

Look long and truthfully. Each scar  
Declares our living worth.  
(Gwen Harwood, *Winter Quarters*, 1975)

## Dealing with unemployment

### Introduction

- 4.1 Just as there are many factors which contribute to unemployment, there are many which must be addressed in attempting to reduce it and the harsh effects it has on those who experience it.
- 4.2 This chapter commences with some general comments about the need to get the macroeconomic policy settings right for job creation. This is followed by a discussion of what should be done to tackle the problem of age discrimination, and how employers could handle the process of retrenchment in a way that minimises the impact on those being retrenched and better equips them for re-employment.
- 4.3 There is an examination of changes that are required in skills training, and the necessity for those who are unemployed to prepare themselves in the best possible way for a rapidly changing labour market. There is discussion as well of changes in the labour market such as the growth of casual and part-time employment, what should be done to improve the contribution of Centrelink and service providers under the Job Network. The chapter concludes with some comments about changes that might be made to superannuation arrangements, to improve the lot of the unemployed.

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## Macroeconomic influences

- 4.4 At a very broad level, employment creation is necessary to improve the prospects of all job seekers, including those of mature-age people. The key to employment creation is undoubtedly strong, sustained economic growth.
- 4.5 In the 1999–2000 Budget, the Federal Government set out its policies to achieve economic growth.<sup>1</sup> DEWRSB said that central to policy were
- Macro-economic management to maintain low inflation and the Budget in surplus; and
  - Structural policy reforms aimed at producing a more flexible economy through workplace relations reforms and effective labour market programs.<sup>2</sup>
- 4.6 The broad economic policy direction remained the same in the 2000–2001 Budget, released as this report was being prepared. The economy is projected to grow by 3.75 per cent in 2000–01<sup>3</sup> and unemployment is projected to fall to 6.25 per cent.<sup>4</sup>
- 4.7 As Australia’s economy improves, job creation will continue. Labour shortages, especially in areas requiring specific skills, may well occur. One challenge for the Commonwealth and State/Territory Governments will be to overcome the likely mismatch between employers’ demands and the skills or lack of them among available workers. Another challenge is cushioning those who are retrenched as a result of structural change, so they can be helped back into employment quickly. A third is to help long-term unemployed job seekers back into the workforce.

## Age discrimination

- 4.8 Chapter 3 outlined compelling evidence that age discrimination is a major reason why mature-age people are disproportionately represented among the long-term unemployed. They also

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1 DEWRSB, Submission no. 142, p. 60.

2 DEWRSB, Submission no. 142, p. 60.

3 Budget Paper No. 1 (2000-2001), pp. 1-4.

4 Budget Speech 2000-01, p. 1.

comprise a high share of discouraged workers. If these people are to find jobs, then something needs to be done to counteract negative employer attitudes.

## Combating employer prejudice

- 4.9 Section 170CK(2) of the *Workplace Relations Act 1996* states that an employer must not terminate a person's employment because of age. There is a provision, however, which allows termination on the basis of age if this is an 'inherent requirement' of the job.<sup>5</sup> Various States/Territories also have legislation against age discrimination through Acts such as the *NSW Anti-Discrimination Act 1977*.<sup>6</sup>
- 4.10 Under Commonwealth and States/Territories Acts, those who feel they are discriminated against may bring complaints before the appropriate authorities.<sup>7</sup> It can be difficult to prove age discrimination, however, if it is not explicit or there is no written or other corroborating evidence. Subtle discrimination can exist: being told one is too qualified; not having the right profile for the business; or not having the right skills.
- 4.11 A number of suggestions were made to the Committee about what can be done to change negative attitudes held by employers or recruitment officers concerning mature-age job seekers.<sup>8</sup> These suggestions included:
- A positive and inclusive public education and awareness raising campaign about mature-age people to promote the benefits of having an age-balanced workforce. Such a campaign should be developed in co-operation with industry, business groups, unions and community advocacy organisations;
  - Publicising success stories of mature-age workers;<sup>9</sup>
  - A requirement to report age profiles in all annual reports;

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5 As an example, QANTAS pilots face an age bar. DEWRSB, Submission no. 142, p. 30.

6 See Appendix F for a full list.

7 In NSW, between 1997–98, 56 age-related complaints were made. Of these only 3 cases went to the Tribunal. NSW Government, Submission no. 128.1, p. 2.

8 COTA, Submission no. 109, p. 21–24; JobsEast, Submission no. 116, p. 8; NSW Government, Submission no. 128, p. 11; Queensland Government, Submission no. 163, p. 25; SA Government, Submission no. 120, p. 12. Suggestions were also made in public hearings.

9 Walley, Transcript, p. 542.

- Forming an Australian version of the British Employers Forum on Age;<sup>10</sup>
- Targeting employers to demonstrate how beneficial mature-age workers are in the workplace;
- Providing wage subsidies to employers who hire mature-age job seekers;
- More employer-funded training for mature-age workers to enable them to upgrade skills;
- Increased flexibility in retirement options such as extending the retirement age.<sup>11</sup>

## Public education campaign

- 4.12 The Committee noted the campaigns run by DEWRSB and DFACS during the UNESCO International Year of the Older Person, including the special award to the organisation that demonstrated the most outstanding achievements in addressing the needs of older workers in 1999.<sup>12</sup>
- 4.13 The Committee also noted that some States/Territories have funded awareness-raising programs which provide positive views of mature-age people. For instance, the NSW Anti-Discrimination Board runs seminars and training on site for employers. It also tries to educate employers by providing consultancy services on a fee basis.<sup>13</sup> The Victorian Government is countering the widespread stereotyping of older workers to overcome discrimination in the workplace.<sup>14</sup> The WA Government developed a *Best Practice Award* to employers hiring mature-age workers and to employees for lifelong learning practices.<sup>15</sup> The SA Government funds the *Mature Age Employer Awareness Campaign* to promote the advantages of employing older workers.<sup>16</sup>
- 4.14 The Committee recognises that such campaigns require the sustained commitment of resources. The evaluation of the age

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10 JobsEast, Submission no. 116, p. 8; M. Steinberg, Submission no. 55.1, p. 4.

11 Encel, Transcript, p. 22.

12 The winner was KAAL Australia with 20% of its 390 staff over 51. [http://www.dewrsb.gov.au/group\\_wrp/wfconfernece/awardwinners.htm](http://www.dewrsb.gov.au/group_wrp/wfconfernece/awardwinners.htm), 6 April 2000, p. 4.

13 NSW Government, Submission no. 128.1, p. 2.

14 Victorian Government, Submission no. 121, p. 5.

15 WA Government, Submission no. 52, pp. 5-7.

16 South Australian Government, Submission no. 120, p. 3.

awareness campaign funded in Britain by the Thatcher Government commented that to be fully effective, campaigns need to be ongoing and target decision makers at all levels of an organisation.<sup>17</sup> It may even need to target the general public.

- 4.15 Publicising the success stories of mature-age workers could serve part of a more general publicity campaign.<sup>18</sup> Research has shown the benefits of having an age-mixed workforce. In times of rapid change, mature-age workers can sustain core skills, inject experience and preserve important corporate memory.<sup>19</sup> The Committee believes there is merit in encouraging the media, especially various radio and television programs, to emphasise success stories of mature-age workers.

### Recommendation 1

- 4.16 **The Committee recommends that the Government develop, in consultation with the States/Territories, a sustained national strategy and campaign targeting employers, to promote the benefits of maturity and age-balance in the workforce. Such a campaign should be subject to formal assessment and evaluation.**

### Annual company reports

- 4.17 The inclusion of the age profile of employees in the annual reports of all listed companies would draw attention to firms which do not have a normal diversity of age groups in their workforce. This should prompt employers to consider whether their recruitment practices, perhaps inadvertently, involve some form of age discrimination. The Committee is aware that age discrimination might occur unintentionally or sub-consciously. The availability of such profiles would also make possible greater scrutiny by shareholders and other interested parties, providing an added spur for employers to give proper consideration to employing mature-age job seekers.

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17 Walley, Transcript, pp. 541–542.

18 Gallet, Transcript, p. 194.

19 E. Brooke, Submission no. 181, p. 13.

## Employers' Forum

- 4.18 The British Employers Forum on Age is an employer-led initiative to publicise the benefits of an age-diverse workforce and to remove barriers to achieving such a workforce. It seeks to counter negative attitudes and stereotypes based on age. The British Forum provides training, statistical information, and good practice case studies. It worked with the UK Government to develop the 1998 Code of Practice on Age Diversity in Employment.<sup>20</sup> In Australia, JobsEast ran a 1999 employer forum to develop interest in establishing an Australian Employers' Forum modelled on the British Employers Forum on Age.<sup>21</sup> The Committee strongly supports this development of an Australian version.

### Recommendation 2

- 4.19 **The Committee recommends that the Minister for Employment, Workplace Relations and Small Business promote among business organisations, an Australian version of the British Employers Forum on Age. The Forum would be an important means of developing an age-diverse workforce and to counter age discrimination.**

## Wage subsidies

- 4.20 Providing subsidies to employers who hire mature-age job seekers, especially those who are long-term unemployed, is already being done by some State/Territory governments and some Job Network providers. Victoria offers \$1250 per place to local government and community organisations hiring 1500 long-term unemployed adults.<sup>22</sup> The *Mature Age Employer Incentive Scheme* (SA) provides up to \$2000 to each employer hiring an older worker, for the equivalent of 20 hours per week, up to 52 weeks. The first \$1000 is paid at 13 weeks and the next \$1000 after 26 weeks.<sup>23</sup> In April–June 1999, a promotional campaign in

20 N. Stevenson, Transcript, pp. 209–210. For information about the British Employers Forum on Age, see <http://www.efa.org.uk/manual...>, 28 April 2000.

21 Minister for Aged Care, *National Strategy, Mature Age Workers Issues Paper*, p. 39.

22 Victorian Government, Submission no. 121, p. 5.

23 SA Government, Transcript, p. 336.

the ACT offered a \$2500 incentive to the first 100 employers who employed a job seeker over 40 for more than six months.<sup>24</sup>

- 4.21 DEWRSB maintains ‘that while wage subsidy programs appear to have good outcomes...this ignores the displacement effect of such programs.’<sup>25</sup> The Department believes the 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) should be taken into account.<sup>26</sup> It also did not support a quota system for mature-age workers since ‘demographic changes would make any such criteria problematic, quite apart from the restrictions and inefficiencies they may create for the effective operation of businesses.’<sup>27</sup>
- 4.22 Professor Edgar Carson, of the South Australian Council of Social Service (SACOSS), said that a certain amount of substitution could be tolerated if it prevented ‘long-term unemployment in certain age groups or particular regions’. He also argued that wage subsidies to the private sector to employ mature-age people were more likely to result in job displacement than subsidies for public sector jobs creation.<sup>28</sup> Mr Malcolm Downes, SACOSS, suggested that wage subsidies could be better used to encourage employers to reduce overtime and create more jobs. One way this could be done would be to use a wage subsidy to pay the on-costs of job creation.<sup>29</sup> However, some research in Australia and by the OECD indicates that reduction in working hours is unlikely to lead to employment growth.<sup>30</sup> Contrary arguments are discussed in Chapter 3 (see the section *Working time: hours worked*).
- 4.23 Ms Sally Heycox, NSW Employment Programs, said substitution might be justified because it would ‘give people a turn in work for six to twelve months and then give somebody else another turn. It keeps their work practices and their work habits up to date even if it does not do much in the long-term.’<sup>31</sup>

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24 ACT Government, Submission no. 105, pp. 3–5 and Exhibits nos. 30 and 32.

25 DEWRSB, Submission 142.2, p. 6.

26 DEWRSB, Submission 142.2, p. 7.

27 DEWRSB, Submission 142.2, p. 7.

28 E. Carson, SACOSS, Transcript, pp. 366–367.

29 M. Downes, SACOSS, Transcript, p. 367.

30 DEWRSB, Submission no. 142.2, pp. 11–13.

31 Heycox, Transcript, p. 18.

- 4.24 OECD research in 1998 concluded that where the program targets the most disadvantaged groups, employment subsidies might distribute the incidence of unemployment more evenly, shorten the duration of unemployment, and increase the chances of employability. However, the OECD also found there were major inefficiencies in the wage subsidies schemes evaluated because: (a) some people were subsidised for jobs they would have filled anyway; and (b) some employers were replacing existing employees in order to claim a subsidy.<sup>32</sup>
- 4.25 Employers were found to be more concerned with the quality and suitability of the potential employee and less motivated by the level of a wage subsidy.<sup>33</sup> Recent research commissioned by DEWRSB found employers would not be swayed to employ an unsuitable older worker just because of wage subsidies, subsidised superannuation, financial incentives for re-training or referral by Job Network members. If more subsidies were made available, 57 per cent of respondents said they still would not be tempted.<sup>34</sup>
- 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.<sup>35</sup>
- 4.26 In addition to displacement, there also is no guarantee that the subsidised jobs would be filled by those who are unemployed, especially by those long-term unemployed. New skills and knowledge may be required but there might not be sufficient time for job seekers to reskill and become suitably experienced for the subsidised jobs. One way in which Australia has met such skills shortages in the past has been to encourage increased migration of skilled labour. As a result, the long-term unemployed could remain unemployed.
- 4.27 Subsidises were tried in previous labour market programs to promote youth employment and to encourage trainees and apprentices. Although the evaluation of *Working Nation* indicated

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32 DEWRSB, Submission no. 142, p. 53.

