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**RECRUITMENT AND CONSULTING SERVICES
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Submission to the House of Representatives Standing Committee
On Employment and Workplace Relations

Employment: Increasing participation in paid work

Date: September 3, 2003

To: The Secretary
Standing Committee on Employment and Workplace
Relations
House of Representatives
Parliament House
CANBERRA ACT 2600

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INTRODUCTION AND CONTEXT

The Recruitment and Consulting Services Association Ltd is Australia's leading employment industry association with over 3200 members providing employment services and on-hire employees to Australian business.

As the peak industry body for both the on-hire and permanent employment industry, the RCSA is extremely aware of the issues facing the industry, and in particular, is acutely sensitive to any changes that occur within the Australian workforce.

There is no doubt that the Australian workforce is changing, particularly "in the context of the impact of the ageing of the population". However, RCSA research, and anecdotal member feedback have identified a number of other significant features that characterise today's Australian workforce. They include the:

- increase in demand for flexible work
- emphasis on a work/life balance
- uncertainty surrounding workers' compensation and occupation health and safety issues
- increase in the number of small businesses
- contribution of women in the work force
- change in traditional work structure where emphasis is on talent, not length of tenure
- development in technology that enables "follow the sun" workplaces
- oversupply of highly educated "white collar" vs under supply of skilled labour

According to the Australian Bureau of Statistics, the employment industry conducts over 3.3 million on-hired placements and almost 424,000 permanent placements every year. The industry contributes over \$10 billion each year to the Australian economy¹.

Increasing participation in paid work is a fundamental challenge to our industry. As the leading industry body for employment services the RCSA is keen to be at the forefront of discussion and policy formation for Australia's future.

This paper will address the first item of the terms of reference, "measures that can be implemented to increase the level of participation in paid work in Australia." In particular, it will cover what we believe are four key challenges to achieving this:

- Encouraging a flexible workforce
- Removing the barriers to employing older workers
- Addressing the skills shortage
- Making the workforce more attractive for mothers with young families.

This paper also considers the important contribution made by small business in terms of employment. A fundamental starting point in increasing participation in paid

¹ *Employment Services Australia 8558.0*, Australian Bureau of Statistics, August 5, 2003

employment is to increase the number of positions available. According to the Australian Bureau of Statistics the small business sector employs 3.3 million people therefore the RCSA believes it should be within the scope of this inquiry to review the structural impediments to employment within the small business sector.

Note: in this paper when we use the term 'on-hire', we are referring to the industry term for employees who are on-hired to a host employer. As an example this could be:

- a secretary who is placed by an specialist secretarial on-hire service provider in a accountant's office for a week;
- a marketing specialist who is placed by niche communication on-hire service provider to work with an IT company for three weeks; or
- a labourer who is placed by a blue collar specialist on-hire service provider to work at a construction site for a month.

In these cases the on-hire company is considered the employer and the company where the employee works is called the host employer.

CONTEXT: THE AGEING POPULATION

The ageing workforce is not an unexpected phenomenon. The progression of the baby boomers has had massive impact on the cultural social and political fabric of Australia. However other factors are exacerbating the impact of the ageing population.

Australia has also seen fertility and mortality rates decline. "Since the mid 1970s the total fertility rate of Australian women has been well below the rate needed for population replacement. Over the same period, life expectancy has increased, partly due to high standards of public health"².

The Federal Treasury has indicated that the lowering of fertility rates in Australia will slow the growth of the country's labour force in around 20 years³.

Research companies claim that Australia's labour force will reach a crisis point in less than 20 years. BIS Shrapnel has reported that there are currently 180,000 new workers joining the employment market every year, this will reduce to 140,000 over the next decade, to 60,000 in the next five years, and by the late 2020s there will be no new workers entering the employment market⁴.

The BIS Shrapnel report goes on to suggest that the "the decline may cause the notion of a retirement age to disappear altogether ... employers will need to create more flexible approaches to workplace arrangements to encourage the participation of semi-retired and

² Overview, *The Intergenerational Report 2003 – 03*, May 2002, page 4

³ Overall Results – Alternative scenarios, *The Intergenerational Report 2002 –03*, May 2002, page 5

⁴ BIS Shrapnel, *Population Trends: Long Term Forecasts 2001 –2016*, January 2002

older workers ... (at the same time) ... the report says the extent to which migration can fill the breach is limited, especially as Europe and Japan are facing similar problems”⁵.

