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Conclusion

- 6.1 The Committee is confident that increasing the overall participation in paid work is an achievable outcome for Australia. In 2003, OECD figures place Australian workforce participation at 11th out of 28 countries.¹ In addition to increasing participation in paid work, significant improvements are required in the health system to reduce the expected increasing costs of health and aged care associated with an ageing population.²
- 6.2 In early 2005, Australia continued the trend of lowering unemployment with a rate of 5.1 per cent. Jobs growth has continued and current participation rates are at 64.1 per cent, with 71.7 per cent for men and 56.6 per cent for women.³ Changes in the labour force between 1998 and 2004 indicate that the total number of persons employed grew by ten per cent. This included an increase of seven per cent in full-time employment and 20 per cent in part-time employment. Recent labour market figures indicate that 6 out of 10 jobs have been full-time, and 6 out of 10 positions have been for women.⁴ Part-time employed persons now account for 28 per cent of all employed persons. In 2003, 27.6 per cent of all wage and salary earners were in a casual job.⁵
- 6.3 Ideally, the increasing employment and participation in paid work will lead to greater security and improved quality of life for many particularly for those who are on low incomes or receiving government assistance. For

1 Organisation for Economic Co-operation and Development, (2005) *Economic Survey of Australia, 2004*, Policies to lower unemployment and raise labour force participation, Participation rates in OECD countries, Figure 1, p. 2.

2 Productivity Commission (2004) *Economic Implications of an Ageing Australia, Draft Research Report*.

3 Australian Bureau of Statistics (2005) *Labour Force, Australia*, January 2005, (Cat. No. 6202.0).

4 Australian Bureau of Statistics (2005) *Year Book 2005*, (Cat. No. 1301.0) pp. 165.

5 Australian Bureau of Statistics *Employee Earning, Benefits and Trade Union Membership* (Cat. No. 6310.0).

businesses, the benefits of growth are also coupled with concern regarding skill shortages in specific industry areas and regions.⁶

- 6.4 This strong economic environment provides an excellent opportunity to establish incentives and assistance for those who are not currently in the labour force to contribute more fully in paid work, to their level of ability. Since this inquiry was referred in 2003, there has been greater discussion of the:
- ageing of the Australian population,
 - Indigenous workforce participation
 - value of mature age workers,
 - need to support parents with more family-friendly work environments, and
 - need to assist and encourage people with disabilities to take up work opportunities that provide a choice of working arrangements.
- 6.5 The Committee received over 100 submissions and conducted 21 consultations with more than 100 witnesses to gather evidence for the inquiry. A wide range of strategies were presented and discussed: from a predominantly business perspective of reducing regulation and financial disincentives, to social service advocacy for greater customised support, protections in the labour market and a change in many employers' attitudes.
- 6.6 Both perspectives highlighted the need for a targeted approach to assist those most in need and remove the disincentives from individuals and from businesses to create a more productive climate for employment.
- 6.7 Assisting individuals in various client groups into employment, especially for those with multiple disadvantages will be one of the most positive and productive contributions that can be made to improve Australian society. The holistic approach of BSL, originally designed to assist those who had been long-term unemployed, has the potential for broader application in concert with the availability of stable employment opportunities and active participation requirements.
- 6.8 This BSL approach includes community engagement, intensive support, pre-vocational training, work experience, vocational traineeships, post-placement support, and a whole of government approach.

6 Australian Industry Group (2004) *Australia's skills gap, costly, wasteful and widespread*, pp. 5-7.

- 6.9 In addition to those that have been unemployed for long periods, the client groups that were identified as having the greatest potential to increase their participation in paid work include mature age workers, parents and carers, Indigenous Australians and people with a disability. In addition, migrants and young people have significant potential to increase their participation. Strategies to assist increase participation across these target groups mainly include:
- developing capacity, such as improved education, skills and health;
 - improving incentives, such as adjusting income support, retirement benefits and taxation; and
 - encouraging variable work options, such as family friendly workplaces, and adjusting workplace relations to maximise worker, business and industry requirements.

