



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, 30 SEPTEMBER 1999

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

Thursday, 30 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 Bartlett, Ms Gillard, Dr Nelson and Mr Sawford

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

GALLAGHER, Mr Philip Francis, Manager-Specialist, Retirement and Income Modelling Unit, Treasury	485
JENKINS, Mr Ron, Subcommittee Member, Albury-Wodonga Area Consultative Committee	499
OKE, Mr Graham, Committee Member, Albury-Wodonga Area Consultative Committee	499
TAYLOR, Mr Dehne, Manager, Household Income Unit, Treasury	485

Committee met at 9.07 a.m.

GALLAGHER, Mr Philip Francis, Manager-Specialist, Retirement and Income Modelling Unit, Treasury

TAYLOR, Mr Dehne, Manager, Household Income Unit, Treasury

CHAIR—Welcome. I declare open this public hearing of the inquiry into mature age workers. Thank you very much for providing us with a submission. I remind you that proceedings here today are legal proceedings of the parliament and warrant the same respect as proceedings in the House. The deliberate misleading of the committee may be regarded as a contempt of the parliament. The committee prefers that all evidence be given in public. But, if at any stage you wish to give evidence in private, please ask and we will certainly consider that request.

Kerry Bartlett on my right is the member for Macquarie; he holds the seat for the government across the Blue Mountains essentially in New South Wales. Maureen Chan is our inquiry secretary. Rod Sawford is the Deputy Chair and the Labor member for Port Adelaide. I represent a Sydney seat for the government. Perhaps you could give us a precis of your submission. We then can discuss it and flesh out some of the issues.

Mr Taylor—I have a brief opening statement. The committee obviously has Treasury's submission, and we are happy to answer questions on it. Before doing so, I will summarise briefly a key issue outlined in that submission's introduction.

As requested by the committee, the Treasury's submission focuses solely on the financial implications of mature age unemployment. The submission is confined to an examination of the income and wealth effects of labour market changes affecting people over 45 years of age, including impacts on superannuation assets, and the budgetary implications of mature age unemployment. As such, both Mr Gallagher and I—but Mr Gallagher in particular—represent the area of Treasury that has some expertise in these matters.

In the light of this focus, we may not necessarily be in a position to respond to questions that relate to the many other issues associated with mature age unemployment, although we would try to. But, as such broad social and industrial perspectives have been the subjects of submissions from various parties, other departments may be in a better position to respond to some of these issues.

Mr Gallagher—As Dehne has said, the submission largely deals with interactions between the superannuation, social security and income taxation systems. It contains hypothetical cases that illustrate those interactions. There are a couple of lessons that can be learned from examining the hypothetical cases that we have presented to the committee. Firstly, they demonstrate that there has been a clear drop in the standard of living caused by unemployment and early retirement. In fact, they demonstrate that the overall replacement rate for an individual from a social security system is about one-third. I believe that this is very different from the OECD. A number of OECD countries have higher replacement rates coming out of their social insurance systems. A lot of the literature about unemployment is

focused on those higher replacement rates, particularly in European countries. Our benefits are very much poverty alleviation payments.

The person whom we examined in our case studies is well placed; they are earning average weekly ordinary time earnings over their working life when, in fact, 70 per cent of employees earn less than AWOTE. Our person also has relatively good superannuation.

Just to give a bit of background, the spread of superannuation across the bulk of employees has only happened recently. In 1986, about 40 per cent of employees were covered by superannuation; they were higher income and white-collar employees. From 1986 with award superannuation, and then from 1992 with the superannuation guarantee, superannuation coverage has spread to lower income part-time workers and women in the labour force. The average balance in a superannuation guarantee account at the moment is only \$8,000 or \$9,000. That is not a lot of money with which to fund retirement. We are speaking of approximately 52 per cent of employees having that sort of cover. So, although in this case we are examining someone who is well placed, it can be seen that there are quite significant effects in becoming unemployed and going into early retirement.

Looking at the superannuation system, keep in mind that, for persons over the age of 55, 82 per cent of eligible termination payments are under \$40,000. So there are major issues for many who are approaching retirement and entering into early retirement. Our submission also demonstrates the constructive use of life expectancy pensions as a way of dealing with retirement income issues. As I said earlier, it demonstrates clearly the impact of early unemployment on overall accumulation. That also is a very significant feature of the interaction between our superannuation, social security and income taxation systems.

CHAIR—This is just a technical matter. In the third paragraph from the bottom on page 4 of your submission, you state:

It is estimated, for example, that an individual on average earnings unemployed for one year at age 45 faces a 3 per cent reduction in available net expenditure after age 45 . . .

Can you explain that to me? Excuse my ignorance, but I do not quite understand what it means.

Mr Gallagher—Essentially, that is a per year reduction. It is an attempt to abstract from the case studies presented and to show the overall effect of cumulative years of unemployment. As it says:

. . . while a five year period of unemployment would have an impact five times as large.

It is another way of expressing the number which is given in the first paragraph on that page. That is:

. . . for a single person on average wages who is unemployed for up to five years from age 45, the lifetime increase in social security benefits . . . is equal to around a third of the net wages and superannuation benefits that would be lost.

That is the concept alluded to in those sentences.

Mr Taylor—The base case would be somebody who did not have any period of unemployment until retirement. It is in comparison with that.

Mr Gallagher—The attachment compares case 1 with the other cases and looks at the overall effects. In my opening remarks, I alluded to the replacement rate through our social security system; that is, replacing about a third of the income that is lost from wages.

CHAIR—The government took a budget decision in 1996-97 I think to require people over the age of 55 to draw down on some of their superannuation before they could access social security benefits of one sort or another. Have you done any modelling on or investigation into what impact that is having? The question is: are people drawing down on savings that perhaps in the longer term might cost us more?

Mr Gallagher—It is not at all clear that it will cost us more in the longer term. What is clear is that we had a situation where people with very large amounts of superannuation assets could receive full unemployment payments because they were not being asset tested on their amounts in superannuation. In the records of social security we found millionaires in superannuation terms whose assets were not being assessed. The point about being over 55, as is stated in the submission, is that, once you are beyond preservation age, you can draw down on your superannuation. What was happening was that rollover funds were getting used like bank accounts. Some people with money in a rollover fund could take out \$20,000 when they chose to supplement their income from the unemployment benefit and not be assessed on it; the same person who had that money in a bank account would receive no social security benefit at all. So we had a very inequitable situation between one form of investment and another, when in actual fact they were both operating as equivalent. The banks were operating the rollover funds; it was even the same institution.

Mr BARTLETT—How much has that provision been estimated to have saved the budget?

Mr Gallagher—I would not be aware of the most recent estimate. You would have to ask the Department of Family and Community Services for the most recent estimate.

CHAIR—Is phased retirement something that you have looked at; that is, people easing gradually out of the work force?

