrangements, Job Network members may pay variable subsidies or other incentives at varying intervals or at the end of the outcome period.

Traditionally, while wage subsidy programmes appear to have good outcomes (the evaluation of *Working Nation* indicates that the proportion of Jobstart participants in unsubsidised employment 3 months after leaving assistance was 52 per cent), this ignores the displacement effect of such programmes. Moreover, mature age job seekers comprised only 8 per cent of Jobstart participants. This may be attributable to employer attitudes which the evaluation found to be less motivated by the level of a wage subsidy and more concerned with the quality and suitability of the employee.

This is confirmed by recent research commissioned by the Department into the employability of mature age workers, which found that many employers considered that neither wage subsidies, subsidised superannuation, financial incentives for re-training nor referral by Job Network members would encourage them to employ an older worker. A small majority of respondents (57 per cent) reported that they would be no more likely to employ an older worker if more subsidies were made available.

It therefore seems that the provision of a separate subsidy would not be assured of having a significant impact on employers' attitudes to mature age workers and their employability.

Set wage subsidy programmes are also subject to inefficiency arising from substitution effects (where a subsidised employee replaces an unsubsidised employee) and deadweight losses (the extent to which an existing job would be filled by the same job seeker in the absence of a subsidy).

The suggestion for possible criteria such as a minimum of the workforce who must be mature aged, is not supported. Demographic changes would make any such criteria problematic, quite apart from the restrictions and inefficiencies they may create for the effective operation of businesses.

**Proposal 13.** *Provide separate training allowances or grants to mature-age unemployed to purchase training courses more suited to individual needs.*

This proposal would represent a return to the system of labour market programmes while also introducing what is effectively a voucher system for access to assistance. For this to operate, eligibility to receive a training allowance could be determined by Centrelink. A different value would need to be provided depending on the level of disadvantage of the job seeker.

Under this system of funding recipients of training assistance rather than providers, some would argue that job search assistance could become more contestable and potentially improve the value of services offered. Job seekers may have an increased incentive to seek value for money and ensure that the services they receive are effective.

However, there are also some obvious disadvantages in the employment services field. For example, such a system would not offer job seekers or job brokerage providers certainty or stability. Experience with Job Network suggests that this is an important element in the operation of a competitive employment services market. Without such a mechanism, it is highly likely job seeker choice would be diminished as the number of available providers contracts. This would be particularly so in regional areas.

It would also be difficult for job seekers to pool together to achieve the efficiencies delivered through Job Network. For example, providing training for one individual would have a higher unit cost than for a group of people with the same needs.

It also represents a return to up front payment for programmes rather than outcomes. This would provide a disincentive for providers to deliver services that actually result in jobs. It implies a return to purchasing assistance as an end in itself, rather than rewarding activity that results in job placements. It would not encourage providers to ensure that intervention is relevant to the needs of individual job seekers.

Introducing a voucher system would be likely to attract significant community criticism. Having unique arrangements for one group of job seekers would be confusing and inefficient. Importantly, it is highly questionable as to whether many job seekers would be empowered to use such vouchers, particularly if paid as part of income support as proposed by some academics. Guidelines to help mature-age job seekers to choose appropriate and relevant courses would need to include information about accredited providers, training courses available, comparisons of post training employment rates, restrictions on accessing training allowances (for example age or income recipient). Nevertheless, it is likely the process would remain inaccessible for many job seekers.

The system in place through Job Network is considered to be a more effective way of helping job seekers because assistance provided is flexible and tailored to the individual and focused on outcomes rather than prescribed assistance. It may not be appropriate for all job seekers to be provided with training if this is not what they need to get them into a job.

It is unclear what is meant by 'methods of payment to be used to identify accredited providers'. Various payment structures could be implemented under a system where accredited providers were paid for training services provided. As provision of training is, on its own, not linked to employment outcomes, payment for services provided could not be readily linked to outcomes achieved by job seekers. The accountability arrangements required would also depend on the way that providers were selected, the nature of the payment structure and arrangements in place for targeting assistance.



It is not possible to reliably estimate costs that would result from this proposal without more detailed information, such as eligibility for training, length and type of assistance to be provided, relationship to assistance provided through Job Network and other labour market assistance.

## **RESPONSE TO QUESTIONS RAISED BY THE HOUSE OF REPRESENTATIVES INQUIRY INTO MATURE AGE JOB SEEKERS AT 9 DECEMBER HEARING**

*Question asked by Ms Gillard: Could the Department do a stocktake of agreements to see what patterns of 'phased retirement' arrangements exist?*

### **Answer**

The Department of Employment, Workplace Relations and Small Business' Workplace Agreements Database (WAD) holds details of almost 28,000 federal workplace agreements formalised by the Australian Industrial Relations Commission between October 1991 and September 1999. The Department currently codes agreements for 254 separate employment conditions and issues. 'Phased retirement' is not currently amongst these and we are therefore unable to provide an analysis of the patterns of such arrangements in agreements.