Client Groups

Mature age workers

- 6.10 Increasing opportunities for mature age workers to participate in the workforce more fully is necessary because of the need to consider retirement financial security, health and wellbeing. This is the proportion of the population that will increase most with the demographic changes. Therefore, efforts to support, encourage and increase mature age participation are essential to improve standards of living and economic growth. Mature age people often provide a valuable voluntary contribution to society and this needs to be balanced with paid part-time opportunities.
- 6.11 There is a strong relationship between ageing and disability, so there is considerable overlap in the strategies needed for some workers. The Committee believes that strategies that will most support increased participation are:
- increasing re-skilling and training opportunities for older people to adjust to changing labour market needs, including information and communication technologies;
 - increasing support for transition for return to work and where possible, addressing disincentives such as exist in superannuation schemes; and

- reducing discrimination and educating employers to increase the diversity of the workforce, and particularly in service organisations supporting employment.

Parents and carers

6.12 The vast majority of couple families with dependants have at least one member in the labour force, with a less than 4 per cent unemployment rate.⁷ For sole parents the unemployment rate is nearly four times higher. The higher rate of joblessness is associated with lower skill levels, in addition to their sole responsibility for the care of their children. The Committee notes that childcare costs may contribute to higher joblessness rates for those with a decreased earning capacity. Family friendly working arrangements are needed to provide more flexibility to support caring responsibilities, for elder care, childcare and for those with other caring responsibilities. Effective strategies also include:

- programs to support the transition from parenting to work and raising skill levels;
- participation requirements for parents once their children reach a certain age; and
- improved access and support for childcare, and respite care including elder care.

Indigenous Australians

6.13 Indigenous people have lower labour force participation rates and they are more likely to be unemployed. Since 1994 employment rates have been more positive, but, given the younger age profile and generally earlier school leaving age compared to non-Indigenous Australians, significant efforts are required to keep improving outcomes.⁸ The Committee considers that the BSL holistic approach could have significant applicability to Indigenous persons because of the community engagement and more intensive support.

6.14 Given the higher proportion of Indigenous people in rural and remote areas, strategies that impressed the Committee as having more positive outcomes include:

7 Department of Employment and Workplace Relations, *Submission No. 72*, p. 5.

8 Australian Bureau of Statistics (2004) *National Aboriginal and Torres Strait Islander Survey 2002* (Cat. No. 4714.0), pp. 10-11.

- complementary strategies which address structural issues in communities, such as improving infrastructure and health;
 - support for developing business opportunities; and
 - use of Indigenous Employment Centres providing central job seeking support and initiatives that look beyond Community Development Employment Projects to independent employment.
- 6.15 The Committee acknowledges that the remoteness of some indigenous communities pose further challenges to increasing economic growth and employment participation.

People with a disability

- 6.16 Disability is associated with both significant disadvantage in the labour market and higher rates of welfare dependence. Many people with a disability are motivated to participate in employment to their capacity and are seeking support to accomplish a better standard of living and quality of life. Discrimination against people with a disability appears to be a major inhibitor to improving workforce participation. It has also been shown that there are significant benefits to those workplaces that have employed people with a disability in terms of attendance and morale.⁹
- 6.17 Additionally, the Committee noted the increase in reliance on income support, particularly the DSP over the last 20 years. Reviewing eligibility for the DSP may be a possibility for the future but assisting into paid work those who currently receive the pension has to be a priority.
- 6.18 Feedback from a Job Network evaluation of the DSP pilot found that many DSP recipients voluntarily wanted to participate in paid work for social and economic reasons. Therefore Intensive Support measures are productive.¹⁰
- 6.19 The use of Job Network providers that are equipped to assist people with disabilities may provide greater rates of participation. However, the higher costs of this assistance may need to be considered in a broader

9 Employers Making a Difference, *Submission No. 70*, p. 2.

10 Mr Graham Carters, Group Manager, Working Age Policy Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 17 February 2005, pp. 6-13; DEWR, *Exhibit No. 96: Job Network Disability Support Pension Pilot: Interim Evaluation Report*, October 2004, Executive Summary, pp. 1-2.

Australian Government budgetary perspective, as there has been greater than anticipated expenditure for the Job Network.¹¹

6.20 The request for additional funding has been attributed to the payment on demand of an outcomes approach of the system with higher than expected placements due to the growing economy.¹² Increased support for specialist disability employment services may be warranted to meet such demand. The benefits of Intensive Support are consistent with the recommendations on community and whole of government approaches, outlined in the report.

6.21 Additionally, and very importantly, while there is value in recognising some good employers of people with disabilities, more is needed. There is a need for significant industry and business change in understanding of disability issues as:

... [Job Network] providers found that there was a need for concerted efforts to address employer barriers (discrimination) to employ people with a disability.¹³

Broader issues

6.22 Considerable evidence was received by the Committee on the need to improve financial incentives for participating in paid work. In summary the most productive areas of financial incentive reform were considered to be:

- reduce the stacking of income tests and address the different tests for pensions compared to allowances;
- review taper rates;
- address very high effective marginal tax rates; and
- increase the tax-free threshold.