33 DEWRSB, Submission no. 142.2, p. 6.

34 The survey had 401 employer respondents, of whom 33% said they would be 'somewhat more likely' to hire if a subsidy were offered and 8% who were 'much more likely to hire' with a subsidy. DEWRSB, Submission no. 142.2, p. 7.

35 DEWRSB, Submission no. 142.2, p. 7.



that 52 per cent of Jobstart participants remained in unsubsidised employment three months after the subsidy ceased, some participants in effect moved in and out of long and short-term unemployment.<sup>36</sup> While this is not ideal, nevertheless, it can be argued that having a short-term job is preferable to long-term unemployment.

- 4.28 The Committee considered the merit of providing subsidies to small businesses, especially in regional and rural areas, to encourage them to hire mature-age workers. Ultimately, however, the suitability of an applicant for a position is the main reason a person will be hired.

### Job creation

- 4.29 Critical to the creation of jobs is strong sustained economic growth. Additionally, from time to time governments should take more direct action to stimulate job creation. The type of action envisaged ranges from the more general, such as increased government spending to stimulate economic activity, to action which is more specifically targeted, such as subsidies to particular sectors of the economy or to assist specific groups among the unemployed—on the basis of age, or length of unemployment. Governments, however, at both the Commonwealth and State level, have not been particularly successful at entry-level job creation.
- 4.30 It is often suggested that government purchasing policy should be used as leverage to achieve additional policy objectives. Ms Heycox suggested government purchasing policy should require those who win government supply contracts to meet certain conditions such as taking on a number of trainees or satisfying age diversification profiles.<sup>37</sup>
- 4.31 Some have argued against government intervention in favour of specific groups. Dr Martin Watts argued that job creation policy should not target specific regions or age groups without taking into account the likely consequences. If mature-age workers are favoured through wage subsidies or additional training, other age groups may be disadvantaged.

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36 DEWRSB, Submission no. 142, p. 52; DEWRSB, Submission no. 142.2, p. 6.

37 Heycox, Transcript, p. 18.

The solution to problems of unemployment generally—and for mature workers in particular—is targeted job creation based on the social and economic needs of regional areas; the ability of the region to sustain jobs in the long-term; and taking into account the skills and potential skills of workers through training.<sup>38</sup>

- 4.32 The Department of Family and Community Services (DFaCS) maintained that labour demand across mature-age groups is likely to rise in the near future since there are comparatively smaller numbers in younger age groups. It is anticipated that more mature-age people will have jobs because of likely future labour shortages, provided they have the necessary skills and work experience.<sup>39</sup>

## Dealing with retrenchments and redundancies

- 4.33 The Committee was particularly interested in looking at the way retrenchment and redundancy processes are managed and the extent to which these processes actually contribute to the problems faced by those leaving employment.<sup>40</sup> Mr Chris Meddows-Taylor, Drake Management Consulting, told the Committee that the manner of separation affects the ability of retrenched workers to find another full-time job quickly.<sup>41</sup> The Committee heard of cases where people were apparently given very little consideration for their dignity or their future.<sup>42</sup> They may or may not be given a redundancy package and no advice at all about where to go or what to do with it.
- 4.34 It is critically important that retrenchments and redundancies be handled in a humane and sensitive manner. Careful management of the process benefits not only those retrenched but also those who remain.
- 4.35 Mr Ted Davies of Davidson and Associates, an outplacement specialist, made the point very clearly.

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38 M. Watts, Transcript, p. 941.

39 DFaCS, Submission no. 115, p. 4.

40 Evidence on redundancy and retrenchment processes is discussed in Chapter 2.

41 C. Meddows-Taylor, Transcript, p. 679.

42 L. Maciver, Transcript, p. 986.

The way in which employers handle the termination of [their] people...has a fundamental impact on not just their reputation in the community, their reputation with their shareholders, their reputation with government, but their reputation with their people.

The reason why many organisations recognise the need to handle these very difficult situations with extreme care and sensitivity and to provide the appropriate level of support to their people has as much to do with the people who are staying with the organisation as it does with the people who are leaving the organisation.<sup>43</sup>

## Code of conduct

- 4.36 The Committee convened a round table discussion concerning the desirability of a code of conduct or a set of best practice principles, for dealing with separations. The Committee is mindful that the preferred option is not retrenchment but rather redeployment, natural attrition or retraining of existing staff.<sup>44</sup> However, there are occasions when retrenchments and redundancies are unavoidable. Best practice guidelines and a code of conduct could assist employers to carry out that process in a way that best serves the interests of firms and employees.
- 4.37 The Committee notes that 70 per cent of dismissals are from small to medium sized businesses, which find it more difficult to provide ideal levels of retrenchment counselling and advice required by employees being dismissed.<sup>45</sup> Nevertheless, there is a place for a code of conduct or a set of best practice principles, appropriate to the size and nature of the business. The code or set of principles should indicate better practice without adding unnecessary burdens to businesses that may already be in financial difficulty.
- 4.38 The BHP Transition Award, known as *Personal Pathways*, is a landmark agreement setting out employer provisions for those facing retrenchment. Justice Hill, in making his judgment, described the agreement as ‘a model to which other employers,

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43 E. Davies, Transcript, p. 784. Davidson & Associates are now known as RightD&A.

44 World Vision had another approach with its Motivate or Move project to help those targeted for retrenchment to find another job. B. Richardson, Transcript, p. 212.

45 Kamener, Transcript, p. 807.

including Governments, should aspire.’<sup>46</sup> *Personal Pathways* provided a range of services to help employees to market their skills and talents to other employers.<sup>47</sup> All BHP employees were encouraged to develop a personal action plan with their supervisor and were helped through career counselling and workshops to make appropriate choices.<sup>48</sup> The Committee does not expect the provisions funded by BHP to be available to all employees facing retrenchment. That does not mean, however, that some support services should not be provided by smaller businesses.<sup>49</sup>

- 4.39 The Committee believes that employers should recognise that mature-age workers being retrenched, frequently experience more significant emotional trauma than younger people. They also are in danger of longer periods of unemployment. Evidence shows that mature-age people being retrenched, more so than any other age group, need timely counselling to assist them in dealing with the emotional, financial and physical effects of separation.<sup>50</sup>

...the critical issues of grief management, identification of transferable skills and their application in the workplace and other common issues such as family responses, financial management and social interaction need to be addressed in homogeneous working groups.<sup>51</sup>

### What should be in the code

- 4.40 In the course of the inquiry a number of suggestions for the code or set of principles were received. The Committee believes the following merit consideration:
- Centrelink should be notified, as early as possible about any employee separations (redundancies or retrenchments) so that it can be the point of contact for all relevant information and support to those affected;

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46 AMWU, Exhibit no. 114, p. 5.

47 BHP, Exhibit no. 113, pp. 4–9.

48 BHP, Exhibit no. 113, pp. 3, 11, 13–14, 15–16.

49 Nichols, Transcript, pp. 965–66.

50 Pep Employment Services, Submission no. 81, pp. 1–2; Mission Australia, Submission no. 110.2, pp. 3–4; RCSA, Submission no. 144, pp. 2, 6–8; BCA, *pathways to work: tackling long-term unemployment*, BCA, Melbourne, April 2000, p. 15; Mission Australia, *no 'use by date'*, Sydney 2000, pp. 10–12.

51 RCSA, Submission no. 144, p. 11.

- Centrelink should notify relevant non-government organisations and other support services;
- Centrelink should regularly provide to employers a list of support services in the area to issue to employees in the event of separations occurring;
- Centrelink should also provide a list of support services in the area as a guide to employees being retrenched or made redundant;
- Particular emphasis should be placed on counselling services. These should be offered to the employee and his/her family;<sup>52</sup>
- A negotiated date of departure should be arrived at, with a dignified, sensitive leave-taking process;
- A severance payment that meets the conditions of awards, certified agreements or Australian workplace agreements should be made;
- Consideration should be given, if appropriate, to providing a referee report to those retrenched or made redundant;
- Centrelink should carry out JSCI assessments as early as possible to identify those requiring intensive assistance (preferably the JSCI assessment should be done in the workplace before retrenched persons depart);<sup>53</sup>
- Employers should support early intervention for those likely to be long-term unemployed (especially those who are mature-age workers who may lack job search skills);
- Where possible, access to training and reskilling for job seeking purposes should be provided before departure (Some large firms already do this);
- Where possible, the provision of outplacement services—financial, career and personal advice—should be offered to both employee and family.

4.41 The code could take the form of a checklist, with examples of good practice attached.<sup>54</sup> It should also be realistic and flexible.<sup>55</sup> It could be a broader part of the information kit concerning the management of employment separations already available from

52 See discussion by D Neilson, Transcript, pp. 216–217.

53 BCA, *pathways to work*, pp. 15–16.

54 Belconnen Employment Solutions Taskforce, Submission no. 111.1, p. 1; Mission Australia, Submission no. 110.2, p. 3; Mission Australia, *no 'use by date'*, p. 24.

55 Mission Australia, Submission no. 110.2, p. 3; Belconnen Employment Solutions Taskforce, Submission no. 111.1, p. 1.

DEWRSB.<sup>56</sup> There should be similar information kits for the employees affected.<sup>57</sup> Both should be widely available in both hard copy and on the internet.<sup>58</sup>

- 4.42 The cooperation of employers, unions, government departments and other community representatives is essential both in the development of the code and in its application. There should be wide consultations with key business groups and other stakeholders who should be involved in the development of the code.<sup>59</sup> A mechanism for amending the code in the light of experience should be clearly in place.
- 4.43 The code would be made more effective if Job Network providers were encouraged to further market themselves and their services to local employers.<sup>60</sup>
- 4.44 The Government members of the Committee consider that the code should be a voluntary one, and do not advocate a prescriptive process of recording or reporting breaches. Business organisations involved in the development of the code should consider instituting a process of certification for businesses which commit themselves to its implementation. Descriptions of good practice by employers in adhering to the code should be published and possibly incorporated (for a period at least) as attachments to the code.<sup>61</sup> The effectiveness of the code should be assessed after two years.
- 4.45 However, the non-Government members, although agreeing with the intended purpose, are not confident that a voluntary code would be followed and would prefer to see it prescribed in legislation or through appropriate industrial instruments.

### Recommendation 3

- 4.46 **The Committee recommends that the Department of Employment, Workplace Relations and Small Business work with representatives of large and small businesses, employees and other relevant organisations to:**

56 B. Yates, Transcript, p. 1020.

57 Salvation Army, Submission no. 73.1, p. 1.

58 Yates, Transcript, p. 1018.

59 Salvation Army, Submission no. 73.1, p. 1.

60 BCA, *pathways to work*, pp. 15–17, 47–48.

61 Mission Australia, Submission no. 110.2, p. 3.

- **develop a code of conduct or a set of best practice principles, based on the checklist in this report;**
- **promote the finalised code among large and small businesses; and**
- **consider a process of certification, to be managed by business organisations, for businesses which commit themselves to implement the code.**

**Government Members consider such a code should be voluntary. Non-government Members consider the code should be prescribed in legislation or through appropriate industrial instruments.**

**The Committee further recommends that the effectiveness of the code should be assessed after two years.**

## **Centrelink notification**

- 4.47 The *Workplace Relations Act 1996* (section 170CL) requires employers to notify Centrelink in advance when they are retrenching 15 or more staff. Provision is made in sections 170CP and 170CR(3) of the Act by which a court order in relation to an alleged breach of the notification requirement may be sought. The court may order a penalty up to \$1000 or make an order requiring non-termination. Many employers are apparently unaware of this requirement,<sup>62</sup> which clearly needs to be more publicised. The Committee considers that these responsibilities are important and the Government should take every reasonable step to ensure they are upheld. The earlier the intervention, the earlier Centrelink and other government/non-government agencies can assist and the more likely there will be a better outcome.<sup>63</sup>
- 4.48 Centrelink should publicise its special employer contact number 13 11 58, which provides employers with general information on Centrelink services and programs. The Committee believes that Centrelink offices could be more pro-active when they are certain that retrenchments are likely in their local area.

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62 P. Wightman, Transcript, p. 518; A. Schell, Transcript, p. 950–54.

63 Schell, Transcript, p. 950.

## Recommendation 4

- 4.49 **The Committee recommends that Centrelink include the employer service number—13 11 58—in its *Customer Charter* and other publications and explain how Centrelink can help employers with staffing matters.**
- 4.50 Notifying Centrelink should be an automatic part of the dismissal process. Similarly, employers should tell all employees, as part of general workplace information, how Centrelink may help them should they find themselves dismissed and unemployed.

## Skills training

- 4.51 In the present job climate, job seekers need to demonstrate they have up-to-date skills, are able to adapt to new technology and concepts, and are willing to continue learning throughout their lives. As ABS statistics show, different skill groups experience different unemployment rates. As well, unskilled and/or less educated workers experience longer periods of unemployment.<sup>64</sup>
- 4.52 Companies today have to adapt to rapid change. Employers therefore want flexible, motivated staff who are willing to update their skills and acquire new ones. It is expected that in future, many employees may have to make several career moves before they reach retirement age. Mature-age job seekers must accept the need to reskill, learn to market themselves effectively, and continue learning or risk being left behind to face long-term unemployment.
- 4.53 Many mature-age job seekers left school early for unskilled jobs, progressing through various levels by on-the-job training or else job-specific courses. Once these workers are retrenched, they find it extremely hard to re-skill especially if they are not academically inclined or believe they are too old to learn. Yet if they wish to be re-employed, they need to acquire new skills and knowledge in order to meet emerging work requirements that are progressively

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64 J. Vickery, *Unemployment and Skills in Australia*, Reserve Bank of Australia, December 1999, pp. 1, 38.



more computer-based. In spite of this, mature-age workers may still face age discrimination.

