



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

# HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT,  
EDUCATION AND WORKPLACE RELATIONS

**Reference: Issues specific to older workers seeking employment, or  
establishing a business, following unemployment**

THURSDAY, 2 SEPTEMBER 1999

CANBERRA

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON EMPLOYMENT, EDUCATION AND WORKPLACE**  
**RELATIONS**

**Thursday, 2 September 1999**

**Members:** Dr Nelson (*Chair*), Mr Barresi, Mr Bartlett, Dr Emerson, Ms Gambaro, Mrs Gash, Ms Gillard, Mr Katter, Mr Sawford and Mr Wilkie

**Members in attendance:** Mr Barresi, Dr Emerson, Ms Gambaro, Ms Gillard, Dr Nelson, Mr Sawford and Mr Wilkie

**Terms of reference for the inquiry:**

Inquire into and report on the social, economic and industrial issues specific to workers over 45 years of age seeking employment, or establishing a business, following unemployment.

**WITNESSES**

**WARBURTON, Mr Mark Lester, Director, Labour Market Analysis Section,**  
**Department of Family and Community Services . . . . . 115**

**WIGHT, Mr Barry, Executive Director, Economic and Social Participation Group,**  
**Department of Family and Community Services . . . . . 115**

**WINZAR, Ms Peta, Assistant Secretary, Parenting Payment and Labour Market**  
**Branch, Department of Family and Community Services . . . . . 115**

**Committee met at 9.06 a.m.**

**WARBURTON, Mr Mark Lester, Director, Labour Market Analysis Section,  
Department of Family and Community Services**

**WIGHT, Mr Barry, Executive Director, Economic and Social Participation Group,  
Department of Family and Community Services**

**WINZAR, Ms Peta, Assistant Secretary, Parenting Payment and Labour Market  
Branch, Department of Family and Community Services**

**CHAIR**—I welcome those who are appearing here today and those who have come to support you and listen to the submissions. There are a number of formalities to go through. I declare open this public hearing of the inquiry into mature aged workers and welcome the witnesses and others in attendance.

I remind you that the proceedings here today are legal proceedings of the parliament and warrant the same respect as proceedings in the House itself. The deliberate misleading of the committee may be regarded as a contempt of parliament. The committee prefers that all evidence be given in public. But, if at any stage you wish to give evidence in private, you may ask to do so and the committee will consider your request.

I will introduce my colleagues. Kim Wilkie is the Labor member for Swan, an electorate in metropolitan Perth, Western Australia; Ron Sawford is the Deputy Chair and the Labor member for Port Adelaide, South Australia; Teresa Gambaro is the Liberal member for Petrie, Queensland; and I represent a metropolitan seat in Sydney for the government. Before we engage in some questioning, would you like to make an opening statement or perhaps give us a precis of your submission?

**Mr Wight**—Thank you. I will highlight a few points at the beginning of our presentation. Firstly, there is no cause for pessimism about the labour market prospects of people aged 45 to 64 years, although there is room to improve the employment situation of older people. The proportion of 45- to 65-year-olds who are employed full time has increased from 44 per cent to 47 per cent since 1985. Over this same period, the proportion who are employed in total—that is, full time plus part time—has increased from 56 per cent to 62 per cent. The labour market position of these older working age people should continue to improve, provided that they are able to compete for jobs and that Australia's good economic growth continues.

Most people's views about the labour market situation of older working age people in general are tainted by the decline in full-time employment of older men in the late 1970s and early 1980s. This decline was most dramatic for men aged 55 to 64 over the 1970s to mid-1980s. However, since 1993, there has been an increasing proportion of 55- to 64-year-old men in full-time work. The proportion of men aged 45 to 54 who are employed full time has also declined but by considerably less than the 55- to 64-year-old group. This decline occurred during the recessions in 1982-1983 and 1990-91. But there have been periods of improvement during times of economic growth. Hence the importance, as I have already said, of keeping economic growth going.

The total picture for older working age people is much more positive because older women's employment has been rising strongly, and this has not all been part-time employment either. The proportion of older women who are employed full time is also increasing. The outlook is positive also because there is evidence that the large cohort of baby boomers now flowing into the older age group—the oldest of them now being 53—is much more competitive than the earlier cohorts of older-aged working people. There is some information on that in our submission.

The second point I would highlight is that there has been a considerable increase in dependence on basic income support payments among older working people over the last 20 years, and it is important that this does not continue. It might seem odd that I have said that the labour market position of older workers has been improving but that dependence on income support has been increasing. The reason for this lies in the changes that have occurred in the distribution of employment. Employed women tend to have partners who are also employed, and there are now more older working age people in families where neither partner works as well as more older single jobless people.

One reason why it is important that dependence on income support does not continue to increase is that the ageing of the population will place significant cost pressures on both the pensions system and the health system. For example, if the proportion of 50- to 64-year-olds receiving income support remains the same as in 1997, a further 460,000 people will be receiving payments by the year 2011; this will cost in the order of \$3.6 billion each year. By the middle of the next century, when the baby boomers have moved into their retirement years, the ratio of people over age pension age to those of working age will have risen from just under 20 per cent to as high as 40 per cent—although some people have slightly different estimates of that figure of 40 per cent.

Another reason why it is important that dependence on income support does not continue to increase is that we are likely to need older working age people to be economically active to support our aged population. Over the first half of the next century, the demand for labour across all age groups—including older working age groups—may rise, given the decline in the number of people in the younger age cohorts. We need to ensure that the skills of older workers meet labour requirements and that people maximise their employment opportunities throughout their working age.