This accords with a recent report by US-based Boston Consulting Group into world labour markets commissioned by the All India Management Association, “Australia’s ageing population and low birthrate will create a labour shortage of approximately half a million workers by 2020, putting some industries at risk.”⁶

THE CHALLENGE

The Government has recognised that “a steadily ageing population is likely to continue to place significant pressure on Commonwealth government finances”⁷ and increasing participation in paid work “would decrease future fiscal pressures because it reduces the need for income support and increases GDP. Higher labour force participation also allows people to accumulate greater superannuation enhancing their health and lifestyle in retirement.”⁸

The challenge facing policy makers is to encourage greater participation in the labour force. This paper looks at a number of key challenges which the RCSA believes need to be addressed to increase this participation.

⁵ ShortList, *Ageing workforce implications*, January 21, 2002

⁶ Australian Institute of Management, *Media Release*, June 19, 2003

⁷ Overview, *The Intergenerational Report 2003 – 03*, May 2002, page 1

⁸ Part IV, Overall Results, *The Intergenerational Report 2003 03*, May 2002, page 3

INCREASING THE LEVEL OF PARTICIPATION IN PAID WORK

• ENCOURAGE A FLEXIBLE WORKFORCE

The Situation

The employment market has radically changed over the last decade. Job seekers now have the opportunity to choose far more flexible working arrangements to suit their lifestyle.

A report recently released by the Australian Institute said that 23 percent of people they surveyed between 30 and 50 years had chosen to 'downshift' their career.⁹ This shift can mean moving from full time employment to a variety of employment options such as undertaking a three-month contract or working a few hours per week, from home or at work.

An underlying reason for this change to casual work is that more and more Australians are seeking a work/life balance, either to spend more time with their families, study, ease into retirement, or try out a new career through flexible employment.

This trend is not new - it began in the 1990s. The Australian Bureau of Statistics defines casual employees as those employees who do not receive paid sick or holiday leave. They usually receive a higher rate of pay to compensate for a lack of job security and paid leave.

- Between August 1988 and August 1998, there was a substantial increase in the proportion of casual employees, from 19 percent to 27 percent.¹⁰
- Over the decade, the number of casual employees increased by 69 percent from 1,152,900 to 1,946,100 while the number of other employees increased by 7 percent from 4,949,000 to 5,298,700.¹¹
- In August 1998, 64 percent of employees working part-time were casual. A part-time employee is defined as any employee who usually works less than 35 hours per week in all jobs. In contrast, 14 percent of full-time employees were casual.¹²

In the RCSA's presentation to the Senate Hearing on Fair Termination, RCSA Life Member Ross Fisher said that, "it is no small accident that 40 per cent of all temporary or casual staff are under 25 years of age. This is the type of employment that young people are seeking today. It gives them an opportunity to experiment with the market, to evaluate different careers in a quick manner. It gives them flexibility to move in and out

⁹ Downshifting in Australia, The Australian Institute, Discussion paper no. 50, January 2003

¹⁰ ABS, *Special Article - Casual employment*, July 1999

¹¹ ABS, *Special Article - Casual employment*, July 1999

¹² ABS, *Special Article - Casual employment*, July 1999

of different type of markets ... we believe ... the casual market is not a market of the disadvantaged but rather a market of those that choose lifestyle"¹³.

Women are important beneficiaries of a flexible workforce. Despite the difference in the rates of increase, females continue to represent a greater proportion of casual employees. In August 1998, 54 percent of casual employees were female¹⁴. It is not surprising that flexibility is important to many working mothers, who want to work, but also want to look after their children. However as we note below, more women seek flexible arrangements but employers are not offering them.

A large proportion of on-hired workers are professionals. A recent survey of RCSA members showed that 73 per cent of members who provide on-hired employee services provided them for professional roles.¹⁵

Flexibility will also become an important issue for ageing workers. Increasingly older workers are choosing greater flexibility – it gives them the opportunity to enjoy semi-retirement while earning an income. More importantly their experience, knowledge and mentoring skills are retained.

The employees of tomorrow are seeking increased flexibility. A worldwide study by PriceWaterhouseCoopers of university graduates found that work/life balance was a key element in the choice of employer for 45 percent of those surveyed, whereas salary was important for only 22 percent.