- 4.54 Mr Ka Chan, JobQuest, observed that some employers do not anticipate skill needs by training their staff. When they need to apply new skills, 'they try to get them from the marketplace.'<sup>65</sup>

We have a lot of people looking for work but they do not have the skills that the employers need, and the employers are crying out for people because they do not have the people with the right skills. Of course you don't when you don't train them. You don't train them because you depend on the government to train them.<sup>66</sup>

- 4.55 The Committee was told by Mr Larry Davies, WA Department of Training and Employment, that it was important for people to realise that their skills are transferable and still useable.<sup>67</sup>

The communication skills, the ability to liaise, to negotiate and to work with people, work in teams, are no different from one industry to the next. You can take that skill and you can move it over there. But to convince people that they have that skill can often be very difficult.<sup>68</sup>

- 4.56 Those mature-age job seekers who accept the need to update their existing skills and acquire new skills suitable for future labour markets would benefit from career guidance, as distinct from information. In fact, it is important for all workers to have access to professional career guidance when making career changes or choosing training courses.

## Career guidance

- 4.57 The Committee's predecessor in the 38<sup>th</sup> Parliament observed in its report, *Youth employment: A working solution*, that 'employment and educational expectations of school leavers are heavily influenced by parents, teachers and peers, and the guidance from these sources is generally poor.'<sup>69</sup> The Committee also found that 'poor career guidance is partially responsible for persistent skill

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65 K. Chan, Transcript, p. 96. The ACTU expressed similar sentiments, Transcript, p. 765.

66 Chan, Transcript, p. 96.

67 Davies, Transcript, p. 250.

68 Davies, Transcript, p. 250.

69 Committee on Employment, Education and Training (CEET), *Youth employment: A working solution*, AGPS, Canberra, September 1997, p.xviii.

shortages in some sectors of the economy and young people's lack of awareness of opportunities in the skilled trades and other employment based training'.<sup>70</sup> The Committee recommended in its report that the Minister for Schools, Vocational Education and Training:

- Establish comprehensive careers guidance, appropriately resourced, as an entitlement for all secondary students;
- Ensure all careers guidance teachers have reliable access to data on workforce trends, anticipated skill shortages and the employment outlook for occupations nationally and by region; and
- Provide for the enhancement of careers education and guidance in secondary schools by providing funding to develop more teachers for the role.<sup>71</sup>

4.58 Many mature-age job seekers may never have had access to professional career advice but, just as with young people, they need such advice when they have career decisions to make. Career Counselling offering two two-hour sessions to eligible job seekers is funded by the Commonwealth. 'Career Counselling helps people establish or redefine their employment, education and training goals and develop career management, research and decision making skills, against a background of self knowledge and a realistic understanding of the world of work.'<sup>72</sup>

Unfortunately, Career Counselling is only for those who are aged 24 and under. Adults over 25 are limited to the general advice from Centrelink. They are then sent to Job Network providers most of whom are not career counselling specialists but job brokers.

4.59 Mature-age job seekers especially need access to quality labour market information, advice about making career changes, and access to training and re-skilling options.<sup>73</sup> They have few options, however, unless they are on benefits. Those not on benefits have to pay for career advice.

4.60 The Committee believes there is scope to develop Career Counselling as a full professional service for both youth and adult clients. The expanded Career Counselling could also include

70 CEET, *Youth employment*, pp. xviii, 54–55.

71 CEET, *Youth employment*, p. 56.

72 <http://www.deetya.gov.au/ty/careers/ccounselling.htm>, 12 May 2000.

73 W. Dear, Transcript, p. 224.

school career advising. Instead of the present situation, where it is a part-time responsibility for a teacher or where the career adviser travels among several schools, the career adviser should be professionally trained with appropriate work experience in labour market services. The position could still be based in a school but would be linked to a universal career guidance service which adults could also access.

- 4.61 Each career adviser should cover a manageable region and a defined set of occupations. The career adviser should liaise closely with local employers and training institutions, as well as monitor labour market trends in order to provide complete, quality local and national labour market information to individuals, families and communities. The adviser should be able to improve people's ability to change careers through a variety of options, especially through local training groups, open university courses or learning through the internet. By providing an open comprehensive career guidance service to people, the Commonwealth Government would help maximise human potential to be gainfully employed. The service would be essential to take mature-age people off benefits.
- 4.62 It is appropriate that adults not on benefits should pay for career guidance. A sliding scale of fees could be devised taking into consideration a client's circumstances. The advisory services should also be available on a fee-for-service basis through Job Network providers to clients as well as to those who are about to be retrenched. While Centrelink and the Job Network providers are meant to provide this service to their clients, advice is often uneven in quality and may not always be in the best interest of the client.<sup>74</sup>

## Recommendation 5

- 4.63 **The Committee recommends that the Government fund a universal, professional careers guidance service, available without fees to young people at school and to all job seekers on benefits.**

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74 Steinert, Transcript, pp. 381–382.

## Training courses

- 4.64 Training programs generally tend to be most effective when they are tailored to the needs of local employers. Training has to be linked to emerging jobs as well as current needs. Mature-age job seekers may need to rethink their career paths, and possibly shift from one industry into another.<sup>75</sup> Many may need training or retraining to meet labour market expectations. Those affected by industry restructuring may need training in new technological skills, particularly in information technology.<sup>76</sup>

## Different learning styles

- 4.65 The Committee received evidence that mature-age people approach training and learning differently from younger people. They may prefer to learn in the company of their peers. ‘The older person benefits from a problem solving approach which makes use of years of previous experience, and an approach which accentuates their verbal skills.’<sup>77</sup>
- 4.66 The Committee believes that Job Network providers in reasonable proximity should co-operate in the delivery of training courses to mature-age job seekers to ensure that they are in training classes best designed to meet their needs. This co-operation should result in greater efficiency and effectiveness. Evidence has shown that unemployed people who have retrained and furthered their qualifications are still disadvantaged without adequate work experience in their new fields. The Committee, therefore, believes that Job Network providers should ensure that clients are given work experience as part of their training.

## Recommendation 6

- 4.67 **The Committee recommends that Job Network providers in reasonable proximity should co-operate in the delivery of training courses for mature-age job seekers. These courses should:**
- **be designed specifically for mature-age clients; and**
  - **include work experience sessions where relevant.**

75 W. Murray, Office of Seniors Interests, Transcript, pp. 316–317.

76 J. Ashworth, Transcript, p. 985.

77 Australian Seniors Computer Clubs Association, Submission no. 180, p. 10. Similar comments made by S. Encel, Transcript, pp. 24, 28–29; D. Golding, Transcript, p. 59; A. Powers, Transcript, pp. 103–104.

## Subsidised training

- 4.68 Mission Australia told the Committee that the new suite of labour market programs (unlike Skillshare), do not adequately fund the more costly, long-term training that some clients need.<sup>78</sup> While mature-age job seekers on benefits receive subsidised training, those not on benefits often cannot pay.<sup>79</sup> Many are not eligible for Austudy or other training support, and take out loans.<sup>80</sup>
- 4.69 The Committee was told about various subsidies for specific accredited training courses for job seekers.<sup>81</sup> For instance, the NSW Government provides a coupon-based training program for mature-age job seekers as part of its Mature Workers Program.<sup>82</sup>
- 4.70 DEWRSB considered there would be significant community opposition to the introduction of a voucher system at Commonwealth level. DEWRSB also argued that providing vouchers for one group of job seekers would be inequitable and would create confusion. As well, the targeted job seekers might not use the vouchers effectively, particularly if vouchers became part of income support. There would need to be guidelines to tell the users about accredited trainers, relevant training courses, and the restrictions on using training allowances. DEWRSB further argued against vouchers on the grounds that:
- It could lead to a reduction in the number of Job Network providers;
  - There would be a loss of the savings gained by being able to 'pool' training for job seekers; and
  - It would be a move away from the outcomes funding approach.<sup>83</sup>
- 4.71 Despite DEWRSB's comments, it remains the case that many mature-age job seekers not entitled to employment assistance, still need help with reskilling and training. Long-term economic costs to the nation rise when unemployed people are not contributing

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78 Richardson, Transcript, p. 89.

79 K. Mason, Transcript, pp. 70–71; M. Steinberg, Transcript, p. 544; J. Fitzgerald, Transcript, p. 560; E. Hounslow, Transcript, p. 972.

80 Golding, Transcript, pp. 46–47; D. Foster, Transcript, p. 629.

81 A. O'Neill, Transcript, p. 134; L. Davies, WA Department of Training and Employment, Transcript, p. 238.

82 K. Boyne, SENSWACC, Transcript, pp. 872, 878.

83 DEWRSB, Submission no. 142.2, p. 8.

income tax and superannuation payments and eventually claim the age pension earlier at a higher rate.<sup>84</sup> The Committee believes it is better to expend money to help mature-age job seekers now, rather than incur a greater cost in the future. The Committee, however, does not support a voucher system to meet this need.

### Training credits

- 4.72 Some witnesses suggested that a system of 'training credits' be introduced, to encourage employers to provide work to unemployed people who may not have the specific skills required. Such a system would be operated by the Government covering, or subsidising, the cost of training which could be spent in accordance with the requirements of the employer, once a firm job offer had been made. The training credit would enable the job seeker to compete for a job on the basis that missing skills will be acquired at no, or little, cost to the employer.
- 4.73 Mr Bill Dear, suggested that money is often not well spent in providing a wide range of training courses which people undertake prior to seeking re-employment, when the courses may not provide the specific skills needed for the job sought. He suggested that a better alternative might be to give job seekers credits which could be spent on training that employers would be able to specify after the person had been employed.<sup>85</sup> Another witness, Mrs Stella Giles, from WOW Employment Services, commented that employers were becoming increasingly unwilling to provide jobs to people straight out of short training courses without relevant work experience.<sup>86</sup>
- 4.74 The Committee was told of a training subsidy (maximum of \$340) to unemployed mature-age people, linked to a definite job offer, trialed under the SkillsPay program by the previous Victorian Government.<sup>87</sup> To qualify for this subsidy, the job seeker had to register with a provider under the Community Business Employment program. The training course had to be identified by the provider as suitable for developing the skills required by the job seeker.<sup>88</sup> The subsidy scheme was slow to start and met with

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84 Treasury, Submission no. 131, p. 7.

85 Dear, Transcript, p. 225.

86 S. Giles, WOW, Transcript, p. 699.

87 O'Neill, Transcript, p. 134; Victorian Government, Exhibit no. 39.

88 Victorian Government, Submission no. 121, p. 6; Exhibit no. 39.

some resistance from employers who were more keen to hire someone they considered was already fully skilled.<sup>89</sup> The Victorian Government is now developing a subsidy scheme with local government and community organisations, whereby \$1500 will be offered for each unemployed, mature-age job seeker.<sup>90</sup>

- 4.75 Having considered all these aspects, the Committee believes the training credit scheme has merit and should be trialed to see if it will help long-term unemployed people into jobs.

### Recommendation 7

- 4.76 **The Committee recommends that the Minister for Employment Services trial a training credit scheme, linked to a definite job offer, for long-term unemployed, mature-age people so they may develop appropriate skills when employed in that job.**

### Computer skills

- 4.77 The need for mature-age workers to acquire and enhance their computer skills was mentioned frequently to the Committee. Otherwise experienced mature-age people may be displaced because they do not have adequate computer skills. Some merely need further training to be able to transfer their IT skills into another environment.<sup>91</sup> Others may need training in how computers can assist in the application of skills they already possess. The benefits of computer training were described by the WA Department of Training and Employment:

We had mature people becoming unemployed from a meatworks recently and Internet access, use of computers—just short courses—suddenly made them far more employable and gave them more confidence to go into other types of work in shire offices and things that were available in that region outside the meatworks.<sup>92</sup>

89 Victorian Government, Submission no. 121.1, p. 1.

90 Victorian Government, Submission no. 121, p. 7.

91 D. Michel, Submission no. 85, pp. 7–8; K. Mason, Transcript, p. 71, Powers, Transcript, p. 103.

92 L. Davies, Transcript, p. 238.

- 4.78 Even in regional and rural areas people are becoming more dependent on IT-related equipment for everyday needs. The new rural transaction centres being established have internet banking and will also house cyber cafes. Regional areas need to establish their own computer training groups, especially for mature-age people, preferably with support from computer organisations or the local TAFE.<sup>93</sup> The Committee received evidence that some town councils are moving in this direction. Cabonne Council (NSW), for example, has established a project to provide computer training and three internet access centres for its residents.<sup>94</sup>
- 4.79 There are other organisations such as WA DOME, which have set up non-profit computer training courses. WA DOME provides personalised training, geared towards those mature-age people who are unused to technology. It has built strong links with local business and developed a sound reputation for providing trained mature-age workers.<sup>95</sup>
- 4.80 Small supportive groups are probably the best learning arrangement for older people learning IT skills. Job Network providers should consider sending mature-age clients to suitable community-based computer groups, where such groups have qualified trainers, to learn basic computer skills so clients may learn at their own pace. TAFE courses could be attempted later, once the mature-age clients have become familiar with basic concepts and are able to use word processing and spreadsheet software competently and comfortably.
- 4.81 The Committee believes that it is essential for the Government to fund educational and training programs for those who need to develop their computer skills. A number of mechanisms are already available, such as TAFE, adult training centres, community centres, schools, community groups and other support services, to deliver such training courses.