Finally, dependence on income support for prolonged periods before retirement is not in the best interests of individuals. It can result in the erosion of their skills and their personal savings, it can increase marginalisation within society and there is an increased risk of low incomes and poor health in retirement.

The third issue I would highlight is the need to strongly encourage older working age people to support themselves and make preparations for their retirement by pursuing employment and business opportunities up to age pension age and, if they choose to do so, beyond age pension age. Community attitudes in recent times have tended to favour early retirement, and this has been supported to some extent by the available range of income support and superannuation and tax arrangements. But any increase in early retirement could have serious negative consequences for the efficiency and flexibility of the labour market,

including reducing the level and quality of labour and limiting the rate of growth of economic activity below the economy's potential.

Early retirement also usually results in earlier access to income support and the need for a higher level of such support, and taxpayers usually bear the burden of such lifestyle choices. The availability of income support without activity requirements has allowed older people, by choice or default, to receive payments for long periods of time and withdraw more or less permanently from the labour force. One-third of all 50- to 64-year-olds now receives income support. Around 84 per cent of working age customers in this group, excluding women above the age pension age, receives this income support free of any obligation to attempt to support themselves. Around one-third of this group is on the disability support pension. Non-activity tested allowees can face a greater risk of long-term dependence on income support than activity tested customers, as there are few measures in place to require, encourage or facilitate economic or social participation of this group.

The final issue I will touch on briefly is that the messages being sent to the Australian community about older workers are extremely important. The department's submission suggests that the Australian community should be made aware of the improvement in the labour market situation of older working age people which has occurred since 1985. This is not to deny that there currently is a very disadvantaged group of older working age unemployed people who need to be assisted through appropriate and well targeted labour market assistance. Communication strategies addressing false stereotypes of older workers' capacities and undue pessimism about the labour market prospects of older working age people can help prevent these people from being unfairly treated and from becoming discouraged in their efforts to obtain and retain employment.

**CHAIR**—Thank you very much. In your written submission, regarding labour market assistance, you refer to 1993 evaluation evidence suggesting that wage subsidies, such as Jobstart, might be more effective than training programs in helping mature job seekers. Is that still the view of the department; and, if so, what evidence do you have to support it?

**Mr Warburton**—Quite clearly, it comes out of the evaluation of the older workers' pilot that was done in the early 1990s. Also, there is a range of other evaluations of what are now Department of Employment, Workplace Relations and Small Business labour market programs that backs that up. Training programs generally have been found to be most effective when they are closely tailored to the needs of local employers rather than being more widespread and general. So they can be quite effective forms of assistance.

**CHAIR**—I suppose the simple way of putting it—and we have had the youth wages debate—is to ask: what do you consider to be the most effective for this age group? Is it wage assistance for employers, or is it retraining and skills improvement in mature workers or, indeed, is it a combination of both?

**Ms Winzar**—There are a lot of dimensions to this particular problem. For some particular groups of customers, the skills deficit issues will need to be addressed. For others, particularly those perhaps in depressed labour markets, it may be something more direct such as, but not entirely limited to, wage subsidies.

Our submission also points out that the experience of the Job Network in dealing with these older customers—and it does deal with a lot of older customers—is not yet clear. It may be that some of the innovative strategies that the intensive assistance providers particularly are using to help older people back into work will be as effective or more effective than job subsidies per se.

**CHAIR**—I suppose I am trying to develop a concept. You say that we have one-third of 50- to 64-year-olds on some kind of income support—and I think you also said that one-third of those are then on some sort of disability support. The government recently did some work on indigenous employment. There, we looked at ways of trying to improve the employability of indigenous Australians. Is there any place for the sort of concept where, for example, a mature age person on some kind of income support could carry that income support into a workplace for a period of time? Suppose you had a training package, you had a portable wage subsidy which was taken from the social security sector into the labour market for a defined period. Do you think something like that might help these people?

**Mr Warburton**—The main difficulty with the idea of taking their income support entitlement and using it as a wage subsidy is that it is very hard to calculate what their social security entitlement would be. If they get a job, they do not have an entitlement. If they have earnings, their entitlement is reduced. Generally, our view on that concept has been that, if you run a wage subsidy scheme, you get into an enormous amount of complexity trying to relate that directly to their income support entitlement.

**Mr BARRESI**—I do not understand how you run into such complexities. How are the two related?

**Mr Warburton**—The idea seems to be that in some way you say to a person, ‘This is your income support entitlement; provide it to employers so that it subsidises your wage.’ In the case of unemployed people, the difficulty is that if they are working, they do not have an entitlement. There is an enormous flowthrough of people in the income support system, and large numbers of people who are on unemployment benefits are getting jobs all the time and they do not have entitlements. So you cannot work out what their future entitlement is going to be to, say, use it as a wage subsidy.

**Mr BARRESI**—But it is only the value of their income support that should be used as a subsidy. They would still be earning a wage, would they not?

**Ms Winzar**—A complexity of the sort we are talking about is that the rate of payment I might get on Newstart allowance would depend in part on how much my partner was earning. So it is not as though everybody has the same level of entitlement.