6.23 A review of high effective marginal tax rates has been recommended by this Committee and was also identified in the *OECD Economic Survey of Australia, 2004* report as an issue requiring action.¹⁴

11 House of Representatives, Appropriation Bill (No. 4) 2004-05: Mr Christopher Pearce, MP, Second Reading Speech, 10 February 2005.

12 Mr Graham Carters, Group Manager, Working Age Policy Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 17 February 2005, p. 10.

13 Department of Employment and Workplace Relations, *Exhibit No. 96: Job Network Disability Support Pension Pilot: Interim Evaluation Report*, October 2004, Executive Summary, p. 17.

- 6.24 The Committee notes the need to balance active participation requirements with positive employment assistance. Penalties for non-compliance are necessary, however they should not be too severe so as to compound disadvantage. The Working Credit scheme and the flexibility of Job Seeker accounts have received positive reports from DEWR in improving the transition for those on income support to access employment.
- 6.25 Increased government coordination at Australian, State and Territory and local levels was an area that was highlighted as needing improvement to assist job seekers. The Committee anticipates that recent changes to Australian Government administrative arrangements such as the consolidation of service delivery through the newly formed Department of Human Services and the transfer of employment assistance to DEWR will enhance service delivery and reduce overlap.
- 6.26 Effective regional development can only progress through a collaborative effort between all tiers of government. Regional businesses contribute significantly to Australia's income from export earnings. However remoteness, lack of infrastructure, labour shortages and lack of transportation reduce the effectiveness of rural areas ability to raising participation in paid work. Skills development projects are needed to complement regional development initiatives, such as improving information technology and telecommunications. Additionally relocation incentives and assistance were considered worthwhile.
- 6.27 The Tasmanian Government urged that in the development of national programs, consideration should be given to:
- focus on practical initiatives tailored for regional needs rather than a national generalised strategies;
 - provide flexible administration arrangements, in consultation with Local and State governments and other key players; and
 - integrate economic development with other policy areas, especially social development and environmental management.¹⁵
- 6.28 Both demand and supply issues need to be addressed to increase workforce participation. Recent increases in the number of job vacancies indicate the continuation of a growing economy with an increasing demand for workers. However, employers will not take on new workers

14 Organisation for Economic Co-operation and Development (2005) *Economic Survey of Australia, 2004*, Policy Brief, p. 3.

15 Tasmanian Government, *Submission No. 102*, p. 20.

unless there is the right skills match and job readiness.¹⁶ Therefore, the supply of skilled workers is an emerging concern.

- 6.29 A further concern for business and employers is the level of regulation. Businesses indicate that costs and regulation can reduce the willingness to employ.
- 6.30 Several views were expressed on the issue of industrial relations reform. During evidence, hearings and Committee consideration, there was ongoing discussion on the potential for industrial relations reform to increase workforce participation. Given the industrial relations reform agenda underway by the Australian Government, the Committee has sought to make only a few recommendations in this area.
- 6.31 Policy approaches leading to strategies to increase full-time jobs are different to increasing part-time and casual jobs. A vision of Australia for 2030 needs to identify the proportion of low skill employment and industries desirable compared to other Australian industries, and employment in a global economy. The investment in training and education provides a good skills base to assist Australia in attracting investment in high performing industries that create jobs.
- 6.32 The Committee notes that there is a need for all job types to be created in order to provide flexibility for workers. Part-time and casual work can at times provide a stepping stone to full-time employment, and also have a role to play as part of a suite of employment arrangements that may suit employers and employees at different times.
- 6.33 From the substantial evidence received and research undertaken the Committee concludes there is considerable scope to increase participation in the workforce through an appropriate mix of participation requirements, incentives and assistance programs. In particular, the recommendations of this report address the need to:
- change cultural attitudes around mature age workers, and those with a disability;
 - provide targeted transition programs from long-term unemployment into paid employment;
 - support parents and carers into employment through flexible work arrangements;

16 Mr Peter Anderson, Australian Chamber of Commerce and Industry, *Transcript of Evidence*, 5 November 2003, p. 3.

- increase the effectiveness of government, community and business in coordinated initiatives; and
- improve the financial incentives to encourage participation for those not currently in the labour force.

Mr Phillip Barresi MP

Chair