Mr Gallagher—In the Retirement and Income Modelling Unit, we have done a lot of modelling of labour force participation and trends in employment and unemployment. It is quite clear that there has been an increase in the part-time labour force participation of older males, and that would be consistent with phased retirement. The other trend that is very apparent is the conversion from employee status to self-employed status beyond the age of 45 as people mature—and that may also reflect a phased approach to retirement.

Mr SAWFORD—On page 2 of your submission you refer to adverse effects of unemployment on government budgets, and you refer to health, education and other social services. Has Treasury had any discussions or put out any papers on prevention? This is consideration after the event; has there been any consideration given to before the event? In this country we do not spend a lot on education; we think we do, but we do not. We do not

spend very much on preventative health either. Has any consideration been given to before the event?

Mr Taylor—I am not aware of Treasury having done anything on it. The line departments would be looking at those sorts of issues, I think.

Mr SAWFORD—Do you understand the question? We worry about things after the event, so why don't we consider these issues before the event?

Mr Taylor—Again, this is a narrow focus; this is just on the fiscal impact.

Mr SAWFORD—We understand that.

Mr Taylor—These things do impact, yes. I take your point there.

Mr SAWFORD—In this inquiry, basically there have been only two general suggestions about how we ought to come up with some solutions for mature age unemployment. They have tended to revolve around training or tax concession incentives to employers to take on mature age people. One of the other problems is that male mature age unemployed do not seem to be terribly keen to take on part-time and casual work; they want more permanent work. Has Treasury given any consideration to a range of incentives or tax concessions that may encourage mature age workers, both male and female, to take up casual and part-time work?

Mr Taylor—No, not in that sense. We have certainly looked at a range of tax concessions. But, I think as you have had evidence of before, if you target a particular group, you might end up purely with labour substitution occurring; the older worker will be employed at the expense of someone else. One of the problems with tax concessions of that nature is that they are not always that well targeted; another is that windfall gains accumulate to those already in the work force.

Mr SAWFORD—With this inquiry, some people have called for the re-introduction of an earnings credit scheme where irregular earnings can be spread over the year. How cost effective would such a scheme be in encouraging people to take up part-time work?

Mr Taylor—Are you talking of the tax system here?

Mr SAWFORD—Yes.

Mr Taylor—Again, it depends obviously on the scheme's design and on how much you intend to provide out of it to people. But, again, it is swings and roundabouts. There are a couple of problems with earned income tax type credits in that, again, there are windfall gains to those already in the system. Some people will reduce their hours of work because they will get more money for the hours they do. Also, higher effective marginal tax rates occur where the subsidy phases out. Again, it is not that well targeted, unless you target it at family income and, if you start doing that, there are large compliance and administrative costs.

In particular, the US system is probably the most well known on the EITC. Whether that has a huge incentive effect is arguable because less than half of one per cent of people actually get that benefit in their fortnightly or weekly pay-packet; they have to wait for up to two years before they get it. There is a huge compliance and administrative design factor involved there as well.

Mr SAWFORD—Perhaps we are waiting for another Henry Ford or a Mr Kellogg with six-hour days and double wages.

Mr BARTLETT—I am surprised that on page 7 of your submission you say that it is not possible over time to calculate the impact of unemployment on the government budget. Surely for a given level of unemployment—say, seven per cent—at the moment you would have a reasonable estimate of the impact. Obviously there would be social security payments but also lost tax revenue, cost of running case management, et cetera. Surely there would be a ballpark figure of the bottom-line cost that you would have.

Mr Gallagher—That is an accounting definition of cost. If we were attempting to look at the overall costs on the economy, particularly of one group versus another group, we would have to consider any displacement effects. Obviously there are unemployment costs, and unemployment costs in the long term are clearly broader than just Newstart allowances and other payments because there are other issues associated with long-term health and unemployment. For a given level of unemployment, it would be possible to look at the likely level of expenditure on Newstart allowance, but that would be a very narrow definition of the cost.

Mr BARTLETT—But, further than that, surely Treasury has done some sort of an estimate of lost income tax revenue.

Mr Gallagher—If it has, I am not aware of it.

Mr Taylor—And I am not sure whether it would achieve a lot because you would have to make a lot of underlying assumptions—for instance, that the participation rate does not change, and various things like that. Obviously these things move around. The participation rate depends on people's confidence in the state of the economy. We can do it after the event, but I do not know whether it achieves a lot.

Mr BARTLETT—I have to say that it surprises me that you do not have those sorts of assessments. Just going back to my earlier question about the savings to the budget of the assets testing of superannuation for unemployed over 55, I am surprised also that Treasury is not aware of the impact of that or, conversely, what the cost would be of exempting superannuation assets.

Mr Taylor—I apologise for not having the figures with us, but they are fairly readily available from the Department of Family and Community Services. It is just that, as Mr Gallagher explained, the rationale for the policy was not necessarily a fiscal saving; it was an underlying equity question.

Mr BARTLETT—Your figures for the amount of money in superannuation accounts and that accrued under the superannuation guarantee levy for early retirees are surprisingly low. Is there any estimate from Treasury of what the savings for social security and pension payments will be in any year or what they will be when projected 10, 20 years down the track from the accumulation of those superannuation assets? It would seem from the figures you have given that the savings would be fairly minimal.

Mr Gallagher—In the longer term, there will be significant savings from the superannuation guarantee scheme, and there are significant savings already from the existing superannuation system. I wrote a paper in 1995 with Bruce Bacon for an early retirement conference. That paper looked at the issue: to what extent does the superannuation system give us saving. Essentially, the superannuation system gives us savings on age pension outlays for about 20 per cent of the population. But there is a significant proportion of the population which do not accumulate enough or have not accumulated enough in superannuation—because of the history of superannuation—to generate age pension savings.

We would say that the superannuation guarantee from about 2015 on will start giving us appreciable savings in age pension outlays, as it starts to convert people who would have been full-rate pensioners into part-rate pensioners. From memory, in the longer term those savings will be of the order of one quarter of 1½ per cent of GDP. But, with the social security deeming rules as they exist at the moment, essentially you need to have assets in excess of \$50,000 before you exceed the free area for the pension income test. So, if you come out with a superannuation benefit which is \$40,000, you are still going to be a full-rate pensioner, and that is the most common situation now.

Mr BARTLETT—In terms of early access to superannuation for people under 55, the rules that APRA applies are really very tough. Unemployed people or small business people, for instance, who are having a hard time with their business will request, through APRA, early access to their superannuation, but at the moment they cannot get it because of the strict nature of the regulations. Have you considered a relaxation of those regulations? If there were a relaxation and a certain per cent—say, for argument's sake, 25 or 30 per cent of those who currently apply but are rejected—were to be given earlier access to their accumulated superannuation, would that have any noticeable effect on budget or social security payments?

Mr Gallagher—There were a number of questions in that question and there are a number of different groups that you are referring to. The rules are very new; they were only introduced in 1997. The six months on social security as a condition for hardship release is a new rule. That was an attempt to get consistency between that and the asset testing of superannuation, but that is after nine months. Superannuation is a highly tax-preferred savings vehicle. The policy is that it be used for retirement income purposes, not for temporary financial purposes. It is very important that the preservation requirements be put in place and acted upon. If people feel that they need insurance for poor returns in their business in a particular year or for unemployment, then I do not think that the superannuation system should be seen as a means of that as opposed to a means of providing retirement income.