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93 Lake Macquarie Neighbourhood Information Centre, Submission no. 44.1, p. 6; ASCCA, Submission no. 180, pp. 19–20; Boyne, SENSWACC, Transcript, p. 878; Ashworth, Transcript, p. 985.

94 ASCCA, Submission no. 180, p. 10.

95 L. Reid, WA DOME, Transcript, p. 256.



**Recommendation 8**

- 4.82 **The Committee recommends that the Government fund a national computer literacy and training program for mature-age people. Such a program could be provided through a variety of existing government and non-government facilities.**
- 4.83 The Committee believes that, where appropriate, training components of Job Search Training and Intensive Assistance programs should be given recognition according to endorsed national competency standards. Mature-age people would then have formal verification of their training.

**Recommendation 9**

- 4.84 **The Committee recommends that the Minister for Employment Services ensure that where appropriate, training components funded under Job Network be given vocational training recognition according to endorsed national competency standards.**

**Traineeships and apprenticeships**

- 4.85 Employers ideally want staff who have not only formal qualifications but also practical experience and who can move quickly and competently into the business. Many mature-age job seekers lack either formal up-to-date qualifications or, if they have gained new qualifications in an effort to gain employment, they lack relevant work experience. This makes it very difficult for them to compete for jobs, particularly against younger applicants with the same qualifications.<sup>96</sup>
- 4.86 Unemployed people who wish to attain AQF 3 (a tradesperson's qualification) receive *no* Austudy if they have a degree, are not full-time students, have assets valued above the Austudy limit or earn income (or their spouse earns income) above the threshold. This tends to exclude most mature-age job seekers and adds to their financial hardship when they have dependants and a mortgage. Although State/Territory governments provide fee

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96 S. Giles, WOW, Transcript, pp. 698–9; Mansfield, Transcript, p. 763.

concessions at TAFE for unemployed students or those on low incomes or benefits, mature-age people may well prefer an apprenticeship or traineeship, which actually involves employment with a high practical content.

- 4.87 Traineeships and apprenticeships would enable mature-age job seekers to gain qualifications and relevant experience in another industry. The New Apprenticeships system does not have an age restriction and people of mature years already participate in the program.<sup>97</sup> Since the start of the New Apprenticeship Centres on 1 May 1998, 27 594 people over 45 have taken up New Apprenticeships. This figure includes those doing traineeships as a distinction between apprenticeships and traineeships is no longer drawn. Thirty-five New Apprenticeship Centres with 308 sites nationally, are contracted till 30 November 2002 to provide support services to employers and apprentices. In the 2000–2001 Budget, \$1.5b has been allocated for incentives to employers to take on new apprentices.<sup>98</sup> Unemployed mature-age job seekers can access their local Centre or their local Job Network providers to find an employer wanting an apprentice.<sup>99</sup>
- 4.88 Unfortunately, those employers willing to take on apprentices and trainees tend to prefer young people. This preference reflects a general societal view but ignores the fact that mature-age employees are more likely than younger ones to stay in their jobs for many years.<sup>100</sup> Accepting mature-age employees as apprentices and trainees is therefore a good investment for employers.
- 4.89 Apart from age discrimination by some employers, the low wages paid to apprentices and trainees discourage mature-age people, with financial commitments to meet, from applying. The Committee advocates that a specific subsidy be paid to mature-age apprentices and trainees in recognition of the financial responsibilities often carried by people in this group. It was suggested to the Committee that subsidies for apprenticeship and

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97 DETYA, Submission no. 156.2, p. 2.

98 [http://www/detya.gov.au/ministers/kemp/may00/budget/k\\_budget5.htm](http://www/detya.gov.au/ministers/kemp/may00/budget/k_budget5.htm), 18 May 2000, p. 1.

99 DETYA, Submission no. 156.3, p. 2.

100 Milthorpe, Transcript, pp. 699–700.

trainee wages, with an emphasis on areas of skills shortages, could help attract mature-age job seekers.<sup>101</sup>

- 4.90 ACOSS suggested ‘special apprenticeships’, specifically for long-term unemployed people, and highlighted the arrangement between the Commonwealth and the South Australian governments where an entry level apprenticeship was set up for the public service.<sup>102</sup> Similar suggestions were made by GROW<sup>103</sup> and the South East NSW Area Consultative Committee (SENSWACC).<sup>104</sup> ‘Special apprenticeships’ with topped up wages, would encourage mature-age job seekers to become apprentices and trainees.

### Recommendation 10

- 4.91 **The Committee recommends that the Government introduce a specific subsidy for mature-age people undertaking traineeships or apprenticeships.**

## Government policies

- 4.92 The creation of new jobs largely depends on economic growth; but governments can play a role in stimulating job creation. DEWRSB maintained that ‘improvement in the labour market success of mature age workers, particularly in the context of an ageing population, depends on achieving flexibility and responsiveness in a number of policy and program areas.’<sup>105</sup>
- 4.93 A number of pieces of legislation such as the *Workplace Relations Act 1996* and the *Public Services Act 1999* have changed the Australian workplace by simplifying all awards, changing unfair dismissal laws and by the introduction of individual workplace agreements. People are encouraged to stay longer in paid employment by a number of policy changes. Raising the preservation age for superannuation to 60 by the year 2025 for

101 Milthorpe, Transcript, p. 700.

102 Hounslow, Transcript, p. 974.

103 Powers, Transcript, p. 104.

104 G. Malavey, Boyne, SENSWACC, Transcript, p. 875.

105 DEWRSB, Submission no. 142, p. 60.

people born after 1 July 1964, makes it less attractive for these people to retire early.<sup>106</sup> In July 1998, the Government introduced the Pension Bonus Scheme to provide a bonus to people who defer their age pension by remaining in a job.<sup>107</sup>

- 4.94 In the Budget for 2000–2001, the Government has allocated \$3.1m over two years to examine barriers faced by mature-age unemployed job seekers and to fund possible assistance such as early intervention and personal and financial counselling to help those who currently do not have access to the full range of employment support services.<sup>108</sup> In addition to this are two pilot programs: the workless families assistance program (\$2.4m) and the very long-term unemployed program (\$1.4m). Under the workless families program, up to \$500 will be paid to help couples find work. The long-term unemployed program will trial a number of strategies to help those who have been on Newstart Allowance for 5 years or more. A personalised intensive service for long-term unemployed people will try to overcome barriers to their participation in the workforce.<sup>109</sup>
- 4.95 As well, \$138.7m has been allocated over four years for language, literacy and numeracy training for unemployed people. From the start of 2001, the Advanced English for Migrants Program will be linked to this literacy and numeracy training to help overcome a major barrier to employment for those from non-English speaking backgrounds.<sup>110</sup>
- 4.96 A number of State/Territory governments have adopted policies and programs to complement what the Commonwealth has provided. The Committee was told, for instance, about the NSW Mature Workers Program which was one of the first specifically designed to meet the employment needs of older unemployed people.<sup>111</sup> Another is the Queensland Worker Assistance Program,

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106 DFACS, Submission no. 115, p. 20.

107 DFACS, Submission no. 115, p. 21.

108 [http://www.facs.gov.au/Internet/FaCSInternet.nsf/aboutfacs/budget/budget 2000-wnwd.htm](http://www.facs.gov.au/Internet/FaCSInternet.nsf/aboutfacs/budget/budget%2000-wnwd.htm), 10 May 2000, p. 2.

109 <http://www.facs.gov.au/Internet/FaCSInternet.nsf/aboutfacs/budget/budget2000-wnwd.htm>, 10 May 2000, pp. 2–4.

110 Minister for Education, Training and Youth Affairs, *\$2 billion for New Apprenticeships over next 4 years*, media release 9 May 2000, p.2; Treasurer, *Budget Measures 2000-2001*, Paper No. 2, p. 68.

111 NSW Government, Submission no. 128, pp. 7–10.

an early intervention program to assist workers displaced in large scale retrenchments from becoming long-term unemployed.<sup>112</sup>

## Longitudinal studies

4.97 Longitudinal studies usually track changes in a group of subjects over a number of years. Some record snapshots at regular periods while others map continuously. The Committee believes that longitudinal studies are essential to provide an accurate picture of the mature-age work force. Ms Heycox, from the NSW Department of Education and Training, supported more thorough research:

so that we knew who was unemployed and what sorts of skills they have, what sorts of educational qualifications they had and whether, among those older people in the work force, the ones with less education are more likely to become re-employed than the ones without—or whether, by the time you are 45 or 50, your actual formal education level becomes irrelevant and it is your 25 years work experience and where that has been that determines whether you are more likely to become unemployed rather than your education level.<sup>113</sup>

4.98 Several States have funded research on mature-age workers, but none of these are longitudinal studies. The Victorian Government, for example, has funded an inquiry into planning for positive ageing (1997). Another was a study by JobsEast into the unique disadvantages faced by mature-age job seekers (1998). A third was a study of mature-age workers' perceptions of employment in western Melbourne by the Victoria University of Technology (1996).<sup>114</sup> The WA Department of Training and Employment said it bases 'a lot of our responses on feedback from people like DOME and our other community networks. ... We fund the Centre for Labour Market Research, which does do some work but, again, they have tended to focus on industry type activities.'<sup>115</sup>

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112 Queensland Government, Submission no. 163, pp. 10–12.

113 Heycox, Transcript, p. 19.

114 Victorian Government, Submission no. 121, p. 3.

115 L. Davies, Transcript, p. 243.

- 4.99 The only longitudinal studies on unemployed workers drawn to the Committee's attention are the ABS one on unemployment experiences of people aged 45 to 59<sup>116</sup> and the two studies on workers made redundant from BHP in Newcastle. The first of these BHP studies was on those dismissed in the 1982–83 and the second will be on BHP workers laid-off in 1998–99.<sup>117</sup>
- 4.100 The Committee is also mindful of the recommendation by the Australian Institute of Health and Welfare that longitudinal research is needed on the effect of unemployment on different groups of people.<sup>118</sup> The Institute told the Committee that it already held a national death index which would enable it to follow through with record links.<sup>119</sup> It also argued that Australia should develop the capacity to undertake census-linked research.<sup>120</sup> The Institute noted that mortality data in Australia is inadequate in identifying unemployed people because the occupation field on death certificates is completed differently across States and Territories.<sup>121</sup> It therefore would be useful to have national consistency on occupations listed on death certificates.<sup>122</sup>
- 4.101 The Committee considers that longitudinal studies are essential to shape sound policies. They would enable governments to draw on comprehensive data about the problems faced by mature-age job seekers and to devise more effective, better targeted policy responses to help long-term unemployed people. One important longitudinal study would be an examination of the health effects of unemployment in Australia and the extent to which unemployment contributes to poor health and premature death.

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116 ABS, *Australian Social Trends 1999*, pp. 115–116.

117 M. Gordon, B. Gordon & P. Clarke, Exhibit no. 158, pp. 3–9, 21, 25–30.

118 Australian Institute of Health and Welfare, Submission no. 157, pp. 3, 9; Mathers, Transcript p. 830.

119 Mathers, Transcript p. 830.

120 Australian Institute of Health and Welfare, Submission no. 157, pp. 8–9.

121 Mathers, Transcript p. 824.

122 Australian Institute of Health and Welfare, Submission no. 157, p. 3; C. Mathers & D. Scholfield, 'The health consequences...', p. 179.

**Recommendation 11**

- 4.102 **The Committee recommends that the Government fund a series of longitudinal studies on unemployed people to provide comprehensive data for shaping future labour market programs.**

**Recommendation 12**

- 4.103 **The Committee recommends that the Government fund a longitudinal study to examine the health effects of unemployment in Australia and the extent to which unemployment contributes to poor health and premature death.**

**Recommendation 13**

- 4.104 **The Committee recommends that the Commonwealth, in discussion with the States/Territories, develop national conformity in the information provided about the occupation of the deceased on death certificates so that data may be collected for research.**

**Casual and part-time work**

- 4.105 Chapter 3 outlined the growth in the number of casual and part time jobs, at the expense of full-time employment. The Chapter also referred to the financial disincentives to those on benefits from accepting casual or part-time work. It is, nevertheless, important to encourage mature-age job seekers to accept casual and part-time work for a number of reasons:
- They will be maintaining work skills and workplace networks;
  - They might acquire new skills and experience;
  - Part-time and casual work may lead to full-time employment; and
  - By working, they will be contributing to the economy and be less reliant on benefits.
- 4.106 Centrelink can access as an abridged claim, the former files of anyone returning to benefits after short periods of work (12 weeks

or less). A waiting period determined by accumulated leave, wages earned and liquid assets, may apply to clients who worked for more than three months before they can become eligible for benefits again. In contrast, DFACS spoke of the 12 months suspension period adopted for disabled people who find work: ‘...if they go out and have a go in the work force and it does not work, they know they can go back on the DSP [disability support pension] with minimum disruption.’<sup>123</sup>

- 4.107 Mature-age people in Intensive Assistance should be entitled to a similar 12 months suspension period should they find paid work. Provided a job loss within a 12 month period was involuntary and they were not dismissed for unsatisfactory performance, these mature-age people should be readmitted into Intensive Assistance without having to wait.

