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Introduction

- 1.1 Paid employment is important in reducing social disadvantage and poverty, and improving living standards. Australia's population is ageing and steps must be taken to ensure that the economy can sustain the expenditure needed in the future for health, aged care and aged pensions. Therefore, there are both social and national economic reasons for increasing participation in paid work.
- 1.2 The St Vincent de Paul Society has expressed concern for an unacceptable proportion of the community and workforce that cannot achieve a satisfactory standard of living and has no or insufficient provision for old age. There are also intergenerational benefits from employment, with evidence of children doing better in later life if their parents are employed. The benefits from participation in paid work include:
- ... higher degrees of self-sufficiency for individuals and households in providing an adequate standard of living, including provision for old age, health and annual leave; improved self-esteem and health, ...¹
- 1.3 The Committee believes that people able to participate in the workforce should have the opportunity to do so as there are desirable social and business outcomes.

Population ageing will also bring opportunities for people who currently do not participate in paid employment and will provide them with more opportunities to do so. This makes it all the more important to ensure that people are ready and able to take advantage of those opportunities as they arise.²

1 Mr John Wicks, Vice President, National Social Justice Committee, St Vincent de Paul Society, *Transcript of Evidence*, 19 March 2004, p. 59.

2 Ms Serena Wilson, Executive Director, Welfare Reform, Department of Family and Community Services, *Transcript of Evidence*, 26 November 2003, p. 1.

- 1.4 It has been suggested that some of the debates about addressing joblessness are too simplistic. The Australian Council of Social Services (ACOSS) argued that a comprehensive array of initiatives is needed to meet the needs of young people, people with disabilities, Indigenous people and primary care givers returning to the workforce, as well as older people. National aggregates, averages and the overall picture mask the different circumstances of the various segments of the population.³ A carefully tailored approach is required for each segment of the population, to address their needs across the range of government responsibilities such as labour market changes and workplace relations, education and training, health, welfare reform and tax reform.⁴
- 1.5 This tailored approach is in conjunction with a national focus on meeting the needs of Australia in competing internationally. For a nation that is increasingly competing in overseas markets, there is a need for higher levels of production of goods and services. These higher levels result in increased revenues for government and reduced calls on welfare payments, enabling higher expenditure in other crucial areas such as for an increasingly ageing population. Clearly this is not an easy task, and the differing perspectives of various bodies participating in the inquiry are evidence of such complexity.

Aims of the report

- 1.6 The Australian Government is considering a number of critical issues that Australia will face in the next few decades as the population ages. The focus of this inquiry is on participation in paid employment and includes the 'hidden' unemployed who are not receiving income support but are seeking employment or who would like to work more hours than are currently available.
- 1.7 This report identifies strategies to assist income support recipients to act on their potential to participate more fully in the workplace. Increased participation can facilitate the improvement of the social and economic situation for many people and the communities in which they live. The

3 Mr Philip O'Donoghue, Acting Director, Australian Council of Social Service, *Transcript of Evidence*, 28 January 2004, p. 2.

4 Treasury, *Submission No. 73*, pp. 7-11; Department of Employment and Workplace Relations, *Submission No. 72*, p. 2; Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 40; Mr Peter Anderson, Director, Workplace Policy, Australian Chamber of Commerce and Industry, *Transcript of Evidence*, 5 November 2003, p. 2.

report provides the Parliament with a further insight into the issues and the challenges facing the nation, to develop initiatives that will enhance our capacity to maintain our standard of living when faced with an ageing population.

- 1.8 Additionally, the report aims to identify strategies to encourage greater participation through a cooperative whole of government and partnership approach with individuals, community organisations and business:

This can only be achieved by governments, parliaments, employers and the broader community, including employees and trade unions, working with the private sector to create more jobs and job opportunities.⁵

- 1.9 To address barriers to participation that have been identified with the above groups, Treasury believes there are five key policy areas which need to be addressed to increase the participation rate which are considered in this report. These are:

- improving education and skills;
- links with the income support system;
- workplace relations;
- health; and
- retirement income.⁶

- 1.10 Other suggested ways to improve participation include providing a range of working arrangements and choices in the work environment and providing more support for individuals with caring responsibilities.⁷ These policy areas will be discussed in more detail in later chapters.