**CHAIR**—The major problem we have encountered so far is a cultural one amongst employers with their attitudes toward people in this age group. It seems that, whatever we recommend out of our inquiry, there will be some recommendations along those lines. Okay, if you are to change people’s attitudes, money also can be a helpful way of assisting that to happen. Basically I am asking you: if you get someone who has been on an allowance—whether it is disability support or some other form—for two or three years and if, for example, the government were to say, ‘Right, if you have a job which lasts for’—as with

one of the indigenous employment programs—‘a minimum of six months, we will carry that subsidy into the workplace.’ So there would be a financial incentive for an employer, amongst other things, to help get that person back into the labour market.

**Ms Winzar**—I suspect that for many people that would be an effective strategy, although there is flexibility within the Job Network arrangements at the moment for providers to advance job subsidies to employers so that they will take individuals on, if they see that as being necessary for the individuals.

**Mr WILKIE**—But they would tell us that not enough money was provided for in the contracts to do that. We know that that was the aim originally, but they are saying that they cannot afford it.

**Ms Winzar**—You might have to take that up with the Department of Employment, Workplace Relations and Small Business.

**Mr Wight**—On a similar issue—and it is not quite the same, and you may well be aware of this—to ensure that there is no disincentive for disability support pension customers to go out and seek work, their payments are suspended for 12 months. If the placement or the work does not work out, they can go back onto DSP without going through the rigmarole of a new assessment and a new application. It is not transferring the money, but it does give them and the employer some safety valve—probably it is more a safety valve for the individual. But, 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 with minimum disruption. I was not sure whether you were aware that that arrangement existed for DSP clients.

**Mr SAWFORD**—Mr Wight, I was interested in your comments about improving opportunities, which I think perhaps fly in the face of some of the information we have received thus far from the early part of our inquiry. Putting our labour market into context in a rough sort of way, you could say that we have 700,000 unemployed, 700,000 underemployed and another 700,000 who have just given up on the labour market altogether.

Then you can look at the various age groups. Someone born in 1945, the classic baby boomer, is now 54. I do not disagree with your findings that those people perhaps are holding on to positions a lot longer, and perhaps that reflects your improving line, but that certainly does not apply to the people who were born in 1935, who are now 64. Remember, these people went into the labour market in 1950 aged 14 or 15—a very different labour market from the one in existence 10 years later.

From anecdotal information, these people have had terrible problems in getting into the labour market. The comments that the Chairman made about employer attitudes have really been aimed at those people. Remember, these people often did not have high education either. Also, the points that Ms Winzar made about skills and the changing structure of our economy have impacted on them—and probably they have really impacted on men because at about that time not as many women were working. With the baby boomers, I think it is a bit misleading to say that it is improving; it is simply because they have hung on to their jobs.



It might be a little different with the next group who, having been born in 1955, are now 44. They are probably even more highly qualified. There are statistics, statistics and more statistics. My colleague here will probably follow up on this question and I do not want to steal his thunder, but is it a bit misleading to say that the situation for mature workers—and by that I mean the ones born in 1935, 1945 and 1955—is improving, or is it just that opportunities for the baby boomers may be improving?

**Mr Warburton**—What you have said about the age group 55 to 64 having had a very hard time—if I can put it like that—in the labour market recently is quite true.

**Mr SAWFORD**—Not recently but since 1979, for the last 20 years.

**Mr Warburton**—Yes, we are not seeking to deny that at all. I suppose we focused our submission in that way because people take the situation of those workers, particularly those male workers, and generalise it as applying to all people over 45. We just wanted to put this on the table: if you sit back and analyse the situation in total, you do not find that that experience applies generally. Even amongst men aged 55 to 64, the situation has stabilised and there is evidence of some slight improvement since 1985; it is not a situation of ongoing deterioration. However, the situation is not very good. There is quite low employment-to-population ratio for that age group. Clearly, that is where there can be improvement. The improvement relates both to the better performance of the baby boomer group and the considerable movement of women in all age groups into the labour market.

**Ms Winzar**—But we are certainly not backing away from the fairly clear evidence that, for those who are disadvantaged in the labour market in these older age groups, things are very tough indeed. In terms of education, you have put your finger on it. Our submission points to the fact that, of the 55- to 64-year-olds, only 42 per cent have achieved at least upper-secondary school level education, and that is across that whole population. I think probably we could fairly assume that most of those who end up being unemployed in that age group, and particularly for long periods of time, are least likely to have reached upper-secondary education. That situation changes quite quickly. Of that younger 45- to 54-year-old age group, just over half have secondary school education. For us, it is not a static situation. I suppose we were trying to cast forward a little and say, ‘Well, will the roll-through of the baby boom population change the dynamics of this older group significantly and, if so, in what ways?’ That is fairly hard to predict.

**Mr WILKIE**—It might be more appropriate for me to ask the other department this question, but I have been of the understanding that mature age unemployment, particularly long-term unemployment, is on the increase. Has that been your experience? Those who have not been able to get a job stay out of work for a lot longer, and there are many more of them now than previously

**Ms Winzar**—I do not have the data to hand—and Mr Warburton may be able to help me—but certainly, yes, long-term unemployment is more prevalent amongst the older age group.

**Mr Warburton**—I would add that overall, as the economy has been improving, long-term unemployment itself has now started to go down; the numbers have gone down. But

people often express it as a proportion of total unemployment, and long-term unemployed amongst total unemployment has gone up in proportional terms. That is because the shorter-term more competitive people get the jobs faster.