#### Recommendation 14

- 4.108 **The Committee recommends that the Government allow mature-age people on Intensive Assistance, who find work but lose it within 12 months, to resume access to Intensive Assistance without a new application or a waiting period, provided their job loss was involuntary and they were not dismissed for unsatisfactory performance.**
- 4.109 Several suggestions were made to the Committee as options to help ease the financial disincentives to accepting part-time or casual work. The result could be: increased take up of part-time work, and possible movement into full-time work; increased reporting of earnings; and/or a possible reduction in total benefits paid. Among the suggestions were:
- Increasing the amount that can be earned before benefit reductions (\$62 per fortnight from 1 July 2000);
  - Decreasing the rate by which benefits are reduced when more than the minimum amount is earned;
    - From 1 July 2000, 50 cents is withdrawn from benefits payments for each dollar earned above \$62 but below \$142

123 B. Wright, Transcript, p. 119. To be eligible for a disability support pension, a person has to demonstrate he/she is unable to work for a period of two or more years. Nightingale, Transcript, p. 182.



per fortnight and 70 cents in the dollar for amounts above \$142.<sup>124</sup>

- Raising weekly earnings to \$250 (1999 prices) before withdrawal of benefits for unemployed mature-age people;<sup>125</sup> and
- Re-introducing an earned income tax credit scheme for calculation of income tax for casual work over a year.<sup>126</sup>

- 4.110 The Committee approached several departments to seek their views on providing greater incentives for mature-age people to accept and report casual and part-time work by easing the withdrawal rates of benefits or allowing earned income tax credits (earnings credits).<sup>127</sup>
- 4.111 Treasury advised that changes to work incentive policies need to be fully explored against macroeconomic settings and a flexible labour market policy. Treasury argued that the extent to which the proposal might encourage new jobs or merely cause displacement needs to be considered.<sup>128</sup>
- 4.112 DFACS commented that the income test is structured to provide a financial incentive to work. Extending the cutout point under the income tax would make more people eligible for a part benefit and any additional concessions, thereby significantly increasing budgetary costs.<sup>129</sup> DFACS argued that income tests need to encourage people to pursue full-time work and that increasing the cut-out point could actually decrease incentives to accept part-time or casual work, owing to consequential effects on family allowances and marginal tax rates. DFACS noted that from 1 July 2000 the new tax system contains changes to assets and income tests before benefits are affected.<sup>130</sup>

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124 See Chart D — Income test for NSA, WA, PA, SA, MAA (post 1.7.96) and parenting payment at <http://www.centrelink.gov.au/internet/internet.nsf/>, 5 May 2000.

125 ACTU, Submission no. 136, p. 7; Mansfield, Transcript, p. 770.

126 Siemon, Transcript, p. 178.

127 An **earnings credit scheme** allows an income support recipient to accumulate a 'income test free sum' (ie the amount earned each fortnight before payment is affected). Once a person starts working, the amount earned is offset against the accumulated earnings credit, until the earnings credit balance is depleted. Only after the credit is exhausted do the earnings start to reduce the person's payment under the income test. DFACS, correspondence dated 20 June 2000.

128 Treasury, Submission no. 131.1, pp. 2–3.

129 DFACS, Submission no. 115.2, pp. 4–5.

130 DFACS, Submission no. 115.2, pp. 4–6.

- 4.113 DEWRSB pointed out that lowering benefit withdrawal rates could lead to inequity, reducing effective marginal tax rates for some but increasing them for others.<sup>131</sup> It stated that the effects of changing the withdrawal rate of benefits could not be predicted.<sup>132</sup> In any case, there was 'no clear rationale' for having different withdrawal rates for those aged 45 and over.

For some people increased [financial] 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.<sup>133</sup>

- 4.114 Having considered the advice from the Departments, the Committee believes that long-term unemployed, mature-age people are disadvantaged if they accept part-time work beyond a certain number of hours per week. For them, the loss of income impacts on their ability to pay mortgages, support dependants and save for their own retirement. The Committee therefore believes this group warrants special consideration, given that many should still have 10 to 20 years of working life ahead of them and as many years again in retirement.
- 4.115 The Committee believes it is important to give further encouragement to unemployed mature-age people to take up casual and part-time work. The amount that can be earned before benefit reductions (\$62 per fortnight from 1 July 2000) should be indexed to reflect CPI increases in unemployment allowances.<sup>134</sup> The present reduction rates in benefits should also be reduced. The Committee suggests that the tapering rates be reduced at both levels by 10 cents.

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131 DEWRSB, Submission no. 142.2, p. 3.

132 DEWRSB, Submission no. 142.2, p. 3.

133 DEWRSB, Submission no. 142.2, p. 3.

134 The threshold amount is adjusted periodically, with the previous adjustment in 1995. From 1 July 2000, the threshold will be raised to \$62 per fortnight. Information provided by DFACS, 15 May 2000.

**Recommendation 15**

- 4.116 **The Committee recommends that the Government index the amount that can be earned before a reduction in benefits; and reduce by 10 cents, the 50 and 70 cents in the dollar withdrawal rates for long-term unemployed mature-age people, to encourage them to accept and report part-time and casual work.**
- 4.117 DFACS stated that the earnings credit scheme, which operated between 1994–97, was discontinued because of the lack of evidence of its effectiveness in encouraging the take-up of casual and part-time work. They stated that the fall in reporting of earned income since the scheme’s abolition is not clear evidence that the scheme should be re-introduced.<sup>135</sup>
- 4.118 DEWRSB also argued against earnings credits on the grounds of increased complexities and administrative costs.<sup>136</sup> It pointed out:
- If tax [earnings] credits are withdrawn gradually, rather than having a ‘sudden death’ cut out at a specific income level, then tax [earnings] credits will, other things being equal, increase effective tax rates in the ‘withdrawal’ income ranges.<sup>137</sup>
- 4.119 The Committee believes that being able to spread benefits cuts across the whole financial year, when not in continuous work, would be a major consideration in accepting and reporting part-time and casual work. As DFACS said, ‘...some form of increasing the financial return for this end of the labour market has considerable merit, particularly for those customers with little or no recent attachment to the labour market.’<sup>138</sup>

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135 DFACS, Submission no. 115.2, p. 6.

136 DEWRSB, Submission no. 142.2, p. 4.

137 DEWRSB, Submission no. 142.2, p. 4.

138 DFACS, Submission no. 115.2, p. 6.

## Recommendation 16

- 4.120 The Committee recommends that the Government examine the feasibility of re-introducing, for people on benefits, an earned income tax credit scheme spread over the financial year, for those in casual and part-time work.**

## Transport costs

- 4.121 Chapters 2 and 3 referred to the difficulties job seekers face undertaking training or seeking work as a result of the cost of, or lack of availability of, transport. In some areas, public transport is available during peak hours only. In other areas, there are no direct routes available and job seekers have to spend very long periods travelling, have access to private transport, or use taxis. Those not on income support cannot access any travel concessions. Those who use a car or taxi have to pay the costs incurred themselves.
- 4.122 While Job Network providers are able to use their discretionary funds to subsidise travel costs, most do not do so, preferring to allocate the money to other purposes. The Committee considers it worthwhile to trial a reimbursement scheme for the most disadvantaged job seekers—namely those in areas of high unemployment, geographic isolation and without easy access to direct public transport.
- 4.123 Funds could be earmarked for this purpose and managed by Centrelink in several locations in outer metropolitan, rural and regional areas. Reimbursement would be made only on presentation of dated receipts, with proof of arrival at destinations. This scheme would also enable those who used their own vehicles to be reimbursed for running costs, using the ATO kilometre formulae. Job Network providers could monitor the scheme so that an assessment could be made of its success in helping job seekers to find work.

**Recommendation 17**

- 4.124 **The Committee recommends that the Commonwealth Government, in co-operation with the States/Territories, examine the extent to which transport difficulties are disadvantaging job seekers in outer metropolitan, rural and regional areas.**

**Recommendation 18**

- 4.125 **The Committee recommends that the Commonwealth Government trial a transport reimbursement scheme for job seekers experiencing transport difficulties in outer metropolitan, rural and regional areas. The trial should be managed by Centrelink in those locations.**

**Alternative paths****Portfolio employment**

- 4.126 As part-time and casual work become more common, increasingly people are supporting themselves by working in a 'portfolio' of several jobs. This arrangement has been standard for quite some time among actors, artists, and some tradesmen and labourers employed on temporary contracts. It is becoming more common now among white-collar workers, especially in the IT industry. Mature-age job seekers who have difficulty in finding full-time work may turn to portfolio employment, perhaps using a range of different skills, as an alternative.
- 4.127 Presented in the most favourable light, earning one's living through several part-time jobs may be considered as 'self-managed employment'.<sup>139</sup> The reality, however, may be exploitation, low wages, long hours, much time lost travelling from one workplace to another, and difficulty in securing payment on completion of projects.<sup>140</sup> Some employers of casual

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139 Powers, Transcript, p. 107.

140 Powers, Transcript, pp. 107–8.

or part-time workers like to have their employees virtually on-call, which makes it very difficult for them to manage other jobs.<sup>141</sup>

- 4.128 Jobpower told the Committee that it was advising older workers on how to ‘bullet-proof’ themselves by ‘putting together two or three part-time or casual jobs to establish one overall income strategy’.<sup>142</sup> This enables them to cushion themselves against the loss of a casual job, since they still have other jobs. WA DOME highlighted the need to make middle managers accept the idea of a mixed source of income as an option when getting a full-time job is difficult.<sup>143</sup> Mrs Carol McCabe, from the Jobseeking Over Forty Association, was more cautious, pointing out that many who set themselves up as consultants often do not get any contracts at all.<sup>144</sup>
- 4.129 Evidence seems to indicate that women may be more prepared than men to accept part-time and casual employment. This may reflect a more widespread expectation among men that they should be the family ‘breadwinner’ and that they need a full-time job to fulfil that role. Men may need to be especially targeted for information concerning the possibilities offered by portfolio employment.
- 4.130 Many mature-age job seekers, as a result of the stress of losing their jobs, also lose their motivation and self-confidence. Being able to secure part-time jobs can help boost morale. That might lead to full-time employment in one job or it might result in portfolio employment. The Committee believes, therefore, that it is important to educate mature-age people about the issues associated with portfolio employment and the possibility that casual or part-time work may lead to a permanent job.

### **Recommendation 19**

- 4.131 **The Committee recommends that the Government fund an education campaign targeting mature-age people, especially men, concerning the changing nature of the labour market and the issues associated with portfolio employment, including its possible benefits.**

141 Davies, Transcript, p. 240.

142 D. Cafferty, Transcript, p. 723.

143 L. Reid, WA DOME, Transcript, p. 268.

144 McCabe, Transcript, p. 161.

## Work for the Dole

- 4.132 Attitudes to the Work for the Dole program vary greatly from full support to complete opposition. Nevertheless some witnesses urged that Work for the Dole be opened to those over 45.<sup>145</sup> The Shoalhaven Area Consultative Committee felt very positive about its own Work for the Dole program and advocated its extension to people over 45. It considered, however, that those over 45 should be dealt with individually rather than having to work in groups with other unemployed people.<sup>146</sup>
- 4.133 A criticism of the Work for the Dole program is that it lacks a training component although some witnesses did mention an element of training with individual projects.<sup>147</sup> Training that is provided may not be extensive but Work for the Dole can play a positive role in maintaining work habits for the long-term unemployed, regardless of age.

### Recommendation 20

- 4.134 **The Committee recommends that the Work for the Dole program, under a name not stigmatising to mature-age workers, be extended on a voluntary basis to long-term unemployed job seekers over 45. Where possible, those over 45 should be given the option to work on individual assignments rather than as part of a group of unemployed people.**

## Mentoring

- 4.135 A 'mentor' by definition is a trusted adviser and teacher who guides another person during the mentoring period. Another definition of mentoring is 'the deliberate pairing of a more skilled or experienced person with a lesser skilled or experienced one, with the agreed-upon goal of having the lesser skilled person grow and develop specific competencies.'<sup>148</sup> Many mentoring arrangements are entered into both formally and informally in the work environment.

145 Shoalhaven ACC, Submission no. 147, pp. 23–24; W. Murray, Transcript, pp. 318–319; Nguyen, Transcript, p. 710; SENSWACC, Transcript, p. 871.