In mid 2001, the RCSA surveyed 5,500 people in conjunction with monster.com to find out what was attractive about outsourced work – the majority responded with flexibility (39 percent) and diversity (30 percent)¹⁶.

This desire for the flexibility of casual employment was confirmed by the experience of one of the RCSA's major corporate members, Manpower Services (Australia) Pty Ltd. Since the Federal *Metal, Engineering and Associated Industries Award* was amended in 2001, enabling casuals to become full time employees after six months employment - only two employees out of 500 eligible Manpower casual employees engaged, have taken the opportunity to become a permanent employee.

Manpower's Solicitor - Workplace Relations, Jennifer Hunt, reports that when the casual employees are faced with a reduction in their hourly rate of pay once the casual loading has been removed, the casual employees prefer to remain casual employees. She reports that a significant number do not see the immediate benefit of paid annual leave, sick leave and public holidays. They enjoy the flexibility and loading that comes with working in this environment and are prepared to continue trading off other benefits such as annual leave.

¹³ Fisher, R., Senate Hearings on Fair Termination, Hansard, May 2, 2002

¹⁴ ABS, *Special Article – Casual employment*, July 1999

¹⁵ RCSA Quarterly Survey, June 2003

¹⁶ monster.com employment survey, conducted by TMP in conjunction with the RCSA, September 2001

And the flexible workforce does not only suit employees. Mitsubishi stated in a detailed submission to the Productivity Commission that “a flexible labour arrangement with Adecco helped it boost productivity and improve its financial performance by \$200 million”¹⁷.

In fact, employers’ preference for a flexible workforce has been so well documented in both the media and numerous academic studies; it would appear to be driving the move to a more flexible workforce, at the expense of the worker. While this discussion is beyond the scope of this document, RCSA’s research would appear to indicate that a flexible workforce is actively being sought – and embraced - by employees as well as employers.

Our Recommendation

The RCSA believes that encouraging a flexible workforce is vital to increasing participation in the paid workforce. Australia’s mature workers are an untapped resource that Australia must retain to remain economically strong.

Based on comments by researchers and RCSA experience, creating a flexible workforce is one of the most effective ways of maintaining valuable employees while giving them a work/life balance.

The Australian psyche has been built on a premise of work hard and then retirement. That mindshift will need to change and the most realistic way of retaining our mature workforce is to encourage those who want to continue working to do so while also enjoying the fruits of retirement at the same time. Flexible working arrangements enable this happen.

¹⁷ ShortList, *Mitsubishi says flexible labour deal helped save \$200 million*, June, 25, 2002

- **REMOVE THE BARRIERS TO EMPLOYING OLDER WORKERS**

The Situation

Access Economics reports that there are currently 2.3 million Australians over 65 who represent 12 per cent of the population, but in 2016 there will be 3.6 million Australians over 65, or 16 per cent¹⁸ of the population.

The Federal Government has analysed the population projections according to size of the workforce. "In 2002, the aged to working-age ratio (the proportion of people aged over 65 to people of traditional labour force age, 15 to 64) is 19 per cent. This is projected to rise to almost 41 per cent by 2042"¹⁹.

Not only are Australians ageing, ageing Australians are leaving the workforce early - and not always through choice.

"Over the past 18 months, an increasing number of men and women in their late 40s and 50s have lost their management roles due to downsizing and restructuring ... globalisation, merging companies, flatter management structures, chief executives whose boards demand they cut costs, and managers who want quick result have all contributed to mid level staff reduction"²⁰.

Because a large proportion of middle managers are over 45, and earn large salaries, they often bear the brunt of cost saving measures.

Similar research has been found in Australia from the Australian Bureau of Statistics. "Survey research suggests that the trend towards early retirement has been driven by employer discrimination against older workers than workers choosing to quit early. One government report estimated that three-quarters of workers retiring early were forced to do so"²¹.

RCSA conducted research with its members in mid 2002 to find out their views on the mature workforce.

When members were asked if it was difficult to on-hire persons aged over 45, 35 percent said 'yes' in blue collar sectors and 86 percent said 'yes' in white collar sectors. When those members who place permanent employees were asked, 25 percent said it was difficult to place mature employees in the blue collar sector while 90 percent said it was difficult in the white collar sector.