The WAD's coding framework is updated regularly, on the advice of our trained coders, to provide for coding new and emerging issues in agreements. To date, our coders are not aware of any 'phased retirement' arrangements being incorporated in agreements. If such provisions become a feature of agreement making in future, the WAD's coding framework would be revised accordingly.

*Question asked by Mr Sawford: Could the Department assess the usefulness of the methods used to identify 'hidden unemployment'?*

### **Answer**

There is no formal definition of 'hidden unemployment' and as such the Australian Bureau of Statistics (ABS) does not compile or publish data on this concept. The definition of unemployment used by the Australian Bureau of Statistics is in line with International Labour Organisation guidelines and provides an objective and consistent measure of the level of unemployment, even though it might exclude some people who would enter the labour force if labour market conditions improved.

To meet the strict criteria of unemployment as used by the Australian Bureau of Statistics (ABS) in its monthly labour force survey, an individual aged 15 years or older must have been unemployed during the reference week and be:

- actively looking for full or part-time work at any time in the last four weeks, and
- available for work in the reference week, or
- waiting to start a new job within four weeks of the reference week, and would have started work immediately if work was available, or
- waiting to be called back to a full-time or part-time job from which they had been stood down for less than four weeks up to the end of the reference week.

The ABS publishes data each year on the status of persons who are not in the labour force (based on the definitions above). Of this group, those who would like to work but for a variety of reasons are either not actively looking for

work or are currently not available to start a job ie, they do not satisfy all the criteria to be counted as unemployed, are regarded by the ABS as having a 'marginal attachment' to the labour force.

It is not realistic, however, to count all of these people as 'hidden unemployed', particularly given the reasons that many of them are not looking for work, and that only just over half of them 'intended to enter the labour force in the next 12 months'. Instead, the number of discouraged job seekers, together with the smaller number of persons who were actively looking for work but were unable to start work in the survey reference week, provides an indication of the number of people who could re-enter the labour market quickly.

- Discouraged job seekers are not looking for work because they believe that they would not find a job for any of the following reasons: considered too young or too old by employers; lacked necessary schooling, training, skills or experience; difficulties with language or ethnic background; no jobs in their locality or line of work; or no jobs available at all.
- In September 1998 (the most recent available data), there were 110 900 discouraged job seekers and 58 700 persons who actively looked for work but were unable to start in the survey week.

Table 1 below shows the different groups that make up those persons with marginal attachment to the labour force for the last five years.

- Most of the marginally attached were not looking for work because of reasons that were unlikely to change in the short term. For example, in September 1998 188 600 were attending an educational institution and 209 200 were involved in childcare.
- Females make up 69 per cent of the marginally attached and 70 per cent of discouraged job seekers.

**Table 1 Persons with marginal attachment to the labour force ('000) (a)**

	Sep-94	Sep-95	Sep-96	Sep-97	Sep-98
<i>Wanted to work and actively looking for work</i>	61.4	63.8	58.0	53.3	58.7
<i>Wanted to work but not actively looking for work and available to start work within four weeks</i>	712.0	799.0	821.5	837.2	863.9
Main reason for not actively looking for work -					
<i>Discouraged Job Seekers</i>	106.5	111.9	118.9	118.4	110.9
Considered too young or too old by employers	41.2	50.4	47.1	48.7	41.2
Lacked schooling, training, skills/experience, or language/ethnic background difficulties	26.4	24.3	31.3	36.2	35.1
No jobs in locality/line of work/no jobs at all	38.9	37.1	40.6	33.6	34.7
<i>Had a job to go to</i>	26.6	33.4	28.3	33.0	36.7
<i>Personal Reasons</i>	281.7	323.4	327.1	344.1	354.6
Own ill health/physical disability/pregnancy	82.2	86.3	93.5	101.3	96.6
Attending an educational institution	139.1	154.0	167.3	172.5	188.6
Other personal reasons	60.3	83.0	66.3	70.3	69.4
<i>Family Reasons</i>	249.7	270.0	294.6	286.5	301.2
Childcare	177.3	192.7	200.2	206.4	209.2
Other family considerations	72.4	77.4	94.4	80.1	92.0
<i>Other Reasons/Did not know</i>	47.5	60.3	52.6	55.0	60.4
<b>Total</b>	<b>773.3</b>	<b>862.8</b>	<b>879.6</b>	<b>890.5</b>	<b>922.6</b>

**Question asked by Mr Sawford:** *Could the Department comment on the feasibility of including 'unpaid extra time' so as to create more jobs. Is there a way to reduce this 'extra time' so as to create more jobs? Does this phenomenon occur only in the white collar executive salaried sector or is it manifesting itself in other areas.*

**Answer**

Reducing working-time and work sharing has been the focus of several studies and policy attempts to reduce unemployment (or, more specifically, to share available employable hours around more equitably).

