

Paul McMahon
The Committee Secretary
House of Representatives Standing Committee on Employment,
Education and Workplace Relations
Suite R1 116 Parliament House
Canberra ACT 2600

Dear Mr McMahon

Re: Inquiry into social, economic and industrial issues specific to workers over 45 years of age seeking employment, or establishing a business, following unemployment.

I refer to your letter seeking submissions for the inquiry being undertaken by the House of Representatives Standing Committee on Employment, Education and Workplace Relations.

The Business Council of Australia has recently commissioned research into long term unemployment. The research is at an early stage, however we are currently exploring some ideas to try to reduce the number of older age workers who transition into long term unemployment. It is expected that this research will be completed by December of this year.

I enclose for your attention a brief outline of the research project and some preliminary findings. I also attach for you a brief summary of the New Directions project being undertaken by the Business Council examining new ways of addressing Australia's unacceptably high level of unemployment. Should you wish to discuss any aspect of these preliminary findings, please do not hesitate to contact me.

Yours sincerely,

Dr Nicholas Gruen
Assistant Director
Business Council of Australia

DESCRIPTION OF LONG TERM UNEMPLOYMENT PROJECT

Project Objective:

Estimate extent and cost of long term unemployment and identify initiatives to prevent future long term unemployment

Project Approach:

1. **Size of Problem**
Estimate true magnitude of problem and how large it could become in the event of another recession
2. **Identification of High Risk Segments**
Identify high risk segments of the population and root causes of their disadvantage. Likely to focus on early school leavers and older retrenched workers.
3. **Cost of Problem**
Estimate life time cost of long term unemployment for high risk segments – will guide size of expenditure to commit to prevention
4. **Potential Initiatives**
Review successful initiatives here and overseas to address root causes – with a focus on those involving industry
5. **Potential Policy Changes**
Identify policy changes required to remove employment barriers

The above will be based on consultation with academics, government, industry, job network providers and the long term unemployed, as well as a review of existing research and additional analysis where warranted.

Early Findings Relating To Workers Over 45 Years of Age:

1. Have higher than average risk of becoming longer term unemployed (see attachment)
2. On average remain unemployed for longer than other age groups (see attachment)
3. Likely to have highest lifetime cost due to ageing of population and longest average duration of unemployment
4. Actual cost of employment may be lower than perceived cost due to factors such as higher retention and less absenteeism

Example Of Potential Initiatives To Be Explored for Workers Over 45 Years Of Age:

1. Identification of high risk candidates prior to retrenchment to direct them to appropriate support as soon as possible
2. Promotion of overseas best practice (see attachment)
3. Reduction in recession-induced lay-offs by increasing wage flexibility through profit sharing arrangements

The “New Directions” project

The “*New Directions*” project has been established by the Business Council to promote discussion with the wider community about how we might work together towards achieving a vision of a prosperous, fair and fully employed Australia.

The Business Council has chosen to focus on unemployment because we regard this as Australia’s greatest single problem.

At over seven per cent, we believe Australia’s unemployment rate is unacceptable.

In a purely economic sense, such unemployment levels are extremely costly. If, for example, we could reduce unemployment to the levels enjoyed by the United States, the gains would be about as much, and possibly more, than the economic gains from all the micro-economic reform undertaken in Australia over the past two decades.

However, it is the social cost that is more profound.

Unemployed Australians represent the predominant group in poverty in our country. Unemployment depresses the morale and the physical and mental health of its victims.

And there is another related effect of unemployment – its impact on the nation’s psychology. The persistence of unemployment has shaken people’s confidence in the benefits that reform has to offer. Many people now feel insecure and are wary of further reform.

The structure of the “New Directions” project

Under the auspices of “*New Directions*”, the Business Council is developing and distributing a series of discussion papers around key themes. These themes include:

- how best to structure policies governing the interaction between wages, the welfare system and the tax system;
- opportunities to enhance Australia’s macro-economic performance; and
- the scope for further progressing the micro-economic reform agenda.

The papers being produced put forward new ideas and perspectives for discussion with interested groups in the community.

The Business Council is also holding a series of seminars and conferences to exchange views and perspectives on aspects of each of these themes.

The aim is to work towards a social consensus regarding how, as a community, we can better manage change and continue to make the reforms necessary to meet our national aspirations.

Initiatives to date

The “*New Directions*” project already encompasses a number of initiatives. These include:

Rebuilding the Safety Net

“*Rebuilding the Safety Net*” is a discussion paper released in March of this year (see copy attached). It explores problems associated with the targeting of our welfare system and looks at some ways of addressing the disincentives to work that this is creating. It also examines the scope for generating more low wage jobs by pursuing a tradeoff in which those on award wages receive benefits in the form of tax credits in return for wage moderation.