Mr BARTLETT—There seems to me to be an anomaly there; that is, a wage earner who has been unemployed and on benefits for six months can argue financial hardship, but someone who is self-employed and who has not been able to draw a salary for six months because their business has not yielded a return is excluded. That would seem to me to be an anomaly that really, in equity terms, could be addressed.

Mr Gallagher—That is a possibility. I suppose it is a balance of judgment about the use of superannuation for retirement income purposes and how well the tax concessions are targeted for those purposes.

Mr BARTLETT—But, clearly, there are implications if that self-employed person becomes longer term unemployed and has to draw on social security and sell their house, or whatever. In that case, their potential savings for retirement probably hinder them even more than perhaps some temporary respite.

Mr SAWFORD—Perhaps I could give an example. A fisherman—and this really is Kerry's argument—comes to me after becoming involved in an unfortunate crash and losing all his gear. Basically he has no insurance cover for that event, so he has to borrow money in order to keep going. He is still a viable business person, but he has this period of time for which essentially he can borrow money only from within his family and it has to be paid back within six months. So here he is, with his wife and four kids. He has super but there is no access to it. All he wants is \$20,000 and, basically, at the end of the six months, he would be prepared to put the amount back again. There are many examples that come in that basically need flexibility—and I know that is very difficult for governments. But this is a viable business person; it is not as though he has a business that is on the downward slide.

Mr Taylor—There are lots of issues there, as you say. But take his counterpart who has the same thing happen but who has been prudent enough to take out insurance. He is not running around saying that he wants access to his super funds.

Mr SAWFORD—It is not as simple as all that, as you know.

Mr Taylor—No, but it is that measure that, when you give a concession somewhere—whether you regard it as a concession or not—someone else will say, 'Well, I've been prudent, so I don't get anything out of it.'

Mr SAWFORD—Have you ever tried to insure a fishing boat?

Mr BARTLETT—But the point is: it is their money that they have saved. If they were allowed temporary access to it, as Rod has said, they probably would be able to pay it back. Also, by having temporary access to it, their business could be saved and they could be saved from later having to go on social security. If their business continues, their ability to further provide for their retirement is enhanced, et cetera. It is just something I would urge consideration be given to.

Mr Gallagher—Obviously we will take that on notice and deal with the cases as they emerge. The administration of early release and hardship release is with the Australian

Prudential Regulation Authority. But, through our superannuation policy area, we do have some input about how that policy operates.

CHAIR—There is another related issue. We find that a lot of these people—we are talking about over-45s—are unemployed for an average of 87 weeks, or something like that. In this career transition period, quite a lot of them lose their houses and things like that. Even if they could access their superannuation for a maximum of six months to meet mortgage payments, that would have an enormous social benefit and possibly even an economic one. We have found through this inquiry—apart from our own life experiences, of course—that a compounding spiral of a series of economic and social disasters go on in a person's life. It is a difficult situation when some of them might have significant resources in superannuation, none of which they can access. Whether it be on the business side, which I think has more issues attached to it, just for them to be able to access that for a defined period of time in certain circumstances, say, for mortgage repayments, would be a big boost.

Mr SAWFORD—There seems to be a need to delineate between good money and bad. In other words, with some business there is an instinct where basically you can say, 'You're going to draw your \$20,000 out and blow that as well.' But there needs to be flexibility in terms of the viability of the particular business that the person is in. The other issue goes to Brendan's point about keeping the social unit together. Actually holding that house may, in fact, also make that person far more settled in terms of future employment, getting a job—that is, the asset is worth protecting. That is good money after good.

Mr Gallagher—Yes, although—and I am not doubting what you have said—it is sometimes difficult for government or public service tribunals to differentiate between it being good money after bad and good money after good. Often, when it comes to the commercial viability of a business, we look to what the banks and financial institutions are prepared to do—whether the bank thinks that a person is in a good situation and, therefore, can borrow against the equity in their house.

Mr SAWFORD—There is no-one in the bank who actually knows how the business runs. You have a 25-year-old kid sitting in front of a screen with a telephone, telling you whether a loan is viable or not viable. There is no longer a local manager with some working knowledge of the local area making a judgment. That facility does not exist any more.

CHAIR—The other option is that federal members be able to lend money from their super to these businesses.

Mr SAWFORD—Perhaps we can use the funds of Treasury officials.

CHAIR—Another theme that has come through relates to the fact that, the longer people in this age group are unemployed, the more difficult it is for them to get back into the labour market. A suggestion has been made that they should be able to access Flex 2 and 3 earlier; that they should not have to wait 12 months to qualify. You probably have not done any work on this, but could you or your colleagues within Treasury perhaps look at some costings on such a recommendation? Basically, these are intensive assistance labour market programs. What might be the cost to revenue of allowing that?

Mr Gallagher—We would have to request such costings from the IR and employment departments.

CHAIR—Yes. Could you perhaps take that on notice?

Mr Taylor—Yes.

CHAIR—You are probably aware that parliamentary committees make all sorts of recommendations without having much regard to revenue and cost, but we would like you to look at that. The second thing—again, you are probably the wrong people to ask this of—is that people, for example here in the ACT and in South Australia, have looked at wage subsidy programs. There is a substitution issue here too. Do you have a view about wage subsidies in terms of employment in this age group?

Mr Gallagher—I have a general view, a personal view, from looking at this data rather than necessarily a Treasury view. The evaluation evidence suggests that wage subsidies are likely to work and perhaps are more successful than job retraining. One of the things that we are looking at with older age unemployment is that there is more a lack of demand than a lack of supply. There are a lot of discouraged workers in the age group, people who were initially unemployed and then stopped looking for work because they became discouraged. In actual fact, if you look at the trends in employment and labour force participation over time, there is nothing biological driving those trends; what is driving them is something quite social. If anything, the age group is getting healthier and fitter. Heart disease and circulation disease, in particular, are having a much lesser effect on 50- to 60-year-olds than would have been the case in the past, yet we have seen a continuing drop in labour force participation.

So, if it is demand which is the problem rather than supply, one way of addressing demand, and differentially addressing demand, for the older unemployed would be to look at wage subsidy programs. If you start looking at wage subsidies, the offset you have to contend with is: what are the displacement effects on workers of other ages? That is something on which it is very hard to get any good quality information. Every labour economist I meet, I ask, 'What are the displacement effects?'

Mr SAWFORD—You have said that this is a personal view, but have you written anything on this?

Mr Gallagher—No, not on this particular issue. We have done extensive work on projecting participation, and it is an issue which has come up again in the national strategy for an ageing Australia. That is a process that Bronwyn Bishop is chairing. These are matters which are very much at the fore in terms of what we can do about them.