Amongst older workers, you are right, they have longer durations of unemployment. That phenomenon would be even more pronounced amongst mature age workers. Once they start to lose contact with the labour market, they are much more likely to become long-term unemployed, and you would find them more and more concentrated amongst older unemployed. But the long-term mature age unemployed would become more concentrated amongst the total group. I am quite sure that, as the economy improves, the decline in the numbers of that group would be slower than for other age groups.

**Mr WILKIE**—Would it be possible to get the figures for that?

**Ms Winzar**—Yes, we can get those for you.

**Mr WILKIE**—Under the current arrangements for the Job Network, someone who is long-term unemployed remains long-term unemployed for 12 to possibly 18 months, depending on the level of disadvantage. Then they go back to the start. Do you have anything in place to monitor what happens to the people who get cut off after that period of time? Under the current arrangements, for example, there is help with intensive assistance for 12 to 18 months—and, depending on the level of disadvantage, that can be extended for six months. But I am wondering what happens to them after that point in time. Because the Job Network has been going for around 12 to 18 months now, we are getting to that point where some of those people who started back then will end up getting cut off. I want to know what will happen to them.

**Ms Winzar**—They will not get cut off payment, by any means. Their Newstart payment continues all the time they are in intensive assistance, unless they get work. At the moment, when their 18-month period on intensive assistance ends, most of them are simply returning to Job Search every fortnight. That is the general condition. But it is possible for people to be re-referred for a further period of assistance, if they need it and if it is considered that that would be useful. Whether or not that is in fact happening, I am sorry but I cannot tell you.

**Ms GAMBARO**—On page 8 of your submission, you state:

The proportion of older women who are not in the labour force has declined substantially over the last 20 years—from over 50 per cent to 30 per cent for women aged 45 to 54 years and from 80 per cent to under 70 per cent for women aged 55 to 64 years.

From your experience, what would be the reason for mature age women seeming to have much more employability? Is it an attitude for women on the employer's behalf? In the context of all of this, with employer attitudes towards older workers—and they have been mentioned already—would there be some benefit in a public education program to encourage employers to look at mature age workers? That is my first question.

My second question is: a number of people to whom I have spoken in the course of this inquiry are older people who have been employed for 30 or 40 years. They have never had

to use income support, they have never had to go to Centrelink, they have never had to look for a job before. They find it very demoralising to go to the Job Network. In your opinion, would there be any benefit in having a separate unit just to deal with mature age people and their needs, rather than bundling them altogether with the younger job seekers? You are really looking at people—and we have spoken about training issues—who, when they started 30 or 40 years ago, were in a different work environment.

**Ms Winzar**—I will go to your first question about some of the drivers for the change in women's participation in the labour force. Social attitudes obviously are a significant factor and the type of work is also important. As Mr Wight indicated in his opening statement, women's involvement in the labour market is not just in part-time work, it has also increased in full-time employment. Nonetheless, many of the jobs that are being created are part-time jobs. Perhaps they are in areas which are more attractive to women or perhaps women are more prepared than their male partners to accept those jobs. Perhaps they have a different skills set and so on. But certainly employer attitude is a contributing factor, as well as social attitude generally.

In answer to your second question as to whether there would be some value in having a separate unit that deals with mature job seekers, that is an interesting proposition. I know that some Job Network members specialise in helping particular groups of people, but I am not sure whether there has been a great deal of focus on mature job seekers as a set of people. My colleagues may have some views too.

**Mr Warburton**—About the improved situation of women, I agree with what Ms Winzar has said. It is likely to be their motivation levels. The older worker pilots found that many women were highly motivated, which helped them to get good employment outcomes. I suspect that some of them have not had quite the kicks some of the men have had, if I can put it like that. Certainly the sorts of areas, the industry sectors where there has been substantial job growth over the last 15 to 20 years, in the services sector and so forth, have helped women. I also think probably there are some relevant issues around increasing skill levels as younger cohorts move through the age group also.

**Ms GAMBARO**—Do you think that women are more flexible? You say that the issue of flexibility is involved in that they may accept a broader range of employment. I have spoken to a number of older men and they seem to be a bit more narrowly focused on what they will or will not accept.

**Ms Winzar**—Yes. The problem has been encapsulated for us with the question of: how do you turn the Telstra linesman into a call centre operator? That is the sort of difference in the types of work that are emerging and disappearing—and that is quite a difficult issue.

**Mr SAWFORD**—I would just take up the suggestion that has been made about older workers visiting Centrelink and other facilities. Many people have told me that they feel intimidated by being attended to by a 20-something- or 30-something-year-old who has a different set of values, a different history, different experience. They are not accusing these younger people of being deliberately insensitive—but that is what these younger people are, simply by their ignorance of that other age group.

**CHAIR**—It is like a career transition centre for people over the age of 45.

**Mr SAWFORD**—The front desks of Centrelink offices around the country are staffed by people who are very young—very young. Talking to some of the more experienced young people at the front desk is pretty intimidating. Perhaps they could be placed somewhere other than on the front desk. It is a problem.

**Ms Winzar**—I think you are to have the opportunity of talking to Centrelink officers later next month, and obviously they will have some views on those issues. I guess from a broad perspective we would say that many groups of customers—be they from Non-English speaking backgrounds, indigenous backgrounds, older or younger—may have special needs. We would want both Centrelink and the Job Network to be sensitive, appropriate and effective in their dealings with all of those subgroups of people.