146 Shoalhaven ACC, Submission no. 147, p. 4; M. Lay, Transcript, pp. 980–281.

147 Murray, Transcript, pp. 320–321; W. Field, Transcript, p. 976; Lay, Transcript, p. 984.

148 M. Murray quoted in Dusseldorp Skills Forum, *Business Mentors*, August 1999, p. 5.

- 4.136 The concept of using mature-age people as mentors in Work for the Dole schemes was discussed by a number of witnesses. Mature-age people, with appropriate training, could be used in community support programs such as school literacy and numeracy recovery programs. A screening process would be required to ensure that the mentors had the required skills and aptitude. Given that many mature-age people have a wealth of experience and knowledge, they could make useful supervisors for younger people in Work for the Dole programs.<sup>149</sup>

### Recommendation 21

- 4.137 **The Committee recommends that unemployed people over 45, appropriately screened for skills and aptitude, be trained as mentors and supervisors in the Work for the Dole programs.**

## Volunteering

- 4.138 Volunteering is a valuable way for mature-age job seekers to maintain their self-esteem and self-confidence, as well as their skills and work experience.<sup>150</sup> The Committee was told that the activity test requirement for job seekers can include voluntary or community work. Effectively, they can do voluntary work as work substitution.<sup>151</sup>
- 4.139 Volunteering Australia tries to promote good management practices ‘to ensure that volunteers are treated fairly, receive adequate training and support, and are provided with opportunities for professional development.’<sup>152</sup> The Salvation Army told the Committee that it uses volunteer work to help its unemployed clients to regain confidence. ‘We also do some skills retraining, particularly IT skills and looking at emerging industries such as hospitality and personal services.’<sup>153</sup> The Mercy Community Services told the Committee it is easier to place people who have been in volunteer activities.<sup>154</sup>

149 Costin, Transcript, p. 56.

150 S. Cordingley, Transcript, pp. 787–788.

151 Winzar, Transcript, p. 127.

152 Cordingley, Transcript, p. 788.

153 W. Gallet, Salvation Army, Transcript, pp. 188, 195; D. Harbison, Mercy Community Services, Transcript, p. 301; A. Whish, Transcript, p. 392.

154 Harbison, Morris, Transcript, pp. 301–2.



- 4.140 Three issues emerged from the evidence on volunteering. One is the costs involved, given that the mature-age job seeker is often the breadwinner in the family and has other financial obligations. The Committee is aware that some organisations provide their volunteers with a subsidy upon the production of receipts. However, not all organisations can afford to do this.
- 4.141 The second issue is that volunteers are sometimes given menial tasks when they could be involved more usefully by an organisation. Pep Employment Services cited as an example people with computer skills being used by an organisation to address, stamp and post envelopes. There can sometimes be a mismatch between the work available in the volunteer organisation and the skills unemployed volunteers possess when they want either to gain experience or to keep skills up-to-date.<sup>155</sup>
- 4.142 The third issue is recognition of the skills developed and maintained while being a volunteer. Newcastle City Council told the Committee that it would make sense to award a points system for voluntary work so that some formal acknowledgment is given.<sup>156</sup> The Union of Australian Women was concerned that women who held responsible, busy positions in voluntary organisations were unable to secure paid work since no credit was given to these non-paid work skills.<sup>157</sup> Employers need to accept that periods spent in unpaid work may be as valuable as periods spent in paid work. The Committee would like to see more private sector involvement in making voluntary work opportunities available to unemployed people.

## Phased retirement

- 4.143 When a person goes from a full working week immediately into retirement or unemployment, they often feel at a loss. This feeling occurs even when the retirement is anticipated and lifestyle changes are planned.<sup>158</sup> As Dr Richard Smith observed in 1987: 'Purpose, status, income, social contact, a structure of our days

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155 J. Ford, Transcript, p. 281.

156 K. Talty, Transcript, p. 934.

157 B. Mawdsley, UAW, Submission no. 57, p. 2.

158 See comments from Council on the Ageing (COTA), Submission no. 109, p. 13–14; Mission Australia, Submission no. 110.2, p. 4; McCabe, Transcript, pp. 154–155, 159–161; Nightingale, Transcript, p. 174.

and lives, and a sense of belonging all come primarily from employment.<sup>159</sup> Phased retirement may be one way to help make the transition easier for the individual being retrenched or retiring.<sup>160</sup> It also would enable a firm to restructure its organisation or have a more diverse age profile.<sup>161</sup>

- 4.144 The Committee is not advocating the invention of unnecessary duties in order to keep a person in an organisation nor is it supporting subsidised transition. However, where it is possible for employers to reorganise by offering a reduced work-load and shorter hours to employees, and those employees willingly agree to such an arrangement, then this would be mutually desirable.
- 4.145 The Committee sought the opinion of the Association of Superannuation Funds of Australia (ASFA) to allowing partial access to superannuation to support phased retirement over three to five years, without undue effects on final superannuation payouts.<sup>162</sup> A minimum age of 60 might be appropriate, based on the preferred option of retaining people in employment instead of having them access their full retirement assets early. This suggestion is in line with increasing the preservation age from 55 to 60.
- 4.146 ASFA supported this proposal for those aged 60 or over, although it pointed out that the proposal would breach payment standards under Part 6 of the Superannuation Industry (Supervision) Regulations. ASFA explained that ‘to have access to preserved benefits, a person...must be aged at least 55 and retired from the workforce or retire on account of permanent incapacity.’<sup>163</sup> However, a person aged over 65 may access preserved benefits while still in the workforce.
- 4.147 ASFA recommended that payments should be ‘in the form of an income stream’ which combined, should not exceed the person’s

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159 R. Smith, *Unemployment and Health: A Disaster and a Challenge*, OUP, Oxford, 1987, p. 1.

160 COTA, Submission no. 109, p. 12; ACTU, , Submission no. 136, pp. 6–7; M. Bittman, Transcript, p. 997; M. Ogden, Transcript, pp. 1014–1015.

161 ACTU, Submission no. 136, pp. 5–6; Recruitment and Consulting Services Association (RCSA), Submission no. 144, pp. 14–15; Encel, Transcript, pp. 31, 36–37; Michel, Transcript, p. 62; Mansfield, Transcript, pp. 766–767.

162 For instance, final payouts should be pegged to the highest average salary just prior to the phased period.

163 ASFA, Submission no. 179, p. 4.

full time salary prior to commencement of phased retirement.<sup>164</sup> ASFA cautioned that some people might want to access their superannuation while easing into retirement. Others may need to continue making contributions. 'The flexibility to accommodate these life patterns is an important issue for a successful retirement income policy as well as an employment policy.'<sup>165</sup>

- 4.148 ASFA also pointed to the importance of effective protection measures since some employers might try to coerce employees to accept reduced hours of paid work with consumption of some retirement savings.<sup>166</sup> Phased retirement would give mature-age workers time to adjust better to the changes no longer working will bring, thus making it less stressful. By keeping mature-age workers in employment longer without having to pay the full salary, employers would make savings while being able to retain corporate knowledge which could be transferred by mature-age workers to colleagues. They might also concentrate on being mentors to younger workers.
- 4.149 The Committee believes there is merit in encouraging phased retirement for those over 60 while allowing the person either to access part superannuation or to make further contributions. Therefore the Committee supports amending the Superannuation Industry (Supervision) Regulations to allow workers over 60 partial access to their superannuation as a supplement to reduced wages should they wish to partially retire.

## Recommendation 22

- 4.150 **The Committee recommends that the Minister for Finance amend the Superannuation Industry (Supervision) Regulations to allow workers over 60 to have partial access to their superannuation as a supplement to reduced wages, if they wish to partially retire. Such a change should be accompanied by effective measures against coercion.**

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164 ASFA, Submission no. 179, p. 4.

165 ASFA, Submission no. 179, p. 4.

166 ASFA, Submission no. 179, p. 4.

## Service providers

- 4.151 Early intervention is essential if a person, especially a mature-age job seeker, is to get back into employment quickly.<sup>167</sup> As discussed in Chapter 3, some people are not aware of the services available, especially the self-help facilities such as telephones, newspapers, photocopiers, printers, computers and fax machines. Touch screens provide access to employment opportunities and to Career Information Centres. Where clients are unfamiliar with touch screens, Centrelink staff will assist them.<sup>168</sup> New signs are being installed in Centrelink offices to indicate the services available.<sup>169</sup>
- 4.152 Many are apparently not aware they may register with Centrelink immediately they are unemployed, whether or not they are eligible for benefits.<sup>170</sup> The Committee believes that Centrelink should provide this information prominently on its internet site and in all Centrelink publications. These publications should be placed in workplaces, public libraries and community centres.

### Recommendation 23

- 4.153 **The Committee recommends that Centrelink display on its internet site and in its literature, a prominent notice informing retrenched people they may register with Centrelink immediately they are unemployed, even if they may not be eligible for benefits.**

### Recommendation 24

- 4.154 **The Committee recommends that Centrelink list more prominently on its internet site all the self-help services it offers clients and add this list to its *Customer Charter* and other relevant publications. These publications should be placed in workplaces, public libraries and community centres.**

167 Kamener, Transcript, pp. 805–6; BCA, Submission no. 164.1, p. 2.

168 Centrelink, Submission no. 167, p. 7.

169 S. Vardon, Transcript, pp. 513–514; Schell, Transcript, pp. 954–55; Centrelink, Submission no. 167.1, p. 2.

170 J. Garland, ACT Government, Transcript, p. 475.

## Centrelink services

- 4.155 As discussed in Chapter 3, many mature-age job seekers find it intimidating going into a Centrelink office. The Committee was told that there has been a concerted effort to make the Centrelink culture more client-friendly. The physical layout of the offices has been changed and Centrelink staff have been trained to provide a personalised service. Centrelink maintains that queuing has been reduced. Clients can make appointments by phone through call centres where, the Committee was told, calls are answered promptly.<sup>171</sup>
- 4.156 Case officers have been introduced so that contact is on a one-to-one basis. Clients have the right to request a change of case officers if there is any dissatisfaction or discomfort.<sup>172</sup> Clients also may request additional information and/or seek advice from a financial adviser, social worker or occupational psychologist. The Committee believes Centrelink case officers should advise clients at the first meeting that they have these rights. This information should also be mentioned prominently in relevant publications.

### Recommendation 25

- 4.157 **The Committee recommends that Centrelink add to its *Customer Charter* and other relevant publications, information about the right of a client:**
- to change case officers; and
  - to seek additional advice and information from a professional specialist.

### Job Seeker Classification Instrument

- 4.158 Centrelink case officers administering the Job Seeker Classification Instrument (JSCI) are given basic training, followed by on-the-job monitoring and further training.<sup>173</sup> The JSCI score is largely determined by 18 factors, weighted on the basis of significance in limiting employability. The factors include age, education level, recency of work experience, family status, location, language and

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171 Vardon, Transcript, pp. 510–513, 515, 526; Schell, Transcript, p. 951.

172 Vardon, Transcript, pp. 514–15, Hogg, Transcript, p. 521.

173 Centrelink, Submission no. 167.3, pp. 1–2.

literacy.<sup>174</sup> Therefore, those at high risk such as mature-age clients, are more likely to attain a high score.<sup>175</sup> The Committee was assured by Centrelink that ‘...[the JSCI] is a classification tool; it is not an assessment tool. We are trying to get a snapshot of where the customer is.’<sup>176</sup>

We can reassess or reapply the JSCI as many times as we like. We are contracted to apply it at certain points, but it is our prerogative to apply it at any point where we feel that potentially there are other issues that have not been taken into account.<sup>177</sup>

Some members of the Committee, however, were not convinced that the JSCI is always used to provide a ‘snapshot’ instead of an assessment.

- 4.159 The points scored determine whether a client receives Job Search Training, Intensive Assistance or goes straight to Job Matching. Those assessed as job ready are each given the names of five local Job Network providers so they may register for Job Matching. Clients may register with all five Job Network providers but only the one that secures the person a job is paid. People not on benefits may also register for Job Matching with Job Network providers. Those on benefits and in Job Matching for over three months are reassessed automatically by Centrelink.
- 4.160 DFACS told the Committee that where clients are identified as long-term unemployed and in need of Job Search Training, it may be possible to allow them access earlier. ‘To be consistent with the current targeted approach, referral to Job Search Training could be voluntary in the first 3 months but remain compulsory for those with an income support duration of 3 months or more.’<sup>178</sup> Job Search Training clients are given a list of five local Job Network providers. They may register with all five or else the system automatically assigns them to the next available Job Network provider with a vacancy.

174 Centrelink, Submission no. 167.5, p. 5.

175 DEWRSB, Submission no. 142.2, p. 4; Centrelink, Submission no. 167.5, pp. 4–5. For instance, males over 49 automatically score 10 points for age, while women over 49 score 7 points. People who have attained Year 10 or equivalent schooling score 6 points, while those with no vocational qualifications score 2 points. DFACS, Submission no. 115, pp. 36–37; DEWRSB, Submission no. 142.2, pp. 4–5.

176 D. Powell, Centrelink, Transcript, p. 521.

177 C. Hogg, Centrelink, Transcript, p. 521.

178 DFACS, Submission no. 115.2, p. 8.

- 4.161 As the unemployment period becomes longer, the computer program progressively adds points to a job seeker's JSCI profile. Even if the JSCI is not reapplied, clients may end up moving into the Intensive Assistance category because of the length of their unemployment.<sup>179</sup> DEWRSB stated that between 1 May 1998 and 31 August 1998, 67 per cent of mature-age job seekers were allocated to Intensive Assistance while only 34 per cent of those under 45 were so identified.<sup>180</sup>
- 4.162 The JSCI can also identify those not likely to benefit from Intensive Assistance. Such people are then advised to seek some other service. They may be referred to the Community Support Program, run by DEWRSB, or the specialist employment service for people with disabilities administered by the Department of Family Community Services (DFaCS).<sup>181</sup>
- 4.163 Once a client is assigned to a Job Network provider, Centrelink does not usually reassess that client until the system signals that the client has reached a critical point. Job Network providers cannot remove clients from their lists without Centrelink's agreement. However, when clients reach the end of their assistance period, their benefit payments cease, unless there are special circumstances in which case a six months extension can be given.<sup>182</sup> Those previously on Intensive Assistance have to wait six months before re-accessing Intensive Assistance.<sup>183</sup> They are however, able to apply for Job Matching or Job Search Training. Otherwise they revert to standard Centrelink job search services.<sup>184</sup>
- 4.164 Centrelink may re-examine a client's case and advise a mature-age job seeker to move onto the Mature Age Allowance, where the obligation to find work is no longer a requirement. Alternatively, the client may be advised to find a combination of work activities—potentially a combination of voluntary work, some casual work and some part-time work.<sup>185</sup>
- 4.165 Clients need to know that factors such as poor literacy, numeracy and lack of specific skills should be taken into account at the initial

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179 Hogg, Transcript, p. 522.