¹⁸ Cameron F, 'Half Full?', *HRMonthly*, June 2002, pp 17 - 21

¹⁹ Part II: Australia's Long term demographic and economic prospects, *The Intergenerational report*, May 2002, page 4

²⁰ Perkin, C., 'How managers are losing their jobs', *The Sunday Age*, 24 November 2002, page 4

²¹ Colebatch, T., 'Grey power digging in at work', *The Age*, May 29, 2002,

Fifty-three percent agreed with the statement that “it was difficult to find permanent positions for people aged over 45” while only 32 percent agreed that “it was difficult to find on-hired placement for those over 45”.

The reasons for this difficulty arose from a poor attitude of clients to older workers (68%), lack of computer skills (50%), poor workplace culture fit (50%), poor interview skill (27%), inadequate personal skills (20%) and poor presentation skills (17%).

Equal Opportunity Commissions have already noted the presence of ‘Ageism’ in the recruitment sector across Australia. In a report conducted in 2000, the EOC noted that recruitment consultants often did not tailor their job search process to be responsive to the needs of older employees. Interestingly, the report also included comments from recruiters saying that older applicants tended to self-discriminate, by drawing attention to real or perceived weaknesses associated with their age²².

Currently further research is being undertaken into the ‘gatekeeper role’ of recruitment consultants to older job seekers that will assist in developing responses to improve the employment prospects for older Australians. It is hoped that the outcome of this research from La Trobe University will see the development of information kits for recruiters and older job seekers.

Diana Olsbery, senior lecturer in sociology at the University of New South Wales noted that employers hold negative stereotypes of older employees such as “they are subject to illness and injury; they sometimes have deterioration of mental and physical abilities; they are unwilling to undertake retraining; they can be flexible, and anyway they should retire to make way for younger workers”²³. Research worldwide has not found a link between age and declining job performance according to the NSW Committee on Ageing²⁴.

There is an unsubstantiated assumption that older workers do not want to undertake ongoing training. According to social researchers Keys Young it could be argued that training may need to take a different form for mature workers such as combining in class with on-the-job-training, and making the learning practical and hands-on²⁵.

In the United States, research by The Conference Board of 1500 workers, showed that mature employees were gaining little encouragement from employers to stay working. Linda Barrington, the Conference Board’s labour economist said that older workers are feeling pushed out by a perceived lack of respect and reward for the work they do. Older workers feel under-engaged by their companies, in part because of rigid, all-or-nothing work arrangements.²⁶

²² *Age Limits: Age-related Discrimination in Employment Affecting Workers over 45*, Published by the Equal Opportunity Commissions of Victoria, South Australia and Western Australia and the Australian Employers Convention, 2000

²³ Cameron, F, ‘Half Full?’, *HRMonthly*, June 2002, pp 17 - 21

²⁴ Cameron, F, ‘Half Full?’, *HRMonthly*, June 2002, pp 17 - 21

²⁵ Cameron, F, ‘Half Full?’, *HRMonthly*, June 2002, pp 17 - 21

²⁶ ‘US: Aged want to remain waged’, *Human Resources*, January 2003, page 7

Our Recommendation

The RCSA recommends the implementation of an education program for employers on the value and importance of employing mature aged workers. Attitudinal and behavioural change is required for employers to be undertaking age discrimination – even it is unknowingly.

As our industry is, in many cases, the first step for employment - in which we undertake activities such as candidate screening - educating our industry and consultants regarding the capabilities and value of mature employees is considered an essential part of our ongoing information and training program for the onhire, recruitment and consulting sectors of the membership..

It is also worth noting that despite criticisms of ‘ageism’ in the employment services industry, it is just as prevalent from host employers. Anecdotal evidence from RCSA members cite that the barrier to employing mature aged employees is often the attitudes by the host employer. An education campaign directed to host employers must be considered in order to have broad attitudinal change and to introduce new employment practices.

At the same time an education program targeted directly towards mature employees to ensure that they understand that their skills are valued and in demand.

The RCSA is keen to partner with Government to develop and implement these concepts. We have a close working relationship with the Government, particularly through our association in developing the Active Participation Model as part of the new Job Network. We were also very active in ensuring that our members were educated and ready for the introduction of the Privacy Principles in December 2001.