A conference to discuss “*Rebuilding the Safety Net*” was held in April, attracting a broad cross-section of policy makers, community and business leaders. Following the conference, a work program has been established to refine the ideas contained in the discussion paper. This work is ongoing.

Avoiding boom/bust: Macro-economic reform for a globalised economy

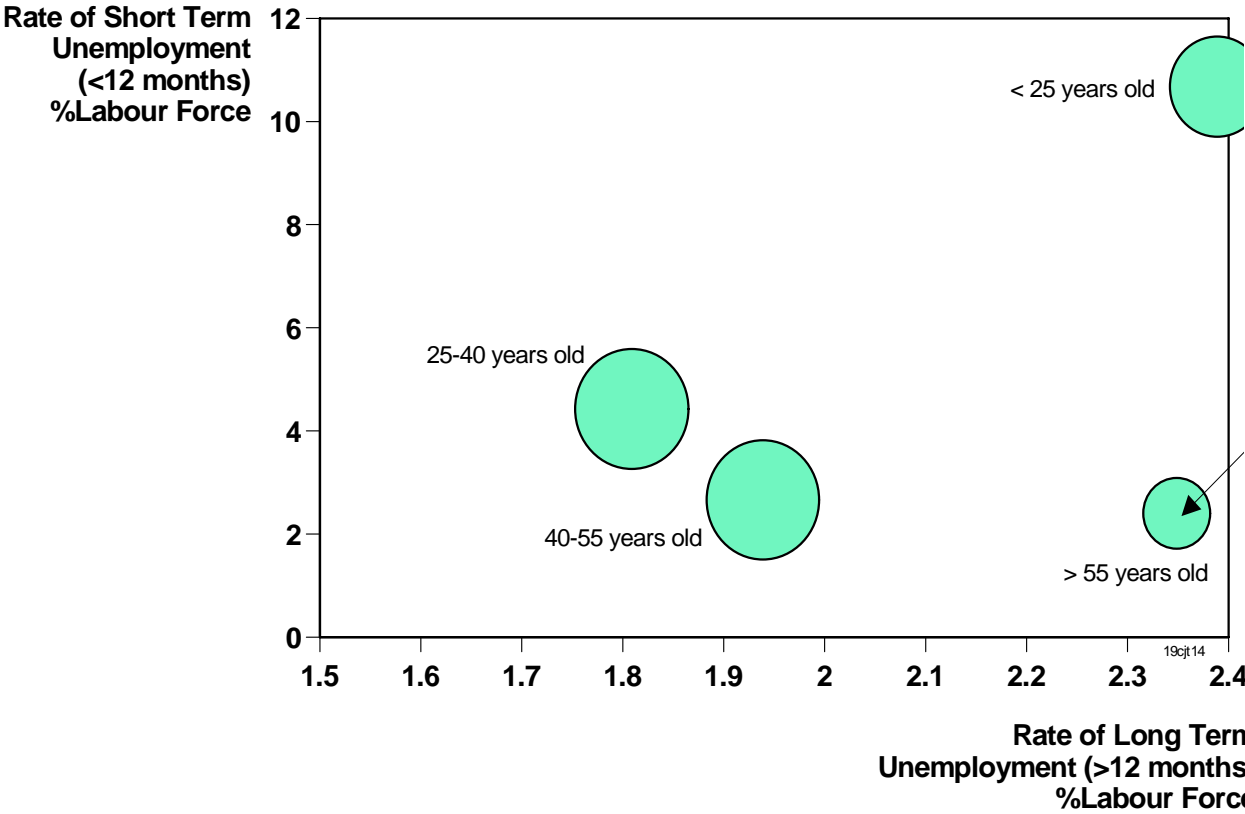
Avoiding boom/bust: Macro-economic reform for a globalised economy is the second discussion paper to be released under the auspices of the *New Directions* project. It is motivated by the belief that one of the fundamental causes of unemployment is recession, and that by putting in place policies to prevent recession, or to alleviate their intensity, we can improve our long term employment performance.

The initiatives contained in “*Avoiding boom/bust*” focus on three areas – improving short term labour market flexibility through the greater use of profit sharing, introducing greater flexibility and independence in the management of fiscal policy, and utilising Australia’s superannuation system as an additional lever in managing Australia’s macro-economic performance.

“*Avoiding boom/bust: Macro-economic reform for a globalised economy*” is scheduled for release in the final week of October. A copy will be forwarded to you at that date.