- As noted by Mr Sawford, for example, the French Government is in the process of reducing the standard working week to 35 hours over several years.

The use of job sharing as a potential solution to unemployment has come about partly as a response to changes in the traditional standard working time model:

- a larger proportion of the labour force is not working any hours each week;
- around one-quarter of the labour force works part-time;
- around one-quarter of the labour force regularly works overtime;
- the proportion of a male's lifetime spent in paid employment is declining (with early retirement and late entry to the workforce);
- the number of women entering the workforce is rising; and
- the number of casual (as opposed to permanent) workers is also rising.

These developments are occurring to a different extent across industries. Some (such as metal manufacturing) still largely conform to the traditional working hours model, whereas in newer growth industries (such as tourism) working arrangements exhibit many of the newer features mentioned above. It is likely that the labour needs of the emerging industries (as well as the preferences of many employees) are best met by more flexible labour arrangements.

There have been several suggestions aimed at encouraging work sharing including:

- reductions in the length of the standard working week;
- delayed entry into the workforce;
- early retirement from the workforce;
- part-time work including job-shares;
- short-time working;
- restrictions on overtime;
- increases in leave; and
- sabbaticals/career breaks.

Among recent studies on this subject, the National Institute of Labour Studies (NILS) prepared an analysis in 1994 on the possible use of work-share schemes to reduce unemployment. This analysis was used in the preparation of the 1994 Green Paper on employment.

The NILS authors conclude that the argument that reductions in working time has important employment creating effects appears to have weakened in recent times. This is especially the case in instances where there are no compensating wage reductions associated with the reductions to working time. The available theoretical models suggest that reductions in working time are unlikely to lead to employment growth and may in fact cause long-run employment to fall. This is likely to occur through increased labour costs and reduced capital operating time. Together these lead to decreased output and employment levels.

The OECD has also undertaken research into this area (see, for instance, *Employment Outlook June 1998*). It concluded that mandatory schemes to reduce working hours or implement job sharing arrangements are unlikely to

be effective, although countries that allow more flexible, non-standard forms of employment (such as part-time and casual work) are likely to enjoy a higher level of employment over time.

These studies include a full analysis of the major forms of reducing working time. Comments on each major way of reducing working time and its likely effect on employment are described below.

### ***Job sharing***

The use of job sharing would not be expected to affect wage costs greatly and capital operating time should also remain the same. However, job-sharing is likely to increase overall labour costs due to the presence of fixed labour costs such as training and administration. The substitutability of workers is also a potential problem although this is less likely to be an issue in relatively unskilled occupations. Workers preferring full-time work may also tend to seek second jobs in order to maintain their income levels. This may lower the potential for increased employment from the substitution of part-time jobs for full-time jobs.

### ***Restrictions on overtime***

Restrictions to overtime hours worked is analogous to a reduction in working time. Again, this is expected to increase the significance of fixed costs leading to negative scale effects (ie average labour costs will rise – leading to lower overall demand for labour). There is also the issue of the lack of substitutability between overtime workers and unemployed workers. It is also possible that capital operating time will decrease (as hours fall) and the tendency for workers to ‘moonlight’ will negate any potential net employment effects.

### ***Shorter working hours***

Longer annual leave entitlements will have the same effects as a fall in the length of the working week.

Short-time working refers to the temporary reduction in standard working hours in an establishment in order to avoid having to lay off workers. This concept involves income-sharing as well as work-sharing and is only beneficial for those workers who would in other circumstances have been laid off. This system of work-sharing works well in instances of growing unemployment but is otherwise unlikely to reduce unemployment.

### ***Early retirement***

Early retirement is perhaps the one method of work-sharing that may lead to increased employment where there is a surplus of skilled and experienced labour. Early retirement will not reduce the operating time of capital and the substitution of younger, less experienced, workers for older workers could also reduce labour costs. However, early retirement could have consequences for unit labour costs if labour productivity declines with the replacement by younger, less experienced workers.

It should also be noted that programmes that encourage early retirement are unlikely to be sustainable given the slowing in population growth and labour force growth likely over the next decades. Early retirement may also cause difficulties for retirees who have not provided adequate financial resources to sustain their lifestyles over a significant (and growing) period of time.

### ***Delayed entry into the labour force***

Delayed entry into the labour force through increased participation in education of younger worker could lower unemployment rates among younger workers. There may also be some positive employment effects from increased participation in education as part-time and casual work becomes more prevalent for workers who would otherwise be competing for full-time work.

