



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**

WEDNESDAY, 17 NOVEMBER 1999

MELBOURNE

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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

Wednesday, 17 November 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, Mr Bartlett, Dr Emerson, Ms Gillard, Dr Nelson, Mr Sawford, 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.

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Committee met at 9.01 a.m.**MANSFIELD, Mr Bill, Assistant Secretary, Australian Council of Trade Unions**

CHAIR—Welcome. 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 want to provide any evidence in camera, please indicate that that is what you would like to do. I think you know everybody here. Perhaps you would like to give us an opening statement then we will focus on what the ACTU thinks of the main issues here and discuss them.

Mr Mansfield—Thank you very much for the opportunity to appear before the committee. The ACTU, as you know, is a national body representing employees who are trade unionists throughout Australia. Our national membership of affiliated organisations is around two million employees.

One of the issues relating to this inquiry which are of most concern to the ACTU is particularly the disproportionately high period of unemployment of certain age groups, particularly young school leavers, who are outside your brief obviously, and older workers, who are very much the focus of your inquiry. That issue of the very high period of unemployment faced by individuals who become unemployed at an older age is the issue that we believe the committee should be focusing on particularly.

With regard to unemployment in general, the ACTU would stress to the committee that there is no substitute for an economy which is functioning well and growing strongly. If we are to reduce high levels of youth unemployment and high levels of long-term unemployment amongst older workers, the way which will prove to be most effective in that regard will be to continue the high levels of economic growth we have been achieving over the last decade or so, with a couple of short interruptions. It is quite obvious that, when the growth rate in the economy falters, it is the marginalised workers who find it most difficult to either secure employment in the first place or, once unemployed, to re-enter the work force. Older workers who are perceived by employers to be less productive or less flexible or less adaptable are often regarded as marginal by employers and are passed over in preference for younger applicants for employment.

It also should be noted that in a number of cases where employers are downsizing their organisations, the older workers are amongst the more highly paid in the enterprise. Obviously the employer is looking to reduce costs in most cases in downsizing exercises, and the issue of the cost of employment for older workers is a relevant one in terms of who the employer identifies as most likely to be let go from the employment.

As I was saying, where growth falters, the marginalised employees are the ones who find it most difficult to re-enter the work force. Early school leavers without experience are another group most at risk of being long-term unemployed. As the statistics show, once unemployed, older workers tend to have significant problems in regaining employment. As we have noted in our submission to the committee, the issue of productiveness is one which is arguable in terms of the position of older employees as against other employees. But the

evidence is there—and there is an Asearch study which we have quoted in our submission—showing that there is no sound basis for considering older workers as inflexible or unable to adapt to change. The submission makes it clear, as does the evidence, that there should be no age based generalisations about the abilities of workers, whether they are younger workers or 45-plus older workers.

The evidence also shows though that older workers receive fewer training opportunities and have lower promotional opportunities than younger workers. One of the issues that was recently the cause of some debate in the parliament was the issue of training subsidies being available to employers who wish to retrain existing workers. There was some criticism of the system which was applying at the time because, quite frankly, there was some evidence that there was rorting of the training subsidies by some employers. Obviously if an employer has an opportunity to reclassify virtually all of a work force as trainees and then, by so doing, receive subsidies of several thousands dollars per employee and also rebates on workers compensation and payroll tax, some employers will misuse those subsidies simply to get access to the reduction in labour costs rather than for genuine training reasons.

There was evidence of that occurring. The reaction of the government at the time was to withdraw the subsidies for existing employees training to what is known as the Australian qualification framework level 2. A trades person is level 3; the level below the trades person is level 2. So subsidies for existing workers who have been in employment for some time are no longer available to employers to train their existing work force. The situation is that, whilst there is a number of employers who have rorted the system, there is also a significant number of very genuine employers who wish to provide training opportunities for their existing work force.