The following recommendations are not directly associated to context of the ageing workforce as outlined in the Standing Committee’s brief; however we believe that the following does address the topic of increasing paid work in Australia.

- **ADDRESS THE SKILLS SHORTAGE**

The Situation

The RCSA surveyed its membership in late 2002 and early 2003 to ascertain views on whether or not Australia is facing a skills shortage. This research was conducted by independent research company, the Values Bank Research Centre, as part of the RCSA’s quarterly survey of members’ views. The RCSA presented the summary of the research and our recommendations to the Senate Employment, Workplace Relations and

Education References Committee inquiry into Australia's Current and Future Skills Needs in February this year.

Our research concurred with the findings of the Department of Employment and Workplace Relations, which has identified the key professions suffering a skills shortage. They included child care workers, accountants, registered nurses, other medical practitioners (eg occupational therapists, physiotherapists and radiographers), secondary teachers, ICT specialists (eg experts in Java, Peoplesoft, Siebel), and a large shortage of tradespeople such as metal fitters, welders, electricians plumber, bricklayers and cooks²⁷.

The survey asked members to predict labour demand for the next six months. Responses to the survey found that the responses were broad and covered both the white and blue collar segments.

In terms of industries, the health and medical sectors were the areas that attracted most concern for members in terms of demand. This sector covers the occupations of doctors, physiotherapists, nurses, social workers and dental practitioners. The second area of demand was logistics and supply. This predominantly blue collar sector covers occupations such as purchasing officers, drivers, storepeople and customs managers. Third on the list was legal, a traditional white collar sector that includes barristers, solicitors, law clerks and conveyancing clerks. The fourth in demand was building and engineering, which includes tertiary qualified engineers to builders and crane operators.

When looking closer at those industries to find out the occupations of most demand, we found that nursing was number one.

Nursing is the biggest area of concern for our members, which reiterates the findings noted in the Federal Government's report on nursing in 2002, *Our Duty of Care*. This document outlined a shrinking and ageing workforce that is placing increasing strain on Australia's health sector. RCSA members not only noted that there is a shortage of registered nurses but also those who specialise in specific fields of nursing such as geriatric care. The nursing shortage is not just an Australian issue with countries worldwide finding fewer people going into, and staying in, nursing. Not surprisingly, the category titled 'nurses for export' was also one of the highest categories for skill shortages.

Other health and medical occupations in demand were social workers, dental technicians and physiotherapists. This section was closely followed by a demand for labourers, who are under the trades and services sector.

A lack of qualified tradespeople was a consistent message from the industry with metal trades and trades assistants in highest demand. The RCSA also has anecdotal evidence that there is a need for boilermakers, fitters/turners, toolmakers, transport drivers, electricians and mechanics. Akin to this industry is logistics, with a shortage of storepeople and drivers also nominated by RCSA members. In the legal fraternity, the

²⁷ The Department of Workplace Relations, *National and State Skill shortage Lists*, 2002

market requires law clerks and legal secretaries. There is predicted growth in labour demand for receptionists, telemarketers, call centre staff, electrical engineers and chefs. Those occupations that are likely to suffer from decreasing demand are tellers, postal workers, greenkeepers, bank managers, company secretaries and travel consultants.

In general the area where our industry finds it most difficult to find candidates with the right skills sets to match employment demand is in rural and regional Australia and this is consistent with information from a wide range of industry sectors.

The movement of young Australians to the city for university and the perception of limited opportunities in regional areas have created this labour shortage. One member said they were having trouble finding farm hands to manage the demand.

At the same time there is also a skills drain from some capital cities, for example a South Australian member claimed that Adelaide is losing candidates to the eastern states.

However, areas around capital cities were also mentioned as areas of skill shortages. The northern and western suburbs of Melbourne and the western suburbs of Sydney were listed as key areas of concern. The Sunshine Coast in Queensland was also listed as an area of labour and skill shortage where they currently lack public practice accountants, solicitors, doctors, nurses, town planners and civil engineers.

Our Recommendation

The Government has previously addressed the skill shortage in its paper in 1999²⁸. Some of the options proposed have already been applied, such as supporting flexible employment to allow for the seasonality of particular industries such as trades, and improved career matching.