***Question asked by Dr Nelson:*** *Comment on the feasibility of developing a directory of new NEIS businesses to be produced each year to help the NEIS businesses market their products/services.*

### ***Answer***

The concept of distributing a directory of NEIS businesses is not new and at a local level, has been developed previously. However, the directories have never been evaluated to gauge their

usefulness or their impact on NEIS businesses. Such directories have rarely been maintained and consequently have been discontinued.

Generally, the usefulness of such directories is limited by:

- the need for continuous updates as NEIS businesses commence throughout the year;
- the small numbers of NEIS participants in some large regional areas; and
- the cost of developing, printing, distributing and maintaining them.

Many NEIS providers develop a contact list of NEIS participants to assist networking and to encourage the purchase of goods and services from other micro businesses. However, these lists are often not distributed to the public.

Instead, many communities conduct 'NEIS expos' as a means to promote NEIS and its businesses.

The Department is examining the level of interest in supporting such directories.

***Question asked by Mr Wilkie:*** *What happens to mature-age people receiving Intensive Assistance after being registered for 12 to 18 months without any success in getting a job? Do they have to wait 3 months before being re-referred?*

***Answer***

Eligibility for re-referral to Intensive Assistance is the same for all job seekers regardless of age.

In general, job seekers who have already completed a period of Intensive Assistance will not be re-referred to Intensive Assistance for 6 months. Centrelink will give priority to job seekers who have not previously had a period of Intensive Assistance to ensure that the available resources are directed to those who have not yet received assistance.

However, job seekers can be re-referred in less than 6 months in some circumstances, such as where the job seeker is particularly keen to return to Intensive Assistance and vacancies exist.

***Question asked by Dr Nelson:*** *An assessment of the "Grey Army" arrangement. Are the qualifications allocated to its clients by the "Grey Army" meeting basic standards and is this a sensible way for mature age people to set up their own business? Any concerns such as Worker's Compensation and Insurance?*

***Answer***

The "Grey Army" is proposing to establish the "Grey Army Trades Training School" (GATTS) and to:

- implement fast-tracked training and a nationally recognised trade related competency test, awarding accreditation to allow over 45s to perform trades work up to the value of \$5,000;
- have on-the-job training with one qualified tradesperson supervising approximately five trainees working on different jobs in different locations; and
- use an accredited trainer to provide administrative training outside normal working hours to over 45s in their own homes. Training would be provided in a range of areas, including computer and bookkeeping skills, debt collection and Occupational Health and Safety.

In part, the "Grey Army" is aiming to overcome the shortage of tradespeople in Australia which is currently evident in a range of trades groups. The objectives of the proposal reflect an innovative option to assist a particular group of mature aged job seekers. However, while there are shortages of tradespeople, the "Grey Army" proposal is not necessarily a suitable mechanism

to resolve this problem. At this stage, the “Grey Army” proposal is not sufficiently specific and does not provide enough information on a range of matters, including:

- the number of tradespeople that could be assisted;
- the cost of the proposal;
- infrastructure arrangements, particularly assistance with the significant capital costs involved for people setting up trade related businesses;
- how the qualifications would be credibly assessed;
- how a “fast-tracked” approach could provide job seekers with the necessary skills and quality assurances to meet industry standards and client needs;
- what credibility the training and competency test would have with employers in the relevant trades;
- how people with relatively “basic” trade skills could contribute to resolving macro-skill shortages, particularly in the commercial sector;
- workers’ compensation issues; and
- how it would be marketed to job seekers and employers.

The Government’s preferred mechanism for assessing trade skills is through the Australian Recognition Framework (ARF). The ARF, which was established in 1998, provides a national mechanism for the assessment and recognition of trade skills that is flexible and consistent with Australian Industry Standards. The ARF devolves the delivery of assessment and recognition services to registered training organisations (RTOs) which operate under a quality assurance framework administered by the State and Territory Governments. The services delivered by RTOs under the ARF are nationally consistent. Under the ARF, competency-based training provides a streamlined process for persons to become recognised as tradespeople.

It should be noted that the qualifications and skills required by training authorities and registration authorities require persons to meet the standards required under the ARF. In addition, the Trade Recognition Act provides for the recognition of people with ‘informal’ (on-the-job) knowledge and skills in the electrical and engineering trades.

The “Grey Army” may seek registration as a RTO if it is interested in undertaking the assessment and recognition of trade skills.

In summary, the “Grey Army” proposal does not provide enough information for a comprehensive assessment to be made of its benefits. However, there is sufficient flexibility in the current mechanism for assessing trade qualifications (the ARF) and providing streamlined training.

NEIS may be a more cost-effective and efficient mechanism for providing this form of assistance, subject to proposals from individual job seekers meeting standard eligibility and business criteria, including the need for businesses to be new and independent and not in competition with other existing operations.