180 DEWRSB, Submission no. 142, pp. 64–65.

181 DFaCS, Submission no. 115, p. 36.

182 Hogg, Transcript, p. 525.

183 Centrelink, Submission no. 167.2, p. 2.

184 Centrelink, Submission no. 167.2, p. 3.

185 Mudie, Transcript, p. 522.

interview. Some job seekers, however, may have difficulties acknowledging such characteristics, yet not to do so during the JSCI assessment may mean depriving themselves of access to essential training courses or professional support.<sup>186</sup>

- 4.166 The appraisal report by the Committee for Economic Development of Australia (CEDA) highlighted the widespread dissatisfaction with the JSCI among Job Network providers. Many vocalised their concerns that the JSCI could misclassify job seekers and thereby make it hard to place them into paid employment. Providers may not be aware, until much later, of serious disadvantages not revealed in the original JSCI profile.<sup>187</sup> If any provider wants a client re-assessed, however, the provider may be levied \$500 for each request.
- 4.167 A departmental JSCI post-implementation review was conducted between August 1998 and June 1999. Although the review noted areas for improvement, the review rated the JSCI as an effective tool in identifying job seekers for Intensive Assistance.<sup>188</sup> It also found that the JSCI is quite effective at identifying those job seekers most likely to be long-term unemployed, for early intervention.<sup>189</sup> This different assessment to CEDA's appraisal may be explained by the fact that CEDA carried out its appraisal largely in Western Australia in November–December 1998 prior to the changes made by DEWRSB in the early part of 1999.<sup>190</sup>

### Early intervention

- 4.168 Given the trauma experienced by many mature-age retrenched workers and their potential to be long-term unemployed, the Committee explored the feasibility of admitting these clients quickly to Intensive Assistance.
- 4.169 The Boston Consulting Group report for the Business Council of Australia (BCA), *pathways to work: tackling long-term unemployment*, drew attention to the fact that it takes, on average, four months after becoming unemployed, for a job seeker to become eligible for Intensive Assistance, and sometimes twelve months. This may

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186 Powell, Vardon, Mudie, Transcript, pp. 520–21.

187 CEDA, *The Job Network: Is it working?*, CEDA, August 1999, pp. 42–43.

188 DEWRSB, *Job Seeker Classification Instrument, Post Implementation Review*, <http://jobnetwork.dewrsb.gov.au/jnet/jsoci/pir.doc>, December 1999, 2 March 2000, p.1.

189 DEWRSB, *Job Seeker Classification Instrument, Post Implementation Review*, p. 3.

190 CEDA, *The Job Network*, pp. 20–21.



result from the effect of the asset test on those who have received a redundancy payment. The report argued that:

‘Speeding up the process of providing Intensive Assistance will substantially enhance its effectiveness as well as reduce its total cost to government and to people whose employment has been terminated.’<sup>191</sup>

- 4.170 The Committee is conscious of the ripple effect unemployment has on mature-age job seekers and their families and the resultant toll. It therefore believes that all mature-age workers who are to be retrenched should have a JSCI assessment, preferably before they cease work. This approach was also recommended in the Boston Consulting Group report for the BCA.<sup>192</sup> Those who are assessed as at high risk should be considered eligible for Intensive Assistance. If they meet the assets and income test requirements, they should be assigned immediately to Intensive Assistance.
- 4.171 DEWRSB was concerned that additional clients would ‘displace more needy job seekers from accessing Job Search Training and Intensive Assistance.’<sup>193</sup> What the Committee is proposing, however, is not the admission of less needy clients, but a fast-tracking procedure to identify as soon as possible those mature-age workers at high risk of long-term unemployment for immediate access to the assistance they need.

## Recommendation 26

- 4.172 **The Committee recommends that the Job Search Classification Instrument (JSCI) be applied to all retrenched employees, before assessing their eligibility for income support, preferably while they are still in employment. Where mature-age job seekers are assessed by the JSCI as being at high risk of long-term unemployment, and meet the assets and income tests, these clients should be immediately assigned to Intensive Assistance.**

191 BCA, *pathways to work*, p. 15.

192 BCA, *pathways to work*, p. 16.

193 DEWRSB, Submission no. 142.2, p. 5.

## Job Network providers

- 4.173 The Committee reiterates that the following comments and comments made elsewhere in this report relate to Job Network 1 only. There is evidence to show that a number of these issues have already been addressed in Job Network 2 which commenced in March 2000. The Committee will look with interest to the evaluation of Job Network 2 at the end of its cycle to see what further improvements have been made and their impact.

## Job Matching

- 4.174 Under Job Matching, Job Network providers help clients find jobs by matching job seekers to vacancies.<sup>194</sup> Job Network providers receive their first payment once the client has been in a paid job of more than 15 hours per week for 13 weeks<sup>195</sup> and then a further payment is made if the client stays for an additional 13 weeks or more. Bonus payments are made to the Job Network provider for placing those previously long-term unemployed.

## Job Search Training

- 4.175 Under Job Search Training, job seekers are given the opportunity to develop job searching skills.<sup>196</sup> Job Network providers are funded to provide 15 consecutive days job search training to each client. The providers are meant to determine with each job seeker which job search skills most need development and then negotiate an individual program.

## Intensive Assistance

- 4.176 Intensive Assistance provides individually tailored help to unemployed job seekers who are most disadvantaged in the labour market.<sup>197</sup> A support plan outlines what both provider and client will do to get the client a job. These plans are electronically available to DEWRSB so they may be monitored. Intensive

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194 DEWRSB, *Job Matching*, <http://www.jobnetwork.gov.au/jnet/services/...>, 7 April 2000, p. 1.

195 Mudie, Transcript, p. 522. Payment arrangements are set out in ANAO, *Management of Job Network Contracts*, Audit Report no. 44, 16 May 2000, Appendix A, p. 91.

196 DEWRSB, *Job Search Training*, <http://www.jobnetwork.gov.au/jnet/services/...>, 7 April 2000, pp. 1-2.

197 DEWRSB, *Intensive Assistance*, <http://www.jobnetwork.gov.au/jnet/services/...>, 7 April 2000, p. 1.

Assistance usually lasts for 12 months but some clients may seek to have their assistance extended by six months.<sup>198</sup>

- 4.177 Job Network providers have broad discretion over how the fees paid to them by the Government may be spent. In addition to counselling, training or intensive tutoring, money may be spent by the provider on wage subsidies, dental, clothing or other relevant needs to help the client to find work. Should a client exit from Intensive Assistance without securing paid work, then the Job Network provider may keep the fees already allocated but no further payments would be made.

### Criticism of service providers

- 4.178 The Committee received a number of criticisms concerning service providers. Some mature-age job seekers felt that both Centrelink and Job Network providers concentrate on the young while they themselves are 'parked'.<sup>199</sup> DEWRSB maintains that the number of complaints received about 'parking' does not indicate it is a widespread problem.<sup>200</sup> Others felt their access to services was restricted or else they were placed on the Mature Age Allowance, which removes the obligation for them to search for work.<sup>201</sup> Such mature-age people therefore feel marginalised.

### Comments about staff

- 4.179 Complaints were made about Job Network staff not assisting job seekers sufficiently. Some witnesses were very angry about their treatment or lack of treatment, while others just felt helpless. A number of reasons could account for this impression of indifference:
- the expectations of the job seeker were too high;
  - the case loads of staff were too great;
  - the Job Network provider may not be able to secure for the client 13 weeks of continuous paid work;<sup>202</sup>
  - in an area where there is high unemployment, the wait for Job Network vacancies may take a while;

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198 Powell, Transcript, p. 524.

199 Heycox, Transcript, pp. 7-8.

200 F. Pratt, DEWRSB, Transcript, p. 918.

201 Heycox, Transcript, p. 15.

202 Hogg, Transcript, p. 522.

- the Job Network provider staff were not functioning competently;
- there were insufficient funds for the training required;<sup>203</sup> or
- clients were actually being ‘parked’.<sup>204</sup>

4.180 Clients have the right to change Job Network providers and to complain to Centrelink or DEWRSB about inadequate service, although the extent to which the unemployed are aware of their rights is open to question.

### Accountability

4.181 The Committee asked witnesses about accountability arrangements to monitor service delivery by Job Network providers to meet their contracted obligations to mature-age job seekers. Mr Richard Denniss queried whether the performance of Job Network providers could be properly assessed given what he described as a ‘complete lack of data’.<sup>205</sup> ACOSS told the Committee that it doubted if anyone, ‘knows by dint of the arrangements that operate in the Job Network what is happening to any individual unemployed person, except when they go and actually have a look at files and so on.’<sup>206</sup>

...if they are going to spend more money on delivery of things like training—anecdotally, one gets a picture that there is very little of that occurring in the Job Network or wage subsidies—they are going to have to risk a significant amount of their own capital to deliver that assistance.

Those theorists that constructed this market would have us believe that the incentive of the outcome payments will encourage the providers to risk their capital and deliver the subsidies, training and so on. It remains to be seen whether that is actually going to work.<sup>207</sup>

4.182 To some extent, accountability relies on the job seeker lodging a complaint with DEWRSB if the agreed support plan is not being followed. Such complaints are then entered into a database and checked during six monthly inspections carried out by DEWRSB.

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203 Richardson, Transcript, p. 88.

204 Centrelink, Submission no. 167, p. 21.

205 R. Denniss, Transcript, p. 948.

206 D. Thompson, ACOSS, Transcript, p. 970.

207 Thompson, Transcript, p. 970.

- 4.183 Periodically, the performance of selected Job Network providers are assessed against key performance indicators specified in the contract. Monitoring is tied to contract milestones and performance is compared with other providers at regional level.<sup>208</sup> If a pattern of complaints is discerned in the database collated by DEWRSB, then a quality audit is instigated without waiting for the six months mark.
- 4.184 The Committee accepts that these quality audits will enable DEWRSB to monitor generally the delivery of service to unemployed job seekers. However, the Committee has noted that the Australian National Audit Office (ANAO) in its audit of Job Network contracts, recommended that monitoring of providers occur on a continuous cycle and that it be risk based so that visits could focus on 'high risk' providers most in need of monitoring.<sup>209</sup> ANAO also advised that quality assurance in the monitoring process could be improved in the following ways:
- Providing a written record, signed by the audited provider and auditor, of key audit issues and the actions agreed, with a time frame for implementation;
  - Adopting a standard pro-forma for site visits;
  - Developing a test program for sampling claims;
  - Reviewing the monitoring of multi-site providers so there is more consistency and significant issues can be noted.<sup>210</sup>
- 4.185 The ANAO concluded that the referral process, whereby those who are unemployed for more than three months are automatically selected for Job Search Training, presented problems. Less than 20 per cent of referrals from this process start Job Search Training. Some of these were considered unsuitable while others were sick, studying or had found work. 'This makes it difficult for individual providers to obtain viable numbers of job seekers for [Job Search Training] courses.'<sup>211</sup> DEWRSB's evaluation of Job Network also concluded that 'recruitment of

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208 DEWRSB, *General Information and Service Requirements, Part A, Request for Tender 2000*, February 2000, pp. 16–17; Pratt, Transcript, pp. 918–919.

209 ANAO, *Management of Job Network Contracts*, Audit Report no. 44, 16 May 2000, p. 44.

210 ANAO, *Management of Job Network Contracts*, pp. 43–48.

211 ANAO, *Management of Job Network Contracts*, p. 71.

participants to Job Search Training has fallen short of expectations.’<sup>212</sup>

- 4.186 In its own evaluation of Intensive Assistance, DEWRSB noted that ‘it is not clear that all the design features are functioning to the extent that may be possible.’<sup>213</sup> DEWRSB went on to state that at this stage, ‘it is not possible to establish whether the fee structure is clearly operating as an incentive to providers to pursue cost effectiveness and equity of outcomes for all job seekers.’<sup>214</sup> The Committee accepts that in Job Network 2, some of these issues are being addressed. It will look with interest to the evaluation of Job Network 2 to see the extent accountability is being addressed.
- 4.187 The question has been raised whether Job Network providers might neglect the needs of clients who are more difficult to place in employment, preferring the easier and quicker returns from placing those who are job ready. The CEDA appraisal of Job Network referred to the risk in moving to commercial employment services since it is clearly in the interest of private providers to help the most employable clients.
- ...there remains scope for creaming and it is difficult to see how any system could be designed in such a way as to entirely eliminate this tendency.<sup>215</sup>
- 4.188 Because the contracts agreed to by DEWRSB and providers are commercial-in-confidence and the focus of Job Network is on outcomes rather than the services delivered, there is no way of knowing what amounts will be paid and what services these amounts will provide for the clients.
- 4.189 A number of submissions and witnesses expressed concern that expenditure amounts are no longer being specifically identified under the Job Network system for training.<sup>216</sup> This is one of the major changes from the previous programs dealing with unemployment. The focus is now on service providers being paid according to the delivery of outcomes—finding long-term jobs for job seekers. The methods by which these outcomes are achieved

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212 DEWRSB, *Job Network evaluation—Stage one: implementation and market development*, February 2000, p. 5.