Before coming in, I had a look at Mark Warburton's evidence to you. Mark was the Director, Labour Market Analysis Section, Department of Family and Community Services. I think what I am saying is consistent with the evidence you got from Mark on this. Obviously a lot of effort is going into retraining, but we need to do something on the demand side. There are two things to do in thinking about demand for older workers. One goes to the attitudes of employers and issues relating to the attitudes of employers; perhaps the other is tailoring financial incentives—but you have to be very careful about that, as Dehne has

stressed, because of the poor targeting that can arise and because of potential displacement effects.

Ms GILLARD—Is there any estimate or modelling of displacement effects? Before you went on to answer a question from Rod, you had begun to say that you ask labour economists that question. Do you get an answer?

Mr Gallagher—No, I cannot get an answer out of them.

Mr Taylor—It depends on the design of the program. But I think I should emphasise here that, even with long-term or particular areas of unemployment by age, the best remedy to getting unemployment down itself is the overall micro-economic and macro-economic settings. If you reduce unemployment overall, I think you also will reduce all these. Our submission is fairly clear on that.

Ms GILLARD—If you had a pocket of entrenched disadvantage though, you might put in a program. What you have said is obviously true for Australia overall but, given the spatial differences in unemployment effects, if you had a targeted program for a particular area—

Mr Taylor—Yes, if you did. But to find that pocket, I think you have to reduce the overall level of unemployment and then prove that the pocket is there and that it is resisting the overall trend. But I think the evidence at the moment is that, if you reduce unemployment overall, these pockets all move downwards, especially with Australia's current levels.

Mr Gallagher—I just would expand on that. Dehne is suggesting that the thing to do is to reduce unemployment overall, which is certainly a government objective—in fact, it is every government's objective. There are some important factors in that. In addition to economic growth and achieving conditions conducive to economic growth, which is very much a Treasury goal, it is important that our industries be competitive. Today, with the steelworks in Newcastle just closing down, the importance of competitiveness I think is particularly underlined. There are a number of issues for which Treasury does have something to say—although not necessarily us—in terms of competition and setting the foundations for sound economic growth which are vitally important to people in this age group.

CHAIR—I suspect that we could end up having a philosophical discussion. There is one issue that has been particularly important, and it does not just affect this group. A group from the Blue Mountains pointed out that there is no incentive to go and get work. You might be on some kind of government support and doing half a day or one day a week of casual work. But then you get to a critical point where, with the tapering rate being so steep, either you are forced to work in the cash economy or, if you cannot make the quantum leap to a full-time job, you do not work at all. There is no incentive. The government is introducing a new tax system which deals with this to some extent. Will the changes in tapering have any appreciable impact on these people?

Mr Gallagher—The new tax system is designed to increase work incentives, especially for families—that is, with the targeting of a reduction in the taper rates not only in the marginal tax rates but also in the family income testing, particularly at the crucial \$25,000 to \$30,000 area of income, which is where most single family incomes congregate. At this stage that is still being legislated. I think it will be interesting to see what sort of impact it will have.

The evidence from the people from the Blue Mountains I think was just on the individual single person who still faces a taper rate of 70 per cent loss of benefits as their income passes the free area. At this point, the government has not looked at that area. It is a product of means testing and targeting benefits. There are two sorts of counterfactuals: one is a universal benefit, which is just exorbitant and untargeted, which means that everyone would get it; the other is just a sudden death cut-off. It is just a question of what that taper rate is. It is like a balloon: if you reduce the marginal tax rate, it expands out here; if you force the marginal tax rate out further, you provide the benefit further up the income tax scale and it gets more expensive.

CHAIR—Is there something we could recommend which might further help people in this group?

Mr Taylor—I think you will find from your evidence that a large number in this group are young single males, and there is a question about how long they stay in that area. Admittedly, the perspective of this committee is not on those people. But that is one of the competing reasons that the government is in there looking at spending money on changing means testing; that is, focusing on where it would get a greater effect on unemployment.

CHAIR—Would there be any basis or argument for having tapering rates which are specific to this age group, or would that just be a completely absurd proposition?

Mr Taylor—Obviously it would depend a lot on the design features. Again, there would be some consequences in the labour market, I suppose, with the displacement of groups.

CHAIR—It is just that there are all kinds of ways of trying to help these people, and this is one of the problems they come up against. It is compounded by a fact we have been told of by a lot of employers. For example, Mission Australia told us in Melbourne that, because of concerns—whether industrial such as unfair dismissal—whatever the rights and wrongs of it, there is a perception amongst employers that ‘Well, we’ll give them a go, we’ll give them one or two days of work a week and just see how they go.’ Males particularly, who feel that this is not a proper job, are not going into work of that sort when, in fact, we have been told that often it is basically a tryout for what might end up being a permanent situation. Is there something that we can do which is specific to age group to help them in terms of tapering rates, whether it be on the tax or social security side?

Mr Taylor—There are probably a number of suggestions that people could make, but they would all have a budgetary cost, and the government would then have to look at it in terms of other competing budgetary factors.

CHAIR—Could you look at some models in that area?

Mr Taylor—They are pretty simple. You either reduce the tax rate or you reduce the taper rate, and the question is: to what level and for how long?

CHAIR—Some ideas seem good but they are absurd and there is no way that anybody is ever going to take them seriously. Can you give some thought to things that could be done? They may not necessarily correspond with the ‘Treasury’ view—because I know that it is a haven for intellectual diversity, whatever was said in the *Age*.

Mr Taylor—Perhaps I could explain: with a high taper rate, you move out of that area fairly quickly. Those high MTRs are short and sharp. When you jump from, say, unemployment to full-time employment, you do not hit them. The softer you make that taper rate, the further through to full-time employment—in fact, it will go right through—that high MTR will stretch.

CHAIR—Perhaps you could even give us some arguments for and against these things, without recommending any particular course of action.

Mr Taylor—The pros and cons, certainly.

CHAIR—I would really appreciate that.

Mr Gallagher—Obviously the taper rate is an issue. As I alluded to in my opening comments, there is major incentive in terms of the replacement rate. If you look at the levels of payments, they are not generous. Say you have a couple, both of whom cannot obtain full-time work; they could both work part time and be significantly better off by doing so than staying on unemployment payments.

Mr SAWFORD—I think Phil mentioned getting our industries, including our service industries, on a sound competitive footing. Why don’t we in this country consider efficiency weeks, reduction in hours? There are plenty of milestones in the past where productivity has increased dramatically with shorter hours. There is an increasing number of people in this country working 12-hour days. That is not terribly productive; it cannot be productive.

I mentioned earlier Kellogg and Ford. With the wages of the day being \$2.50, Ford used the very simple idea of doubling them to \$5, and he got a huge productivity spurt out of his work force. Kellogg decided to cut the workday in half and, again, got a huge productivity spurt over a particular period of time. There is a lot of discussion in this country about competition, about a whole range of things. But there does not seem to be a lot of discussion about efficiencies.

For the previous 200 years up until 1979, throughout the OECD, the hours worked per week were always decreasing and productivity was multiplying—quadrupling, probably. Since 1979, with the hours worked per week, the graph has gone back the other way. People are working longer and harder, but not necessarily as productively.