**Mr Wight**—Just to reinforce that point, there might be very good arguments for having a separate shopfront or whatever for dealing with mature age people. But the issue is: where is the boundary, the cut-off? I am sure that people with disabilities would argue for the same sort of approach, and I suppose it is how far you would take it. Ms Winzar has mentioned the other two—people from NESB backgrounds or those from the indigenous community. I suppose, once you start thinking of the concept of setting up specialist focuses, shopfronts or whatever—

**Mr SAWFORD**—No, that is not what is being suggested by me. People are just asking that, as part of the contact base, there be the opportunity of presenting to a much broader age range. Even young customers would rather deal with young people.

**Mr Wight**—I am sorry, I misunderstood. That is probably a much more acceptable variation.

**Mr SAWFORD**—With a lot of public departments, there has been a sharp narrowing of the age group that deals with the public; those persons are very young.

**CHAIR**—We will talk to Centrelink about having a good range of people at the front desk.

**Mr WILKIE**—Many people in Sydney said that, if at all possible, they would like to be seen by someone of a similar age. I suppose, when you consider that within departments we have youth agencies, women's agencies and NESB—the whole bit—it is not such an unreasonable request.

**Mr Warburton**—Centrelink is working on changing its service delivery model and moving to a sort of 'one main contact' model within an office for customers. It might be worth exploring with Centrelink that model's potential for addressing the sorts of issues you raise.

**Mr BARRESI**—I have not seen any data at this stage, either in your submission or elsewhere, that addresses the issue of mature age employees who are skilled, of an ethnic background but unemployed; in other words, I have not seen any data on the ethnicity of

mature age unemployed. I say this specifically because one of the groups coming to my office complaining about the difficulty of getting jobs is made up of those who perhaps have been in the country anywhere from two to 10 years, perhaps having come from the subcontinent, who are highly skilled in computing, engineering or medicine and having trouble getting into the work force. Do you have evidence able to be broken down according to ethnicity of the difficulty of that 45-plus group in getting a job? Secondly, should that group be addressed any differently from the mainstream population?

**Mr Warburton**—Most of the data comes from the ABS labour force surveys. They are monthly and have supplementaries attached. They have data on people by country of birth. One of the main areas of difficulty is that it is a sample survey. When you start to break it down, you do not get very representative cells. So it gets very hard to draw valid conclusions from that aggregate data.

**Mr BARRESI**—I am just a bit concerned that here is a group that does have skills but which is locked out of the work force. I am not sure whether anything we come up with will be able to help them. Perhaps they were sold a pup when they put in their application to come to Australia in terms of there being jobs. But, at the end of the day, they come here and they find it very difficult to get in.

**Ms Winzar**—Yes, that is true. I had a recent experience with a taxidriver who had overseas engineering qualifications but was unable to get recognition within an acceptable time frame here. We can provide you with perhaps some of the ABS data that might be available to us. We will have a look and see whether there is anything within our internal administrative data that might shed some light on those issues. But, in terms of the recognition of skills, that might best be taken up with the Department of Education, Training and Youth Affairs or the Department of Employment, Workplace Relations and Small Business.

**CHAIR**—Certainly this is an area we should look at: the advice that is given to prospective immigrants about their career prospects before immigrating. Sometimes it is conflicting or inaccurate and compounds unachievable expectations on arrival.

**Dr EMERSON**—I refer to the incentive to move from welfare to work—and here I am not talking about the disability support pension but, basically, the unemployment benefit. Often the first job offered to someone does not go from zero market income to \$40,000 or \$50,000 a year. Perhaps it is someone saying, ‘Look, let’s get a toe in the water; I’ll offer you two days a week.’ I am speaking of some sort of casual or part-time job that might, in annual terms, be equivalent to \$10,000 to \$15,000 a year.

My understanding of the effective marginal tax rate for an unemployed person in those circumstances is that, after 1 July, it will be 87c in the dollar; that is, a 70c taper rate at that relevant range on the unemployment benefit and a 17c marginal rate of income tax. But high income earners who are on 47c in the dollar will say, ‘What are all these unemployed people doing? Why are they sitting around on the dole?’ But those people actually face 87c, and the people on 47c think that that robs them of all initiative to do extra work. I cannot quite understand their thinking.

**Ms Winzar**—I would have to check your figures, but it sounds about right; it would be around 87 per cent post July next year. High effective marginal tax rates are the product of a targeted welfare system. One quick way around them is to have a universal set of payments, but obviously there are cost implications. As soon as you start to withdraw payments on the basis of how much people earn and apply a tax on how much they earn, you can get a very high compounding effect.

I suspect though that we need to take a somewhat longer view about the returns from work because that two days a week or even one day a week is a step back perhaps to a job in the \$40,000 range. It is about social connection. It is about re-skilling. It is about gradual improvement of prospects. For example, we know from our own administrative data that people who have part-time work are about 10 per cent more likely to exit unemployment into full-time jobs. Okay, it is not huge, but it is a significant enough difference for us to want to encourage people to take up those part-time jobs, even though the immediate return for them may not be terrifically great.

**Dr EMERSON**—I accept that point. But there are proposals around for tax credits and for combining various payments, such as the Keating-Lambert proposal, and withdrawing payments at the same lower rate. Would you agree that getting the effective marginal tax rate down from 87c to a significantly lower rate would improve incentive and, therefore, the likelihood of re-entry into the work force for people in those circumstances?