213 DEWRSB, *Job Network evaluation*, p. 5.

214 DEWRSB, *Job Network evaluation*, p. 6.

215 CEDA, *Job Network*, p. 19.

216 Richardson, Transcript, pp. 88–89; Hounslow, Transcript, p. 975.

are now largely a matter between the providers and their clients. Accountability now rests far more on achievement of outcomes than on whether specific amounts are spent on training courses.

### **Recommendation 27**

**4.190 The Committee recommends that the Department of Employment, Workplace Relations and Small Business adopt the following improvements suggested by the Australian National Audit Office, in order to develop quality assurance in the monitoring of Job Network providers:**

- **Adopt a standard pro-forma for site visits;**
- **Monitor on a risk-based continuous cycle;**
- **Provide a written record, signed by the audited Job Network provider and auditor, of key audit issues and the actions agreed, with a time frame for implementation;**
- **Develop a test program for sampling claims; and**
- **Review the process of monitoring multi-site providers so there is improved consistency, and any significant issues can be documented.**

## **Accessing superannuation**

### **Eligibility assessments for Newstart payments**

**4.191** Witnesses spoke of the hardship which results when retrenched people over 55 are required to draw down their superannuation to make up for any loss of income, after 39 weeks on unemployment benefits.<sup>217</sup> Using up superannuation assets increases the likelihood that such people will need to depend on the age pension when they reach retirement age—thus adding to social security costs at a later stage. The early consumption of superannuation assets not only depletes those assets but eliminates the asset growth that would have occurred.

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<sup>217</sup> Mission Australia, Submission no. 110, Section 3, p. 8. See Chapter 2 for a more detailed discussion.

- 4.192 The Committee asked the key departments to consider the implications of reversing the 1996-97 Budget decision which included superannuation assets in eligibility assessments for Newstart payments for people over 55, after 39 weeks on benefits. The Association of Superannuation Fund of Australia (ASFA) supported the proposal to exclude superannuation because:
- ...it would allow retirement savings to continue growing to support a longer period in genuine retirement. ...the preservation rules [states] that individuals should not use superannuation for “other purposes” prior to retirement age. [ASFA] recommends that government policy and practice should be consistent in this regard.<sup>218</sup>
- 4.193 DFACS told the Committee that when superannuation was previously exempted from the social security means test for people over 55, some financial advisers informed retrenched people they could get income support by reinvesting savings in superannuation. To prevent those with large superannuation savings getting income support, the Federal Government decided that superannuation savings should be included in the means test. This change ‘improved the fairness and consistency of the means test’, because those clients who invested in private superannuation, were treated the same as those who held other forms of investment such as shares or bank deposits.<sup>219</sup>
- 4.194 DFACS outlined the way that superannuation assets are treated under the income and assets tests:
- Under the *income test*, superannuation assets are added to the value of other financial assets, and the total value is assessed under the deeming rules. The current deeming rates are 3% for the first \$30,800 of a single pensioner’s financial investments (\$51,200 for pensioner couples); and 4.5% for financial investments above those amounts;
  - Under the *assets test*, the value of these assets is added to the value of other assessable assets.<sup>220</sup>
- 4.195 Clients who have their income support payment reduced, can choose to draw on their superannuation earnings without

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218 ASFA, Submission no. 179, p. 3.

219 DFACS, Submission no. 115.2, p. 1.

220 DFACS, Submission no. 115.2, p. 2.



depleting their superannuation capital.<sup>221</sup> 'Free area' thresholds, which allow people to have some income and assets before their unemployment entitlement is affected, protect those with smaller amounts of superannuation from being disadvantaged. DFACS argued 'there would be duplication in introducing an additional threshold specifically for superannuation assets.'<sup>222</sup>

Inequities would arise, because there would be a large increase in the effective 'free area' thresholds under the income and assets tests for clients who held their retirement savings in the form of superannuation assets.<sup>223</sup>

- 4.196 The Committee is sympathetic to the concerns expressed by mature-age people forced to draw on their superannuation until they are eligible to receive income support. As ASFA said, these mature-age workers are required to sacrifice their retirement savings without a future opportunity to add to retirement savings, if they are unable to find full-time work again. Treasury has pointed out in its submission the implications this has for the individuals' lifetime financial resources.<sup>224</sup> On the other hand, the Committee is mindful of the concerns expressed by DFACS, especially in its discussion about those who attempt to 'park' assets into private superannuation.
- 4.197 The Committee believes there may be scope for superannuation assets, up to a certain value, to be considered separately from other assets, when considering eligibility for Newstart payments for people over 55, after 39 weeks on benefits. Alternatively, the 'means test free' areas could be increased to reduce hardship and help preserve superannuation assets for retirement.

### Recommendation 28

- 4.198 **The Committee recommends that the Government re-consider its decision to include superannuation assets in eligibility assessments for Newstart payments for people over 55, who have received benefits for at least 39 weeks. If necessary, a ceiling could be set on the amount of superannuation assets that are able to be excluded.**

221 DFACS, Submission no. 115.2, p. 2.

222 DFACS, Submission no. 115.2, p. 3.

223 DFACS, Submission no. 115.2, p. 3.

224 Treasury, Submission no. 131, pp. 3–5.

## Accessing superannuation for mortgage payments

- 4.199 The number of households having difficulties with mortgage repayments has risen steeply since 1990, with the value of claims paid by major mortgage insurers during the 1990s three times the level of the 1980s.<sup>225</sup> Redundancy and loss of income are two main reasons for mortgage arrears and defaults.<sup>226</sup> Refinancing mortgages has risen in the 1990s, fuelled by low interest rates and increased competition within the banking and finance sector. House owners with larger debts therefore may find themselves over-committed and struggling financially if interest rates continue to rise. Most workers over 45 are homeowners with mortgages. For those who become unemployed, mortgage payments can be difficult to meet, particularly if unemployment is long-term.<sup>227</sup>
- 4.200 The Committee asked key departments to consider the feasibility of relaxing hardship guidelines to allow early release of the preserved component of superannuation savings to enable long-term unemployed people aged 45 to 64 to continue regular house mortgage payments. This would reduce some of the stress of unemployment and enable better financial planning and management. Given that unemployed, mature-age people who rent can access the State Housing Commission list and secure rent subsidies, the Committee believes this would be a reasonable concession to mature-age job seekers.
- 4.201 ASFA did not support this proposal because it would be discrimination on the basis of age and because weakening the preservation rules would affect the integrity of the retirement income system.<sup>228</sup> DEWRSB also opposed the suggestion.<sup>229</sup> Treasury emphasised that in 1998, after an extensive examination of a broader 'superannuation for housing' scheme, the Government concluded that the potential costs of the scheme outweighed potential benefits.<sup>230</sup>
- 4.202 The Committee was told that unemployed people under 55 on benefits for more than 26 weeks, can access up to \$10 000 each

225 M. Berry, A. Dalton et al, *Falling Out of Home Ownership*, AHURI, RMIT, 1999, p. 16.

226 Berry et al, *Falling Out of Home Ownership*, 1999, p. 25.

227 Submission no. 37, pp. 1-2.

228 ASFA, Submission no. 179, p. 4.

229 DEWRSB, Submission no. 142.2, p. 2.

230 Treasury, Submission no. 131.1, p. 1.

year from superannuation funds, on specified compassionate grounds (for certain medical reasons or in circumstances of severe financial hardship). They may access up to 3 months' repayments and 12 months' interest on the outstanding balance of a loan in order to make payments to save the family home from foreclosure.<sup>231</sup> DFACS estimated that 8000 such claims are being made each month.<sup>232</sup>

- 4.203 The Committee wonders how widespread is the knowledge that people may draw against their superannuation. It therefore recommends that Centrelink make this information readily available on the internet and in other publications so that long-term unemployed people in need can explore this option.
- 4.204 People who lose their employment often experience considerable stress. This is particularly so for those with major financial commitments to meet, such as mortgage payments. The present requirement that people have to be in receipt of benefits for 26 weeks before they can seek access to superannuation funds to meet mortgage commitments is excessively restrictive. Those who do not have sufficient savings to be able to make their mortgage payments during that time could face the loss of their home. The Committee considers that as soon as people are in receipt of Newstart Allowance they should be able to apply for access to superannuation funds to meet regular mortgage payments. The existence of such mortgage commitments should be sufficient for a person to qualify for access.

### Recommendation 29

4.205 **The Committee recommends that:**

- **the Government remove the 26 weeks waiting period before people on Newstart Allowance benefits are able to access superannuation funds to meet mortgage payments. The existence of mortgage commitments should be deemed to satisfy the financial hardship grounds for such access;**
- **the Government explore the feasibility of allowing anyone over 45 to access their superannuation contributions for mortgage payments purposes in the immediate post-employment period up to a maximum of 26 weeks; and**

231 Treasury, Submission no. 131.1, p.1.

232 DFACS, Submission no. 115, pp. 20-21.

- **Centrelink publicise on the internet and in other relevant publications that superannuation fund members who are receiving Newstart Allowance benefits may access up to 3 months' repayments and 12 months' interest on the outstanding balance of a loan in order to make payments to save the family home from foreclosure.**

## Reduce waiting time for unemployment benefits

- 4.206 Unemployed mature-age people with more than a certain level of savings cannot access unemployment benefits immediately. The Committee was told the present savings threshold of \$2500 if single and \$5000 for a couple is too low, while the maximum waiting period of 13 weeks is too long.<sup>233</sup> COTA suggested that the same asset test should not apply to mature-age people since they are more likely to have assets and are severely limited in their ability to accumulate more savings if they cannot get paid work.<sup>234</sup>
- 4.207 The Committee asked the key departments their views on the suggestion that the maximum waiting time for unemployment benefits for mature-age people with savings, be reduced from 13 weeks to 8 weeks and the threshold amounts be raised to \$3500 for a single person and \$7000 for a couple.
- 4.208 Both DEWRSB and DFACS pointed out that the liquid assets test and waiting period ensure that people with reasonable assets (excluding superannuation or rolled over funds) convert these assets to cash, before accessing the social security system. 'Liquid assets' include cash, shares, bank deposits and other assets which can be easily sold.<sup>235</sup> As it would be inequitable to extend the asset test changes only to those aged 45 or over, and not to those under 45, the overall financial costs would be quite large.<sup>236</sup> Both departments therefore opposed the suggestion.
- 4.209 The Committee notes the departmental advice that inequities should not be created whereby those who have more assets are more favourably treated than those without. However, the Committee is aware that until relatively recently, not every

233 ACTU, Submission no. 136, p. 5; ACTU, Transcript, p. 764.

234 COTA, Submission no. 109, p. 9.

235 DEWRSB, Submission no. 142.2, p. 4.

236 DFACS, Submission no. 115.2, p. 8; DEWRSB, Submission no. 142.2, p. 4.

worker made superannuation contributions. Instead some people might prepare for their own retirement through savings and investments. Their 'liquid funds' may be for their self-funded retirement. Those with no or little superannuation therefore should be given additional consideration. To require such people to wait until they have used their savings before accessing benefits and Intensive Assistance seems to make short-term savings but increase long-term costs. In the absence of the detailed costings requested from the key departments, the Committee is unable to make a more informed recommendation. It therefore believes the whole liquid assets test waiting period for unemployed mature-age job seekers should be reviewed.

### **Recommendation 30**

- 4.210 The Committee recommends that the Government review the liquid assets test waiting period for mature-age job seekers so that those without superannuation may have the threshold savings amount and the waiting period varied.**

## **Conclusion**

- 4.211 A number of recommendations have been made to enhance the employment prospects of the mature-age unemployed. Firstly, age discrimination needs to be combated by a public education campaign, promoting the benefits of maturity and age-balance in the workforce.
- 4.212 The Committee believes that assistance should be provided as soon as possible to those facing redundancies and retrenchments. The psychological and financial consequences of unemployment can be lessened to some extent if employers are more supportive of those they are retrenching. Some members of the Committee believe that a voluntary code of conduct should be promoted among employers, while others prefer regulation of the matter by legislation or appropriate industrial instruments.
- 4.213 There is clearly a need to ensure that mature-age job seekers have the skills and qualifications required by employers. The Committee has made a number of recommendations to improve

training delivery, including a specific subsidy for mature-age people undertaking traineeships and apprenticeships, and the possibility of a training credit scheme.

- 4.214 Mature-age people who are retrenched or made redundant face considerable difficulty in becoming re-employed. The Committee has therefore recommended changes to: access arrangements for Intensive Assistance; access to superannuation assets in genuine emergencies; and benefits reduction rates to encourage involvement in part-time and casual work. The Committee has also recommended exploring the re-introduction of an earned income tax credit scheme, and a reimbursement scheme in areas where there are severe transport difficulties.
- 4.215 A number of changes were made to the Job Network arrangements during the course of the inquiry. Some of the complaints received about Job Network 1 were addressed in Job Network 2. The Committee has suggested a range of further improvements in service delivery and monitoring of providers.
- 4.216 The next chapter examines the considerable risks faced by mature-age people who decide to enter the world of small business following loss of employment.