Mr Gallagher—If this makes good business sense, then businesses are free to take it up. From the point of view of the Australian economy, we do a lot of long-term measurement of productivity because productivity is a major component of our long-term projections for the

population. In the Retirement and Income Modelling Unit, we are in the business of doing long-term projections for the Australian population.

Back in the 1980s, you would have said that productivity growth was about one per cent per year. From 1990 to 1995, you would have said, 'Well, the average now looks to be about 1.25, 1.5 per cent. In actual fact, for the nineties, our productivity growth has been two per cent per year. We have had very strong productivity growth, and that very strong productivity growth over the last decade—which has doubled that seen in the previous decade—has been associated with increasing, rather than reducing, average hours.

So, even though in terms of the micro-economics of a firm it may well make sense to do this, the measurements from the national accounts do not appear to be telling the same story. That is just a qualification. We can talk about 'on the one hand' and 'on the other hand' as these qualifications are made, but we need to look at the evidence wherever we can find it.

Mr Taylor—The French not too long ago decided to reduce their working week, and the results have not been good.

Mr SAWFORD—But isn't that still to happen in the year 2000?

Mr Taylor—They have started the reduction.

Mr SAWFORD—They also are more honest in terms of their understanding of the unemployment rate. Basically, we are not honest. In this country, we have 700,000 unemployed, seven per cent unemployed. But we do not talk about the 700,000 underemployed, and we never talked about the 700,000 hidden unemployed. Let us be fair about all this. The French happen to be the only country, apart from Portugal, in the OECD that is honest in measuring, in a real sense, its unemployment rate. We in this country, like all the other OECD countries, have not measured since 1990. We are not comparing apples with apples.

Mr Gallagher—I think we are running on an international standard definition of unemployment; that is internationally acceptable. The Australian Bureau of Statistics, to its credit, has provided a range of other measures. One of those is underemployment, in terms of those employed who would like to work greater hours; and it has gone to considerable trouble to identify discouraged workers. If you look at the elaboration of statistics—and the person is not in the labour force publication—I think you can get a lot of information about these issues. In looking at that publication, it is also interesting to see the reasons for people, by age, leaving work. The information is around; it is just that the headline number that is used is one that conforms with standard international practice.

Mr SAWFORD—I think Patricia Hewitt, from the London institute, made the point that you cannot have a reasonable debate on unemployment unless you factor in the reduction of hours debate. It just seems that in this country we do not factor that in at all.

Mr BARTLETT—Putting aside the productivity issue but just following up on the idea of sharing and what seems to be the great disparity in number of hours worked, are you aware of any studies that indicate the key factors for employers in terms of on-costs and

those sorts of charges that tend to discourage taking on more workers compared with working the current work force for longer hours? Have any economic studies been done that would indicate where incentives could be improved to move more towards job sharing?

Mr Taylor—That is probably an excellent question, and it should be more directed to those in our labour markets area; they would certainly be aware of it. But, again, it gets back to this issue, in my view anyway: if you can bring in proper reforms to reduce the overall level of unemployment, then you will get these efficiencies.

Mr BARTLETT—So you are not aware of any studies that we could look at.

Mr Taylor—I have looked at some, but I cannot think of any offhand. If you would like, I can ask our labour markets area for that information.

CHAIR—The last matter—and perhaps you could take it on notice—is that we are moving the preservation age to 60, and we will be there by 2025. As a layperson, I cannot help but feel that it needs to be higher. Perhaps you might send us along any thoughts you have on that.

Mr Gallagher—It was the government's decision to move it from 2015 on. Looking at the issue of early retirement, at the moment three-quarters of early retirements are involuntary and a significant number are for health related reasons. One thing that strikes me—and, Dr Nelson, you would be more familiar with this than me—is that the early fifties is often the age of first heart attack. Often it is a first heart attack which precipitates an early retirement in terms of disability. Unfortunately, that is still the case for a significant number of workers.

CHAIR—Thanks so much to both of you for being frank and putting together a very good submission and for being able to talk to us about it. You have a few things on notice that you will be getting back to us about. Thank you very much.

[10.02 a.m.]

JENKINS, Mr Ron, Subcommittee Member, Albury-Wodonga Area Consultative Committee

OKE, Mr Graham, Committee Member, Albury-Wodonga Area Consultative Committee

CHAIR—Welcome. Thank you, firstly, for what you do in your area, also for your submission and then for being prepared to come here to talk to us about it. I will introduce the committee members. Kerry Bartlett is the Liberal member for Macquarie, which covers the Blue Mountains in New South Wales. Julie Gillard is the member for Lalor, which is a good Labor seat in Victoria. I represent a government held seat in metropolitan Sydney. Could you give us an overview of your submission, and we will then have discussion.

Mr Jenkins—May I just point out that I also run the Mature Workers Program in Albury.

Mr Oke—As Ron is the man with the anecdotal and detailed information, I will start by just briefly and quickly giving a little background information. I am now retired but, for obvious reasons, mature age issues interest me greatly. Formerly I was the economist with the Albury-Wodonga Development Corporation. I am very much involved in the Albury-Wodonga Business Enterprise Centre, as is Ron. I was also very involved with the Wodonga Institute of TAFE and La Trobe University locally. We feel that we both bring background of various types to this inquiry.

The Albury-Wodonga Area Consultative Committee, as you know, is one of about 58 such committees. We find it important to aim at trying to create jobs, even if in the slightly longer term, and also at building on skills and experience in our region. In this context and with our background, we are interested very much in supporting small business and have some concerns in that area. We cover a highly diversified region of about 120,000 people. We have a very large manufacturing component as well as farming and service industries. We find that the mature age area is of concern, just as are other age groups. Page 10 of our submission comments on what has happened to government employment in the region in recent years. Those figures are somewhat behind the times and, as government employment has been slowing down, they now are worse. That has been a very large component of our region, especially in the area of Defence.

Ron has been able to get out of Centrelink new data on unemployment rates, and they should be raised. Unfortunately this data was unavailable at the time of preparing our submission. Also of great interest to me is the retrenchment survey put out by the Bureau of Statistics, which we have included in our evidence. I think that survey applies largely to our region as well.

Within our region, unemployment varies with the size of the town. People talk about the bush in general terms, but unemployment does vary with the size of the municipality, city or town. The activity of farmers is very difficult to quantify, but they are tending to reduce in numbers. Farmers have a problem with skills and that sort of thing. While our

unemployment rate is not marvellous, we consider it could be a lot worse but for the fact that a lot of our young people, for whatever reason, have gone, especially out of the rural shires. Some come back into Albury and Wodonga but some keep going on to the next hierarchy of town which, in effect, would be Melbourne, Canberra or Sydney. So we have that sort of perspective to present to you today.

Mr Jenkins—First, I table a copy of our opening statement and just draw your attention to a typing error on page 15 of our report. In the last line, it states:

A University of New England study found that around one per cent of business failures were because of lack of the appropriate management skills needed for the business.