The RCSA membership was very consistent in its response in terms of the action that needs to be undertaken to satisfy further employment demands. Not surprisingly an emphasis was placed on building the ranks of tradespeople. Increasing the support for traineeships and apprentice schemes by Government was seen as a direct way to reverse the skill shortage.

Likewise incentives behind the training schemes are crucial in gaining support from employers for such schemes. It has been proposed by some members that increasing the minimum wage for trades people would also make the profession more attractive.

It has also been argued that the push for all students to complete year 12 does not reflect the skills of those students, or the needs of the market. Some members argue that students who are not academically inclined and are far more interested in pursuing a trade should be offered more trades-like subjects at secondary school. At the same time, members argue that closer links between the TAFE and secondary school sector should continue to enable students to take some secondary and some TAFE subjects. It is

²⁸ Skill shortages in the trades – an employment perspective, Labour Market Policy Group, Department of Employment, Workplace Relations and Small Business, September 1999

believed that the on-the-job form of training that occurs through TAFE is particularly beneficial and enables the students to become 'job-ready'.

Ongoing professional education in the workplace is also required to ensure that employees remain up to date with technology and industry developments. The industry supports education and training however, if it is not managed on a broad scale, cost can be a barrier to many employers - especially those in small business. Government incentives and tax benefits for ongoing training would help to overcome this barrier.

Whatever training or assistance is provided to boost Australia's skills base, it is important to consider the rural and regional areas of the country when rolling out the programs. As the skill shortage is often felt most strongly in regional centres, either through up-skilling the region's workforce or providing incentives for skilled employees (perhaps through HECS) to move to rural areas was seen by RCSA members as an opportunity to level out the inequities of distance.

In regards to nursing, the Federal Government's report reviewing the shortfall of nurses said that "nurses made it very clear ... that they need to be recognised for what they do, appreciated for the contribution they are making recognition of their professionalism"²⁹. In other words a structural review of the industry and how they are rewarded and recognised is a key factor in ensuring that those skills stay where they are needed most.

To address some of the IT shortages, we encourage TAFE and tertiary institutions to ensure that they are educating students on the latest technology. On the other hand, technology companies could be encouraged to provide education / software to education institutions so that students graduate with skills in the latest technology.

- **MAKE THE WORKFORCE MORE ATTRACTIVE FOR MOTHERS WITH YOUNG FAMILIES**

The Situation

The 2002 paper prepared by the Sex Discrimination Unit of the Human Rights and Equal Opportunity Commission, *Valuing Parenthood. Options for Paid Maternity Leave: Interim Paper 2002* made a convincing argument for the importance of supporting women to return to the workforce. "Women are an integral part of the Australian workforce. While significant progress has been made to remove systemic discrimination in the labour force, women continue to suffer disadvantage because of their responsibility for bearing and caring for children"³⁰.

Australian Bureau of Statistics figures show that in March 2002, there were 4,108,700 women in employment – an increase of 505,800 or 14 percent since March 1996. In

²⁹ Schubert, M., 'Nursing crisis due to a lack of respect', *The Australian*, September 17, 2002, page 4

³⁰ Sex Discrimination Union, Human Rights and Equal Opportunity Commission, *Valuing Parenthood. Options for Paid Maternity Leave: Interim Paper 2002*, foreward

March 2002, the labour force participation rate of women of workforce age (15-64) was 66.2 per cent.³¹

The *Valuing Parenthood* paper provides compelling evidence – through extensive research – that “the presence of young children in a family does affect women’s employment decisions, with women less likely to work if they have very young children, a number of pre-school aged children, or if they are a sole parent.”³²

The paper cites ABS figures that show that 45 percent of women with dependent children aged 0-4 year are employed³³. Women with two or more children aged less than five years are more likely to be out of the labour force than women with one child aged less than five years (67 percent versus 47 percent).³⁴

According to the paper, “women are less likely to work as the number of young children they have increases”.³⁵

There are a significant number of highly educated, highly skilled women who have left the workforce to have and raise their children. While some of these will choose to remain at home full-time (and be prepared to adjust their lifestyles to accommodate the drop in income), many more will wish to return to work – albeit in a part-time position.

A key challenge facing policy makers, employers, and indeed society as a whole, is to recognise the importance of both raising a family, and being able to continue in the workforce in a manner that is conducive to achieving a work and family life balance.