**Ms Winzar**—I think that lowering the effective marginal tax rate would provide a greater incentive and would give greater returns from work. Whether or not either of the proposals that you have mentioned would actually achieve what we are seeking is, I think, an open question for me.

**Mr Warburton**—Something needing to be considered is that, whenever you basically lower the marginal tax rate, you proceed to make payments to a much larger range of people. So you need to balance the improvement in incentive against the dead weight, if you like—that is, just the additional cost for no extra outcome that you achieve from those sorts of proposals.

**Dr EMERSON**—Referring to people who are on the disability support pension, a proposal is emerging effectively to set up an account into which three streams of money go—this is from the member for Werriwa, Mark Latham. One of those streams would bring forward the DSP. That would then be used for intense support. This would be where someone has just lost his or her job, a mature age worker in particular, and is judged to be in a very high risk category in terms of becoming long-term unemployed. Those three streams would be brought into a single account for intensive support. Do you have any views on the bringing forward of what would otherwise be the DSP into such an account for those purposes?

The second aspect of the proposal goes to the circumstance that if, after all that intensive treatment, the person still does not get a job and then does get the disability support pension. One of the queries I have is that there seems to be some discontinuity there. Let's say you bring six months of DSP forward and put it into an account and the treatment has not worked, at what point do you say, 'It's a lost cause and now you're going on to DSP'?

**Mr Warburton**—The last part of that I think gets to the nub of the issue about advances. In terms of extending the advances scheme, the most difficult issue to deal with is that these are basic income support payments. If you do not get successful outcomes, in future people will need the money for food, housing and so forth. So there is a question about how much you make available.

Obviously, if you are prepared to put the money on the line and say, 'If we don't get an outcome, we're still prepared to pay income support,' then you do not really need to make the link with the income support. If you want to provide a pot of funds, as such, for assistance for the person and not worry as much about clawing those back, you can simply do that as a separate line item in the budget, if you wish.

**Ms Winzar**—Perhaps something else that is worth observing is that with the current rate of income support payments—and it varies according to people's circumstances—the basic rate is around \$150 to \$180 per week. So, with the notion of capitalising payments so that you can then purchase assistance or support, the real issue is that it would be very difficult to have much left over from living in Sydney to be able to capitalise and divert to that other purpose.

**Mr Wight**—I would add that Minister Newman in recent days has expressed some concerns about the growth in DSP and we will be looking at incentives. No doubt we will look in detail at that particular proposal, amongst others—and I am not saying that it has not been looked at and is not being looked at now. But the range of incentives to assist people, including the mature age, is much broader—and you introduced it by talking about disability support pension—and goes not only to mature age people. But we will be looking at incentives to assist people who are currently either applying or getting onto the DSP to maximise their work force potential, whatever it is.

Currently, to get the DSP you have to have an inability to work 30 hours a week. Many of those people have some capacity to work fewer hours and could still be eligible for the DSP. But the concept of at least assisting them to maximise their potential is being looked at with a range of incentives, and that one will be looked at as part of that process.

**Dr EMERSON**—My final question goes not to actually getting long-term unemployed people back directly into paid work but to perhaps keeping them engaged in the community. I put that by way of preface. That is a proposal we are working on in the seat of Rankin.

In Queensland there is a state and federally funded literacy program. I am speaking of the year-2 diagnostic net where kids are identified with reading and writing difficulties. The kids who are identified through the net then get support through a reading recovery program where they have the assistance of trained teacher aides. That is supplemented by a 'support a reader' program. People—it could be grandmothers, granddads or whomever—are brought in from the community. They sit in school with the kids and support them; they read with them.

We are working on a proposal for unemployed people, particularly in this age group who may have been, say, middle level managers. In my mind, anyway, it would be that sort of

person, one who would be very literate and numerate. They would get points for the work test by participating in those programs. I understand that that is possible.

**Ms Winzar**—Yes.

**Dr EMERSON**—A screening issue is involved—that is, how do you know the background of those people? We seem to be coming into some difficulty there. Centrelink says that it will not do that; it will just send the people. So it becomes the responsibility of the federal member to be sure that someone with a rather dubious background is not being sent into the school with the kids. Have you given any thought to that, or has there been any experience with this sort of idea?

**Ms Winzar**—The activity test arrangement or requirements for job seekers can embrace voluntary or community work, particularly for older people. Effectively, they can do substantial amounts of voluntary work in substitution for Job Search. We too think there is enormous value in some of these programs.

A difficulty with volunteering is that duty of care issue. It applies both to the organisations that we send volunteers to—that there are no bad sorts there—and, in your particular example, to the people being sent into schools or other situations, particularly where young people may be vulnerable. We do need to have some protection for people. I would be happy to take the detail of that later on and see whether we can resolve some of those issues for you, if you wish.

**Dr EMERSON**—That would be terrific, if you would. Thank you.

**Ms GILLARD**—Coming back to the disability support pension issue, do you have any data as to what extent the take-up rate of the DSP amongst older males is a reflection of some form of cost shifting from state governments to the Commonwealth government because of the roll back of various state workers compensation schemes? Anecdotally, it seems to me that we went through a period where the states were in a bidding war downwards on compensation premium levels and, as a result, reduced workers compensation benefits. It seems to me that the outcome has been that you get time-limited benefits, a roll back in benefits that flow from workers compensation schemes, but also a roll back in employer responsibility to re-engage injured workers in the work force. Commonsense tells us that a target range for injuries will be older males, particularly those who have engaged in manual work who are at risk of back and soft tissue injuries and all that sort of thing. That can be quite debilitating but, if treated appropriately, it does mean that they have some residual capacity for work.