That should read ‘around 51 per cent of business’.

I now will read my opening statement to you. I am a member of the Mature Workers Subcommittee of the Albury-Wodonga Area Consultative Committee. I am also a member of the Committee of Management of the Albury-Wodonga Business Enterprise Centre. I also run the Mature Workers Program in Albury, which is funded by the New South Wales Department of Education and Training. Since writing our report, Centrelink has provided us with more accurate statistics in relation to local unemployment. A copy is tabled for your reference, and I will refer to those statistics at the end of this short presentation.

In addressing the social, economic and industrial issues under the terms of reference for this inquiry, we believe that the following points need to be made. Under the heading ‘social’, the cause of most unemployment is unplanned retirement as through redundancy programs. Consequently, most people who are made redundant are not ready for the huge change which will take place in their lifestyle. The shortage of local employment opportunities for the mature aged has its effect on relationships and this is confirmed on a daily basis as new clients register looking for work. With one of the partners having lost their job, both partners then often have to seek employment.

Where a substantial payout has occurred, the lifestyle change is taken on board much more easily than where there has been a small payout or the recipient is under age 55. However, as the average payout appears to be no more than three years salary, many people in the mature age bracket have grave doubts about their ability to support their families. Depression and loss of self-esteem are high, and many clients are entering a new world as far as seeking employment. Many have never before needed a resume nor have they been required to attend an indepth interview. A move to Melbourne or Sydney where employment is in greater abundance is tempered by the higher cost of housing and living there. In fact, the reverse applies as we see a number of clients moving from Melbourne or Sydney.

Those who have been made redundant are a mix of people, and range through to separated wives moving away from ex-husbands. With housing costs in Albury-Wodonga being around \$50,000 less than in Melbourne or Sydney, some are able to obtain an instant cashflow to see them through. The change in these demographics was seen in the change of voting patterns in the recent Victorian election. With people having moved up from Melbourne or down from Sydney to country areas, the voting patterns in a number of country seats were affected.

On the economic side, a tour of Albury-Wodonga will highlight the large number of vacant retail premises. Growth industries are hospitality and entertainment, such as service clubs and cinemas. We are now building an extra nine cinemas in Albury-Wodonga, with six to go up in Wodonga itself. A psychologist perhaps would see this growth area as part of the escapism that some people seek in an attempt to raise their spirits. Demand is very high in that particular area. The hospitality areas and service clubs with poker machines are open 24 hours a day in Albury-Wodonga. Obviously, the reduction in disposable income has affected the viability of a number of businesses. Some have moved away to cheaper rent areas, but the pedestrian traffic flow is much lower there too.

On the industrial side, as stated in our report, whenever a major construction is undertaken, tenders usually go to contractors from outside Albury-Wodonga who have their own subbies to carry out various parts of the construction. This procedure obviously allows for a considerable sum of money not to be spent locally. Recent takeovers and privatisation of government departments have resulted in the loss of hundreds of positions and in the retrenchment of many mature age people. The State Rail Authority is about to further reduce staff at the Albury railway station by 16 people, most of whom have in excess of 20 years service and are in the over-45 age bracket.

Whilst this inquiry has been asked to look at the effects on the community of unemployment of over-45s, may I take this opportunity to point out that the statistics from the New South Wales Mature Workers Program show that around 27 per cent of clients, on the current case loads of placement officers similar to me, are between 40 and 45. To be unemployed at this age with limited local opportunities can be devastating to a family. Current Centrelink statistics show a total of 6,014 people who are NSA or YAL clients. This figure does not include those people who choose not to register or who are not in receipt of NSA or YAL benefits. Of this figure, 1,368, or 22 per cent, are over 40 years of age. This emphasises the high level of unemployment in this particular age group. It is close to the youth unemployment level, which is 27 per cent. When you take out those in the 15- to 18-year age group who are still studying, it is generally accepted around the local network that local unemployment is around 10.5 per cent. This is well above the national average of 7.2 per cent. Thank you for the opportunity to make this opening statement.

CHAIR—Thank you very much, both of you. If I were to close my eyes, not knowing where you were from, you could be from any one of several hundred similar regional centres across Australia. Within the government, and I know within the opposition as well, we are constantly trying to think of ways of improving the situation. What sort of things would you like governments, or perhaps in our case the federal government, to do to assist employment opportunities in your area?

Mr Jenkins—Under the previous government, we had the job skills programs. With those, we were able to provide subsidies to employers for taking unemployed people on for up to six months. That created a lot of employment. However, we found that a number of employers abused that system. Once the six months were up, for some reason the job expired. Then, within two or three weeks, we would have an advert in the paper or a phone call from that same employer looking to fill that particular vacancy. I would like to see—and we have made a recommendation to this effect in our report—our trying to encourage

employers to have a percentage of 45-and-overs—because that is what this inquiry is about—in their work force.

CHAIR—A quota.

Mr Jenkins—Yes, a quota, to act as mentors to the younger people coming through. At 45, you still have 20 years of work inside you. If you live in New South Wales, you can work until you are 70. That is a lot of lifetime, a lot of skills that we believe an employer could make use of. The Mature Workers Subcommittee of the AWACC has granted Regional Skills Inc., which is where I work, some money to hold a seminar for employers. We have written to 197 local employers. We are providing them with the usual free lunch on 21 October to discuss the advantages and disadvantages of employing people in the age bracket that we deal with. Interestingly enough, on the questionnaire that we sent out, which was to remain confidential and anonymous on its return, we had the question, ‘Regardless of legislation, do you take into consideration the age of the applicant?’ Fifty per cent of the questionnaires returned so far say yes. I think that is probably a logical thing for an employer to do anyway. Legislation for age discrimination is paper legislation, unless someone wants to take it to court.

CHAIR—A lot of our colleagues, particularly those who represent your area, are always saying, ‘We need more money for roads and infrastructure,’ and so on. At your level, where are you targeting your business incubators?

Mr Oke—At this stage the one business incubator that exists is a service industry/commercial business premises type organisation. It is 55 to 60 per cent occupied at the moment, after less than a year. So that is going pretty well. At the moment negotiations are under way with one of the nearby shires to set up an industrial incubator. That looks quite promising in getting very small businesses to work, and we think that will be highly successful also. The Business Enterprise Centre would run these incubators; it runs the existing one and more than likely will run the second one. That brings me to another question, Mr Chairman. I have not read the Ralph report in any detail; in fact, I have not read it at all but I have seen some articles.

Ms GILLARD—You would not be on your own there.

Mr Oke—One thing I did not hear anything about in connection with reduction of company tax, reduction of this and that, was unincorporated businesses. They are certainly more than 50 per cent of the total. In our part of the world, they form over 60 per cent of the total. We know from that from a study that was done by the Charles Sturt University. That bothers me. Are they being discriminated against to any extent? I do not know the answer to that question, but I am raising it with this committee in case that is an aspect you could look at.