Our Recommendation

In particular, the *Valuing Parenthood* paper addresses paid maternity leave. However, it acknowledges that “paid maternity leave is part of the broader issue of enabling women to better combine their work and family responsibilities.”³⁶

The RCSA does not believe that paid maternity leave alone will solve the issue of increasing participation in paid work, nor indeed solve Australia’s declining birth rate. The RCSA believes that a financial incentive is not enough to change the mindset of potential parents. The changes that are required must affect the workplace and family support network (ie childcare) legislation – not just the hip pocket.

³¹ ABS, *Labour Force Australia*, March 2002 cited in *Women 2002*, Commonwealth Office of the Status of Women

³² Sex Discrimination Union, Human Rights and Equal Opportunity Commission, *Valuing Parenthood. Options for Paid Maternity Leave: Interim Paper 2002*, page 17

³³ ABS 6224.0 *Labour Force Status and Other Characteristics of Families Australia*, June 2000, page 15

³⁴ ABS 6224.0 *Labour Force Status and Other Characteristics of Families Australia*, June 2000, page 16

³⁵ Sex Discrimination Union, Human Rights and Equal Opportunity Commission, *Valuing Parenthood. Options for Paid Maternity Leave: Interim Paper 2002*, page 16

³⁶ Sex Discrimination Union, Human Rights and Equal Opportunity Commission, *Valuing Parenthood. Options for Paid Maternity Leave: Interim Paper 2002*, page 48

Childcare

A key issue facing parents is the cost of childcare. Childcare fees are at a point now where for some parents it is cost prohibitive for them to work and place their child in care. Tax concessions for childcare should be considered as part of the solution.

The flexible workforce

It is important to note that the recruitment and on-hired employment services industry has experienced a turnover of \$10.2 billion of which \$8.2 billion came from the on-hired employment sector³⁷. One of the reasons for this is the people are choosing flexible employment.

This on-hired employment sector is made up of employees seeking flexibility in the way they balance their work and family lives. Already we are seeing the trend where increasingly parents are returning to work, but not full time, and are seeking either short-term contracts or casual employment so that they can balance the commitments of a family.

Flexibility allows parents to maintain their association with the workforce and industry developments while being able to ensure they are available during the early years of their child's development.

The RCSA believes this flexible workforce, which is in the interests of those wishing to balance family and work, must be encouraged.

³⁷ *Employment Services, Australia (8558.0)*, Australian Bureau of Statistics August 5, 2003

5. EMPLOYMENT IN THE SMALL BUSINESS SECTOR

The RCSA provided a submission to the Senate Employment, Workplace Relations and Education References Committee in May 2002 regarding Small Business Employment; some of the issues we discussed in that submission are also relevant to increasing the paid workforce.

The Situation

The definition of a small business includes the following three categories according to the Australian Bureau of Statistics (ABS):

- non-employing businesses – sole proprietorship and partnerships without employees;
- businesses with 1-4 employees; and
- businesses with 5-19 employees³⁸.

The majority (55%) is non-employing business, with 34% of business operating with 1 to 4 people, and 11% employing 5 to 19 people³⁹.

In June 2002 there were more than 1.1 million non-agricultural small businesses in Australia employing approximately 3.3 million people. Over the past ten years the number of small businesses has grown by an average 3.5 percent each year, and the small business sector contributes some 30 percent of Australia's gross domestic product.⁴⁰

Seventy percent of RCSA members are small businesses according to the above definitions. As a major employer in the country, a thriving small business sector will lead to a healthy employment market. Over the past years the RCSA has worked closely with its small business members to identify the issues it faces.

Given the structure of the on-hired employee services and recruitment services, RCSA members may only have a small number of employees as consultants on their payroll. However, they may have 100 on-hired employees out at worksites, and actually have a cashflow that is quite disproportionate to small businesses in other industries. As a consequence, small businesses providing on-hired employee services have the same compliance, OH&S and privacy requirements as firms almost twice or three times their size.

It is clear from feedback from our small business members, that these legislative and regulatory obligations have reduced their willingness to employ new staff and to grow the business.