It worries me that, in this debate about disability support pensions, we might be on our way to uplifting—which might be the right policy outcome, but it should be done knowingly—into the Commonwealth arena something that ought to be in the state arena, or at least partly funded by employers because workers compensation arrangements are partly funded by employers. So, with this being something that ought to be their responsibility, we will get a move from employer funding to general tax revenue funding, without thinking through the consequences. I do not know if the data is sophisticated enough to show whether or not that is a big target range with older male DSP recipients.



**Ms Winzar**—I am not aware of our having any information to hand about that, but it certainly is a very interesting question.

**CHAIR**—It just occurs to me that we probably also should talk to some insurers. I have certainly had employers who employ a lot of people say to me, ‘I wouldn’t employ anyone over the age of 40; I wouldn’t employ anybody who has ever been on any sort of disability payment; I wouldn’t employ anybody from certain non-English speaking backgrounds or cultural backgrounds.’ They are considered by certain employers to be high risk.

**Ms Winzar**—High risk of making a compensation claim?

**CHAIR**—Yes.

**Mr Warburton**—This area of cost shifting has been one of the ongoing bones of contention between the Commonwealth and the states. A range of measures are in place in the social security system to try to minimise both cost shifting and double dipping, such as preclusion periods for people who have received lump sums and direct deductions from income support entitlements for those receiving periodic payments.

**Ms GILLARD**—It is all benefit-recipient focused though; it is not focused from the point of view of the employers and the states who do not mind shifting a bit of cost to the Commonwealth.

**Mr Warburton**—That is right. It is an extremely difficult policy area. After a period of time, with a person who has received an injury at work, been through rehabilitation programs and made efforts to return to work, I suppose the states’ position is that their fundamental problem now is that that person is unemployed and the Commonwealth should pick up the tab. It is a question of where that transition occurs: the Commonwealth would like it to be a long way down this side, and the states would like it to be down here.

**Mr Wight**—But certainly in terms of numbers on the disability support pension, if workers comp cases are reflected—and this is a gross oversimplification of mine—in musculoskeletal back type problems that result in workers comp, over 30 per cent of all DSP recipients have that as their major reason for being in receipt of the pension. So that is the major category—and I do not have the figure, but that is the overall DSP population. In terms of growth in the DSP on an annual basis, it is much higher, but I do not have the figure with me.

**CHAIR**—How many people who are on DSP payments get back into the work force?

**Mr Wight**—I am not sure that I can answer that question specifically, but I can answer it in a slightly different way. Currently, there are about 570,000 people on DSP; about eight per cent of those have some earnings. That indicates that they are going in the direction of or participating in the work force at the moment. I think that figure is current at 8.1 per cent.

**CHAIR**—It begs the question: does qualifying for DSP or going on to DSP essentially make you unemployable?

**Ms Winzar**—No, indeed it does not. The other factor worth noting here is that the open and supported disability employment services which, as I understand, assist around 27,000-odd people a year have employment outcomes of perhaps 30-odd per cent. That includes both part-time and full-time outcomes. But it is certainly not the case that, once DSP is granted, that is the end of your working life. It is our expectation and aspiration to encourage as many of those people as possible to take up whatever work they are capable of.

**Mr SAWFORD**—Do you know who those eight per cent are?

**Mr Wight**—I would have to check that. I do not know whether we have a breakdown.

**Mr SAWFORD**—Are they people who have been in work, been injured and been back? Are they rehabilitation people? Are they people who have intellectual or physical disabilities—in other words, having had them from childhood? Who are these eight per cent? If you know who those eight per cent are, then that perhaps also tells whether, in fact, we are going in the direction you are speaking of.

**Mr Wight**—We will take that on notice and also come back and see whether we can give you some figures on the proportion going off DSP on a yearly basis, or whatever.

**CHAIR**—Do you have any research on the attitudes of people in this age group to various assistance programs? For example, if you cannot get a job and you are in this age group, is there less stigma associated with being on DSP than on other sorts of support, or vice versa?

**Ms Winzar**—We have not done any attitudinal research amongst our customers. But certainly it is the case that a good number of people who go on to DSP have had previous periods on unemployment assistance. I think, at least in part, the effect of longer term unemployment contributing to factors like depression, poor health and so on may be one of the factors that directs them on to DSP.

Another important factor is the dispiriting situation with some who cannot get employment. I think that might encourage them to externalise the reasons for not being able to get work. If it is because of an incapacity, that is okay. If it is because of their own skills deficit or where they live, with their not being prepared to move, that is harder to deal with. I think there are some very complicated psychological issues at play here.

**CHAIR**—But you have not conducted, nor are you aware of any of that type of research?

**Ms Winzar**—No.

**Mr Wight**—No.

**Mr BARRESI**—In your submission you mention that the OECD countries have now considered that early retirement policies are unlikely to lower unemployment. Quite a bit of work has been done over there. Ms Gambaro and I met with someone in Switzerland who is doing quite a bit of work in that field. That then leads me to ask about the pension bonus

scheme which the government introduced about 12 months ago. Is there any evidence to show that it is working or what the take-up rate is?

**Mr SAWFORD**—It is finished; it is only a one-off.

**CHAIR**—This is deferred retirement?

**Mr SAWFORD**—You try to get it. I have had three constituents come in in the last month, and we have been told that it is a one-off; it was just an election stunt. That is what we have been told.