The Committee's inquiry and terms of reference

- 1.11 On 25 June 2003 the then Minister for Employment and Workplace Relations, The Hon Tony Abbott MP, requested that the House of Representatives Standing Committee on Employment and Workplace Relations inquire into and report on employment issues in both

5 Mr Peter Anderson, Director, Workplace Policy, Australian Chamber of Commerce and Industry, *Transcript of Evidence*, 5 November 2003, pp. 2-3.

6 Mr David Tune, General Manager, Social Policy Division, Treasury, *Transcript of Evidence*, 8 October 2003, pp. 2-3.

7 Department of Family and Community Services, *Submission No. 99*, pp. 20-22.

rural/regional and urban/outer suburban areas, with particular reference to:

- measures that can be implemented to increase the level of participation in paid work in Australia; and
- how a balance of assistance, incentives and obligations can increase participation, for income support recipients.

- 1.12 The Minister also noted the links to the Australian Government's priorities including the reforming the payment process for the working age with the release of the *Building a simpler system to help jobless families and individuals*⁸ consultation process and the Demographic Change process which is addressing the issues raised in the *Intergenerational Report 2002-03 (IGR)*.⁹ In February 2004, the Treasurer released the *Australia's Demographic Challenges* discussion paper.¹⁰
- 1.13 The inquiry was not completed before the federal election in 2004, and lapsed with the dissolution of the 40th Parliament.
- 1.14 In the 41st Parliament, the Minister for Employment and Workplace Relations, The Hon Kevin Andrews MP, re-referred to the Standing Committee on Employment, Workplace Relations and Workforce Participation the inquiry into increasing paid participation in employment. The inquiry terms of reference are identical to those referred in the previous Parliament and the committee has drawn on the evidence collected during the course of the previous Parliament.
- 1.15 For this inquiry the committee has considered evidence from over 100 submissions and has conducted more than 20 public hearings around Australia.
- 1.16 In addition, there has been considerable recent consultation and discussion on subjects relevant to this inquiry. The Australian Industry Group (AIG) commented that it has participated in over 550 inquiries into ageing and workforce participation.¹¹ It is anticipated that this inquiry will contribute to the public discussion on these issues and inform future policy and legislative change.

8 Department of Family and Community Services (2002) *Building a simpler system to help jobless families and individuals*.

9 Australian Government (2002) *Intergenerational Report 2002-03*, Budget Paper No. 5.

10 Treasury (2004) *Australia's Demographic Challenges*.

11 Dr Peter Burn, Senior National Adviser, Economics and Industry Policy, Australian Industry Group, *Transcript of Evidence*, 27 January 2004, p. 12. See Appendix G for a list of other inquiries on ageing and workforce participation.

The structure of the report

- 1.17 Chapter 1 provides an introduction and background to the inquiry.
- 1.18 Chapter 2 discusses trends in workforce participation, outlining significant national trends in employment.
- 1.19 Chapter 3 looks at job supply and job creation strategies. There are a number of options discussed which have the potential to increase employment opportunities, including labour market reform, incentives and assistance for employers, and job creation measures.
- 1.20 Chapter 4 examines welfare and labour market reforms, outlining the reform process, and the balance of assistance, incentives and obligations so that income support recipients can increase their participation in paid work to their fullest potential. It also considers reforms to labour market programs and addresses some issues associated with skill shortages.
- 1.21 Chapter 5 discusses targeted approaches to increasing employment. The barriers facing each of the major groups - unemployed, young people, parents entering or returning to the workforce, mature aged workers, people with a disability, Indigenous people and migrants - are discussed separately to emphasise the need for programs that assist and support people in their job search to be individually tailored.
- 1.22 Chapter 6 reviews the challenges facing Australia in terms of participation rates, and summarises the issues and strategies identified in the report, particularly in light of recent pilot program reviews and Australian Government announcements.

Definitions

- 1.23 Appendix E provides a glossary of terms, with detailed definitions of unemployment, under-employment, casual and part-time. The appendix also features a list of terms used throughout the report.