The other issue is that, from my stint with the BEC—and I am sure Ron has the same idea—we would argue very forcefully that, before any business can be registered, it should be capable of providing a proper viable business plan. I think this would make one hell of a difference to businesses folding very quickly, as they do. In fact, looking at some statistics that the ABS has put out, less than 20 per cent of the businesses it looked at had a business

plan in operation, and most of them used a business plan when they had one. That to me is a real area of concern.

Many people who have been retrenched come along with money in their hands. They have nothing else to do and think they might as well start a small business. Most time they are a disaster waiting to happen. BEC spends a lot of its time telling them, 'We don't think you're suitable for this sort of thing; go away and do something else with your money.' Some of them try it. We lose 160 businesses a year in Albury-Wodonga anyway, and we are trying to minimise that.

CHAIR—It has been put to us that, prior to a business being registered, a business plan should be submitted and scrutinised at least in some way by people who perhaps know what they are doing.

Mr Jenkins—Yes. The NEIS program is very beneficial for people who are starting up.

CHAIR—It is like a roadworthy test on a car, I suppose. How is NEIS working in your area? Would you like to see any changes being made to it to make it more accessible and successful?

Mr Jenkins—BEC runs NEIS. Also, Netgain, a company in Seymour runs NEIS programs in the north-east of Victoria, at Shepparton and from time to time in the building where I work. The NEIS programs of both Netgain and BEC have been extremely successful. Last week one finished for which a graduation ceremony was held, with 12 out of the 15 having passed. They do not all pass. As you mentioned before, they go before a panel comprised of a solicitor, an accountant and a bank manager to see whether their business plan is viable before being granted a Certificate III in Business Administration, which now is the required qualification for a NEIS course.

It is also interesting to see younger people, under-35s, coming through in the NEIS programs and having a go. Unable to get employment, they now are seeking to create their own. In some of the 45-and-over groups, many will use their retrenchment package as a backup for cashflow for the first 12 months. They think it is quite easy to go into a coffee shop or a florist shop until being told of the competition. In Albury-Wodonga, I think you need to make 3,047 cappuccinos a week or sell 1,856 bunches of flowers to survive.

We also have people who come and say, 'I have this pot of money, Ron. Do you think I should go into business?' I say, 'Well, what do you like?' Their answer may be, 'I like hotels.' I ask, 'Which side of the bar?' So we send them for work experience. Under the Mature Workers Program we are able to give them two weeks volunteer work experience with an employer. They go and work on the other side of the bar and see what it is like.

They might want to buy a hotel or motel. Everybody seems to think that running a caravan park or a motel is easy. But you have to be on duty 24 hours a day and put up with drunks and louts of all age groups playing up or ringing up and saying, 'Our car has broken down, we're still 100 kilometres away, but we'll be arriving about 2.30 a.m.' Unless you have people skills, going into that sort of business is just not a money-making exercise.

CHAIR—It has been suggested that basically NEIS helps people to go into undercapitalised micro-businesses and that perhaps there ought to be some program—if not NEIS, something like it—which can also be accessed by people who are unemployed who want to purchase an established business which has a record. Another issue of concern, at least one that has been put to us, is that NEIS unfortunately excludes people who are not eligible for government assistance.

Mr Jenkins—No, that is not true. If people wish, they can pay \$3,000 and do the NEIS course.

CHAIR—Whether they are on government assistance or not?

Mr Oke—Yes, but they have to pay for it.

Mr Jenkins—Yes. If they are not on benefits, they can pay \$3,000 to do the course. If you want to start up your own business, that is a fairly reasonable price for a five-week course.

CHAIR—Do you think there ought to be some kind of government assistance for people who want to get into some sort of established business, or is that off the beam?

Mr Jenkins—The BEC has, on its books on a constant basis, a number of businesses for sale. They may be local coffee shops, the florist shop or retail outlets. People who come and seek advice about the sort of business they want to set up are usually advised that, if they so desire, there already is an outlet for them to purchase. The NEIS program is aimed at not competing against existing businesses; it is new enterprise incentive schemes.

CHAIR—If it were extended to established businesses, I presume you would get people jacking up about it.

Mr Jenkins—Yes, I think the local people in business would do that. They would ask for the same sort of support too.

Ms GILLARD—Obviously a change has occurred in our work force from full-time work to part-time and casual work. You gave an example of that in your opening comments with the cinemas being opened up. The reality is that there will not be too many full-time jobs in running the nine new cinemas.

Mr Jenkins—No.

Ms GILLARD—This committee has received evidence that, in terms of mature age unemployment, with people accessing part-time or casual job opportunities there tends to be a gender difference in attitudes; that women are more prepared to contemplate such work, whereas men who have held a full-time job for 20 or 25 years get dismissive of it as an option. I would be interested in your comment on that.

This committee has also received evidence that another problem with accessing part-time or casual work, even if the attitude is got right, is the poverty trap. There are benefit cut-off

problems that people face. The taper rate for the loss of benefits when compared with what people earn makes it virtually a non-economic proposition. I would be interested in your experience with those sorts of issues.

Mr Jenkins—I can give you some very concrete examples. Six years ago, when I took up this job as a placement officer with the Mature Workers Program, I spoke to the personnel people of our local major retailer, Myer Albury. We agreed that the majority of Myer's customers were in the 35 and above age group—except in the Miss Shop. We came to an agreement that I could provide Myer with, if you like, 'free labour'—and that might sound bad in hindsight—which was also volunteer work. It came under the Mature Age Program where the Department of Education and Training covers the employer for workers compensation and public liability.

Over the last six years we have placed about 60 people, mainly females, at Myer Albury on work experience. Eighty-five per cent are still there. They were given two weeks work experience. Up until 12 months ago, at the end of the two weeks they automatically got Thursday nights, Saturdays and Sundays. That gave them 20 hours, which is what most women who are looking for part-time work want. The weekend work in some cases was not desirable, but it was a way of getting in and becoming a part-time employee with a good retailer, and the environment was a good one to work in.

We were able to convince those ladies—a lot of them were returning to work after having been out of the work force for a decade raising a family—that they already had product knowledge because they had been purchasing for the home: sheets, blankets, refrigerators, microwaves, shoes, fashion and so on. So they had product knowledge. It was only the merchandising, the customer relation skills and handling a computerised cash register. Fortunately, under the work experience component, they did not get to use the cash register, which satisfied a lot of them. They also got a month's work at Christmas time with the Christmas sales and the January sales.

But now there has been a change of management techniques in Myer. Myer is now controlled by David Jones from Wagga. As a result, team leaders have been introduced and the staff, after getting 20 hours, now get eight or 12. To a lot of them, it is not worth it. They would rather be on unemployment benefits.

Ms GILLARD—And choosing to be on unemployment benefits is the right economic decision for them; it is not an irrational choice.

Mr Jenkins—Yes. As far as concerns the gender difference between a male and a female seeking part-time or full-time work, most of the work available is part-time work and not much full-time work is available. Men are interested in taking anything when we first see them, but we have to break that down to match with what their skills are and what training they may need.