**Ms Winzar**—I will certainly follow that one up for you.

**Mr BARRESI**—I doubt what you have said, actually.

**Mr SAWFORD**—One works in Adelaide as a magistrate's clerk for a very famous magistrate—and they were fuming.

**Mr Warburton**—That is a standing scheme, it is ongoing.

**Mr Wight**—It is an ongoing scheme with a one-off payment. It is certainly a one-off payment.

**Mr SAWFORD**—There is a very short period of opportunity in terms of applying and you have to apply during that particular period. I do not want to go into the detail here.

**Mr Warburton**—That is more likely to be what the issue is about. You need to flag that you are going into the scheme at certain points in time. I suspect that is the issue your constituents are raising with you rather than that the scheme is now being closed off.

**CHAIR**—Yes, that is right.

**Mr BARRESI**—Please get back to us on that one. Perhaps you could give us a little more detail on general retirement policies.

**Mr Warburton**—Quite a few of the OECD countries in, I think, the late seventies and eighties started early retirement schemes. They thought these may be effective ways of reducing unemployment or improving youth employment. I believe that the most tightly targeted of the schemes was one in France. There basically they tried to say, 'You're only going to get this assistance if you put a younger person in the older retiring person's job.' Quite a range of evaluations have been done. They have been looked at by both the OECD and the ILO in trying to assess the effectiveness of these schemes.

There is still doubt, even as to the most tightly targeted of the schemes such as the French one, that they were effective in achieving their objectives. In many cases they found that companies were using the schemes just to assist with making older workers redundant, being redundancies that would have occurred anyway. So the costs of these were being

shifted to governments. They were also found to be very expensive overall to run. They have given very little evidence of their being effective in achieving their objectives.

**Mr BARRESI**—Are there any examples of a successful one?

**Mr Warburton**—The French one, as I understand it, went the closest to meeting its objectives because they really tried to link the position held by the retiring person to the employment of a younger person. But, as I understand it, there are still considerable doubts about the overall cost effectiveness of that scheme. But that could be one worth pursuing, if the committee is interested.

**CHAIR**—The attitudes of employers toward older people who are unemployed: are you conducting or are you aware of any research which would suggest that there are benefits in a workplace in having a range of employees of different ages—an age range, for example? For example, anecdotally we understand that, if you have some older, more mature workers in your work force, they have fewer sick days, they have life skills and a sense of wisdom and perspective that they can provide to the younger ones and there are productivity increases. Are you aware of any of that?

**Ms Winzar**—Only what I have seen in the paper, and I think most of that has come out of Bronwyn Bishop's task force looking at active ageing. But we will see if we can chase some material up.

**Mr Wight**—That would be the only place I would suggest it might be being looked up, and I am not across the detail of it. There are five discussion papers being prepared by that group for circulation and discussion around a national strategy for ageing Australia; one of those papers is around older workers. I have not seen a draft, so I am not sure whether it will cover the issue or whether any research has been done that would relate to the issue. That would be the most likely place.

**Mr Warburton**—I cannot recall the exact nature of them off the top of my head, but I think there have been one or two employer attitude surveys done. There may have been one done in the context of the older worker pilots in the early 1990s. I am not sure that they particularly addressed the issue that you raise. I am pretty sure they would have been done by DEWRSB. If I can find something, I will get it to the committee, otherwise you might like to pursue that with DEWRSB.

**CHAIR**—Do redundancy and dismissal processes, in the way that they are handled by employers, contribute to the problems experienced by people in this age group, this cohort?

**Ms Winzar**—It is the case that employees who are retrenched or made redundant, generally speaking, have more difficulty finding jobs than those who exit voluntarily, which is quite understandable.

**CHAIR**—Is that because of the way things are handled? If you do not understand what I am talking about, you are obviously not aware of it. Some employers just deal with this whole process in a way that engages social support, family and other supportive financial

advisers and so on at the time the person is being dismissed or made redundant. Other employers simply say, 'See you later.' Are you looking at this area at all?

**Ms Winzar**—We have not looked at that particular area. It certainly is the case that how people handle their redundancy payments, if they have access to them, is quite critical in terms of their social security access. Indeed, seeking financial advice about the best returns they can get on those payments, or how they should support themselves, or whether or not they should seize the opportunity to do some re-skilling and fund that themselves immediately post redundancy is important.

**CHAIR**—Have you been doing any work with employers and/or unions to educate people about their redundancy payments?

**Ms Winzar**—Centrelink does things on a one-off basis. For example, the closures around the Newcastle Steelworks involved a couple of thousand employees who were going to be made redundant. Centrelink has been conducting a series of seminars with the employers and the employees to spell out what the consequences are if they do A, B or C. But we tend to handle it on a one-off basis rather than mass mail-outs or education campaigns for employers.

**Mr Wight**—But there is a reasonable amount done in the retirement area in terms of providing advice to people who are retiring, and that would be relevant. It is a different issue, but the material would be very relevant to the group that you are talking about.

**CHAIR**—Thank you very much. There are a few things on notice that you are to come back to us about. But, as the submissions come in, if you see things said or presented to us with which you agree or to which you would like to add, please let us know.

Resolved (on motion by **Mr Wilkie**):

That this committee authorises publication, including publication on the parliamentary data base, of the proof transcript of the evidence given before it at the public hearing this day.

**Committee adjourned at 10.15 a.m.**