THE AGE GROUPS AT HIGHEST RISK OF LTT UNDER 25s AND OVER 55s

Unemployment By Age: June 1999

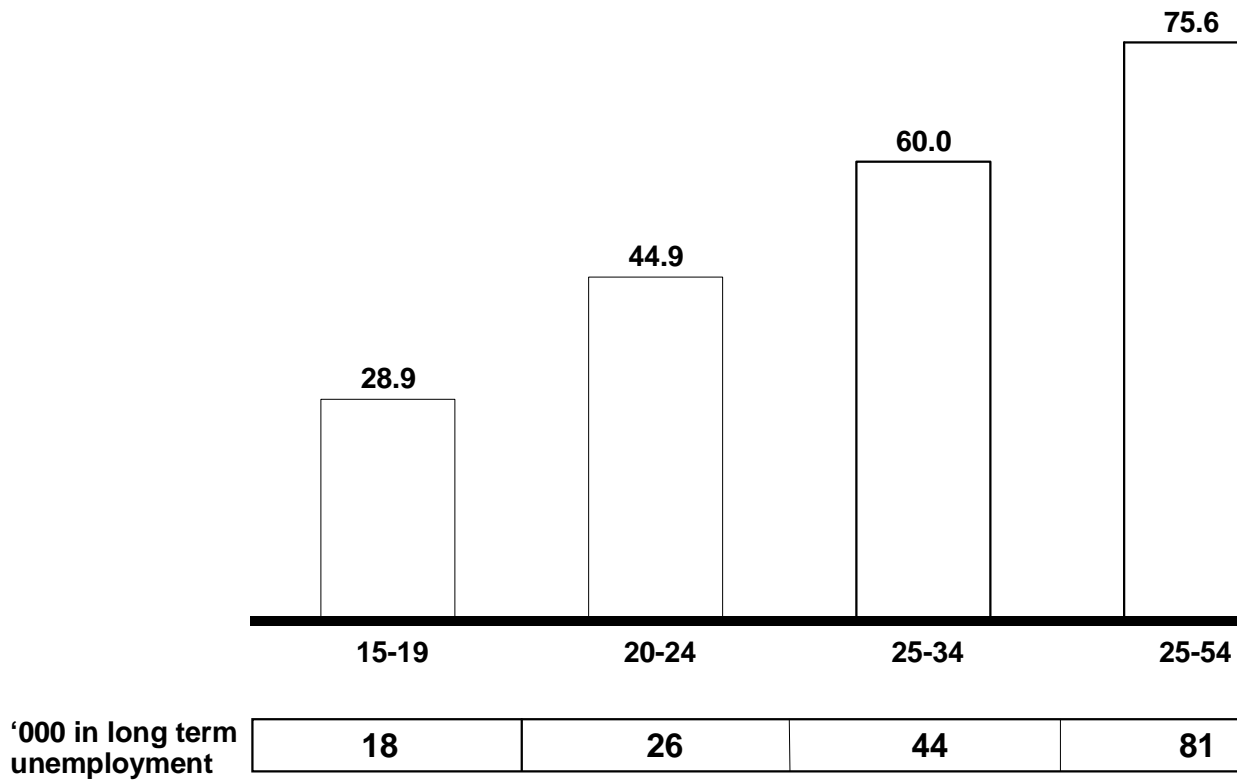


● Long Term Unemployed ('000 people)

Source: ABS Data

THERE IS A CLEAR TREND TOWARDS LONGER UNEMPLOYMENT DURATION AS AGE INCREASES

Average Duration In Weeks Of Unemployment By Age: A



Source: ABS Labour Force, cat 6203.0

THE BOSTON CONSULTING GROUP

CORPORATE BEST PRACTICE COULD BE PR

Examples of International Best Practice, from Jobs E

1. Ford UK

To enable Ford to maintain access to the skills of retired staff, two ex-directors of Ford established a company that contracts retired professionals back to Ford, on part-time contracts

After retirement, professionals are offered work through XR Associates. XR has over 550 professional staff ranging from engineering to corporate affairs, enabling Ford to retain the skills of retiring professional while offering them the flexibility to enter a semi-retirement phase.

2. WH Smith plc, Retailers

WH Smith developed a workforce profile that reflects the age structure of the community, and gained competitive advantage by following population trends. As shoppers prefer to be served by staff their own age, WH Smith needed older workers to match the demographic.

As well as attracting customers, WH Smith found older workers had a turnover rate four times lower than younger workers. With a staff of approximately 35,000 reducing turnover by just 1 per cent could save £875 000 each year. This was a major saving for the company in recruitment and training.

3. B&Q Home Hardware Retailers

Foreseeing demographic developments as far back as the 1980s, B&Q introduced strategies to benefit from an ageing population. In a pilot scheme, it decided to staff an entire store with over 50s by advertising: 'We're looking for older staff to make a difference. Age discrimination legislation did not exist in the UK at this time).

B&Q's pilot realised the following successes:

- ✓ Marked reduction in shrinkage as customers were being more carefully watched
- ✓ 39 per cent reduction in absenteeism
- ✓ Employee turnover was 6x lower than the average of the five comparison stores
- ✓ Profitability exceeded management targets for the start-up period and was 18 per cent higher than average of five B&Q comparison stores