It is important to note that the legislative environment has not always been a limitation to business growth and employment. The RCSA asked members to compare how the operation and efficiency of their business today compared with five years ago. The

³⁸ 'Characteristics of Small Business', *Australian Bureau of Statistics*, Cat no. 8127.0

³⁹ ABS, Cat no. 8127.0

⁴⁰ Website, Small Business Assistance Program, *Department of Industry, Tourism and Resources*

following issues, identified by our members as the key areas where regulatory compliance places either a time or financial burden on members, have all arisen out of recent legislation.

Payroll - Permanent and Temporary Staff

- Completing Section B of TFN Declaration Forms & preparation for return to ATO.
- Allocation of payroll tax-exempt clients and completion of Payroll Tax reporting and payment (monthly).
- Complete yearly reconciliation of Payroll Tax
- Superannuation Reconciliation and payment (Monthly)
- Centre Link requests for employment records (Daily)
- Workers Compensation Annual Reconciliation and forecasting
- Group Tax reconciliation and payment (Monthly)

Occupation Health and Safety

- Consultant time in relation to induction and training of temporary employees and client visits to ensure compliance.
- Training costs associated with keeping abreast of the changes in the OH&S legislation.
- Pre-placement client workplace assessments
- General compliance

Industrial Relations

- Record keeping
- Award compliance
- EBA negotiation
- Roping-in applications / Logs of claim
- Procedural fairness in performance management
- Award interpretation

EEO

- Claims management
- Contact officer training
- Policy renewal

Privacy Act

- Consultant time in relation to going through the aspects of the Privacy Act prior to any phone call from a prospective candidate and of course reference checking
- Privacy - increased costs in relation to printing and stationery
- Training costs associated with the introduction of the Privacy Act

Australian Bureau of Statistics (ABS)

- The RCSA welcomes the research on the industry. It is vital information that enables the Association to plan and inform our members about the needs of the

market. Unfortunately, for small businesses, research surveys can add to their already significant level of compliance and documentation. Members are aware of the value of the information, but would appreciate less time consuming ways to collect it (the recent ABS survey took a small business members' book-keeper and accountant (at additional cost) approximately 6 hours to complete the research.

GST

- Monthly reconciliation and quarterly completion of BAS (approximately 3 hours per return).

Those areas that require the most resources are compliance to the OH&S and Privacy Act which restricts revenue-making activities.

Please note that the industry recognises and supports the highest levels of OH&S compliance and has been acknowledge by the Privacy Office as one of the industries to fully take on board the requirements of the National Privacy Principles. The RCSA and members support the intentions of the Acts, however the administration and process required for complying can be burdensome and costly.

Our Recommendations

As noted in our submission to the Senate Committee last year, small businesses face considerable compliance and administration burden. The process of employing a new employee can also be a financial and time burden to time-poor small business managers. The RCSA is keen to see that the compliance process is streamlined.

The RCSA believes it is also worth considering the value that the ageing workforce can contribute to the small business sector. Insight, experience and skills and the desire to work on a flexible basis highlights the value that mature Australians can bring to the small business sector. Increasing paid employment for the ageing workforce in Australia's small businesses would support Australia's economic strength.

6. CONCLUSION

In closing the RCSA acknowledges the complex issues that face Australia in ensuring that the country can sustain a strong economy in an increasingly competitive world environment. Our success is directly linked to our ability to retain a productive paid workforce.

The RCSA believes that a significant mindshift is required in the attitude of employers (both host and on-hire) in regards to mature-aged workers. The RCSA is keen to partner with the Government to undertake an education campaign to address the issue – not only with our own members but also the companies they provide services too. It is worth noting that RCSA members provided employee services to Australia's top 200 companies - this means we also have an opportunity to reach major employers through RCSA members.

We described the skills shortages that we face, particularly in nursing and traditional blue-collar sectors. A combined effort between industry, government and education providers is required to see resources and training directed where the need is greatest.

Enabling mothers with young children to have flexible working arrangements so they have opportunity to continue to contribute to the workforce, while not losing all their income in childcare fees, is critical. Changes are required not only in the workplace, perhaps through legislative change, but also in the childcare sector.

Finally, small businesses are the backbone of the Australian economy. Compliance barriers reduce small business owners from considering taking on new employees. Here is an untapped sector that can benefit from the experience and knowledge of the ageing workforce.

The RCSA is happy to discuss the issues and recommendations outlined in this paper with the Standing Committee on Employment and Workplace Relations.