Before losing skillshare, we were able to place our clients on the free skillshare courses, whether computer training, hospitality training, trades assistant training. With those courses, they had to get up, shower and get dressed. After having been retrenched or out of work for some time, they had to go and mix with other people. They were getting social contact that

they may have lost. A lot of people build their life around their employment, and these people had missed that. They got it back by going on a course.

When someone is working and their employer sends them on an in-house training course, they get geed up. But for how long does it last? They come back from the training course like one of the 12 disciples, and it is up to the trainer to follow up with the person's immediate supervisor or manager to maintain that level of attitude and hyperactivity. The same applied to people on the skillshare courses. They were able to do extra courses. They could show on their resume that they were able to learn new skills, and I think that is what employers are looking for. As we have emphasised in our submission, there is a myth that exists about people in the 40-and-over bracket and their attitude to change. It is wrong. They have been through more changes than any other generation in history.

Mr Oke—I would add one other point. From the annual employment census conducted in Albury-Wodonga, we have some very good data. One of those pieces of data is that clearly, as Ron has said, there is a high part-time male component in Albury-Wodonga—and, of course, a lot of that is underemployment. It is far higher than the equivalent figure for Australia—significantly higher, almost like double it. I cannot remember the exact figure, but it is significantly higher as a proportion of total employment. All I am saying is that, in a country area or a non-metropolitan area, your job opportunities and alternatives are much more limited. In a way, there is nothing much you can do about that. So these men are taking on these positions, and many of them are Ron's customers.

Mr Jenkins—As you have mentioned, Mr Chairman, you have been hearing similar stories from most regional areas. One concern is with the lack of public transport. If you are in Melbourne and you lose your job at Frankston, you can pick one up at Williamstown or Newport or in Melbourne itself. However, in a country area, not many bus companies run a regular bus service between Yackandandah and Wodonga or Tangambalanga and Wodonga. That is a problem.

CHAIR—Yes, we have been told that. Often people are looking for jobs, and perhaps not in Albury-Wodonga because they have given up looking there and are looking somewhere else, but they cannot afford to get there.

Mr Jenkins—Yes, to Wangaratta or even somewhere like that. That is right.

Mr BARTLETT—How long has your NEIS program been running?

Mr Jenkins—The NEIS program has been running since I have been on the board of the BEC.

Mr Oke—I think it started in 1988.

Mr BARTLETT—What is the long-term success rate of the businesses that have been established?

Mr Jenkins—The numbers of people who have gone through the program are in our report. The success rate with the NEIS program: close to 75 per cent would still be in business.

Mr BARTLETT—After what, a year, two years?

Mr Jenkins—Yes.

Mr Oke—Those early years are the dangerous ones. If they are going to fall over, it is more likely to happen then.

Mr BARTLETT—Are many of those businesses employing other people also?

Mr Jenkins—No. They only employ family in the first two years. At that stage they cannot afford to take staff on—not until they get established. That is what we find anyway.

Mr BARTLETT—We talked earlier about subsidies to take on mature age people, and you spoke of the problem of these people being churned over after six months. You suggest that one possible solution might be requiring workplaces to have a percentage of mature age employees. Can you think of any other solutions either that you have tried there or that ought be considered to prevent that problem of churning?

Mr Jenkins—I have mentioned the possibility of a quota system. That would probably have to be voluntary, anyway, or self-regulatory amongst the employer bodies. There is the re-introduction of the New Work Opportunities to get people in and give an employer a chance to keep them on. It was interesting to hear Mr Sawford's comments about people working long hours. It is the norm now for those of us who have a job. Also, overtime does not exist any more. We are all working about 1.6 jobs. I am interested in some of the comments that were made regarding some of the studies. It is a bit like some of those Hawthorn studies that you have probably read about. Once people are under the spotlight, they do increase production. So it is hard to measure whether the production is occurring because of those extra hours or because people are being taken more notice of.

CHAIR—We are also looking at employee share ownership, but that is another inquiry we are doing.

Mr Oke—That has been limited in Albury-Wodonga.

CHAIR—As we have gone through this inquiry, I have been tempted to ask whether displaced workers were given any comfort in knowing that they had shares in the company, but I have refrained from that.

Ms GILLARD—We have had evidence before this inquiry that, with the structuring of Flex 1, Flex 2 and Flex 3, whilst it is not wholly true to say that you only get intensive assistance if you are long-term unemployed, because they do use a matrix about disadvantage, it is generally true. We have had evidence that suggests that people get access to intensive assistance too late in the unemployment cycle, so they have already gone through a sort of depressive slump, if you like, and a loss of work culture before the

intensive assistance kicks in. I would be interested in your comment about that, whether or not you think that is right. What about government having the ability—and obviously all these things come at a cost—to provide intensive assistance earlier in the unemployment cycle?

Mr Jenkins—Maybe I could claim sub judice and not answer that question because we have a tender in for the new Job Network contract. With the six local organisations that are members of the Job Network, we notice that they send all their 40-and-overs to me. They do not want to handle them because they find them too difficult to place. We find that those with Flex 1 are not providing training to the people who are on Flex 1. Under the Mature Workers Program, I am not supposed to give assistance to anybody who is on IA, intensive assistance. However, having been through this game for nearly six year now, I find I still have that warm and fuzzy bit inside of me. As well as being an efficient operator, I will help anybody who comes through the door seeking assistance, whether or not they have been out of work for 12 months.

Having been retrenched myself a few years ago, I have a fair idea of what they are going through and I think I am able to empathise rather than sympathise with where they are at, particularly the males in the 50-and-over group. I can relate to them and how they thought they had five or 10 more years to work during which they were going to save their little nest egg to put away. Now all of a sudden they are out of work. They use up whatever superannuation they have before they get to 65, and it is just unfortunate.

CHAIR—Thank you once again for the work that you do. It is obvious from your submission and also from meeting you that this is a real commitment. Thank you so much for doing it. Also, thank you for coming here to give evidence to us. Coming here to talk to a group of politicians is not the most inspiring thing to do. But there are some good ideas in there and obviously we are taking this very seriously. We would like to have our report finished probably by April or May next year. If you have any other ideas or comments, please send them on and we will certainly take them on board.

Mr Oke—Perhaps there is just one closing comment. I have also done work for the House of Representatives infrastructure inquiry and a similar Senate inquiry last year, bearing the torch for non-metropolitan Australia as distinct from the bush. I have found that politically the bush tends to be regarded as anything outside of capital cities. We have found that something like 60 per cent of our exports and 60 per cent of our tourism are generated outside of capital cities, and I do not think due recognition is taken of that and the contribution that non-metropolitan Australia makes. We have made that point a number of times too. It does not seem to have got anywhere, but we think it is worth making.

CHAIR—It is the source of much of our national identity too. Anyway, thank you. All I can say though, as someone who represents a city area, is that members, whether Labor or National-Liberal, hear a lot about it.

Resolved (on motion by **Ms Gillard**):

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

Committee adjourned at 10.42 a.m.