What we have done as a result of the recent policy changes in terms of the subsidies is to basically say that no employer who wishes to train an existing employee who has been in employment for longer than six months will be eligible for a subsidy at the AQF2 level. You will still get a subsidy if you want to take a person to AQF3, which is the trades level equivalent, a skilled worker, but not the AQF2 level. In our view, the response to the controversy which occurred several months ago, which was to withdraw the subsidy virtually across the board at the AQF2 level, was excessive and there should have been other avenues followed to allow existing employees to remain eligible for training subsidies. There is no question, now the subsidies have been removed, that even good employers will have a question mark about whether or not they will offer training and retraining opportunities at the AQF2 level.

Just to complete this particular point, the group that has missed out the most in terms of vocational training in the past is that group down at the bottom end of the work force. They used to be called semiskilled workers; that is, the group below the traditional skill level of trades person or equivalent in other areas of the work force in the service sector, people in production work in factories, people doing more routine work in the service sector. They have not had access to vocational training opportunities in the past. They have not had their skills developed to the point where they get a recognised qualification and where they can take those qualifications with recognised competencies to other employers. To remove the opportunity for that group—and it is a large group in terms of numbers—to get some sort of

public assistance for training is, in our view, a policy response which has gone beyond the problem that was perceived.

No doubt there was a problem there. We, in fact, contributed to the publicity around the issue. We expressed a strong concern about the rotting that was going on. We do not withdraw from that. But in terms of the policy response, we feel it has not addressed the problem particularly but rather has withdrawn all of the benefit and that has had a significant downside. As I said, older workers do receive fewer training opportunities and have lower promotional opportunities. That is what the evidence shows, and we have made that point in our submission.

There is a clear perception amongst older workers that the reason why they have failed to gain employment once they have become unemployed is an issue of age. It is not a question of experience, it is not a question of skills. It is simply an issue of age amongst many employees who are regarded by employers as being too old for the jobs that are on offer.

The issue of duration of unemployment is the major problem, in our view, confronting the older unemployed. We have made that point—or tried to make the point—very clearly in our submission. Whilst the ABS statistics that we had access to show unemployment rates for older workers of 5.4 per cent between 45 and 54 as at 1998 and 5.5 per cent of the group at 55 and over—this is paragraph 217—it is not at a level that is high by comparison to other groups of workers, but if you look at the table immediately above that, you will see where the problem lies. There you will see that the duration of unemployment for the 35- to 54-year-old group on average is 70.2 weeks. That is the highest of any group of employees in the work force once they become unemployed. For the 15- to 19-year-old group, the average duration of unemployment is 21 weeks, and it progressively goes up from there. It is quite clear that, once you become unemployed, you have a very difficult job of securing re-employment.

With regard to the ACTU proposals as to how policy ought to address these issues, we believe—and this has been set out generally in our submission—that there is a clear need for training and retraining opportunities to be available to the older unemployed to assist them to make the adjustments necessary to re-enter the work force. Individuals who become unemployed and who have had a narrow range of work experience in the past often require training and retraining to broaden their skill base and enable them to be more attractive to potential employers. Often new skills are required. Many of the older unemployed look for self-employment opportunities in their own small business in order to get the remuneration they need to continue their normal lives. The sorts of skills required in managing a small business and being self-employed are often not skills that a person who comes out of the work force has. Training is certainly required in those sorts of areas.

We believe that there is a clear case, as has been stated recently in a number of public forums, for more public incentives to be available to employers to recruit older employees. This is a labour market program which has been shown to work in the past. If there is a problem in regard to long-term unemployment amongst older workers, which is not only debilitating for the individual but a drain on the public purse, then there is a clear case for additional incentives to be available to employers to hire older unemployed people.

At the time of writing our submission we put the point that the government should reduce the waiting time for unemployment benefits under the liquid assets test. At the time, on our information, if a single person had liquid assets of \$2,500 or a couple had assets of \$5,000 in liquid form, they had to wait 13 weeks before unemployment benefits were available. We believe that is excessive. We have put in our submission that that should be increased in terms of the level of liquid assets an individual or a couple can hold to \$3,500 and \$7,000, and the waiting time reduced from 13 weeks to eight weeks, which we believe would be a much more appropriate level of policy with regard to access to unemployment benefit.

I doubt whether any of us around this table, with the possible exception of myself, have liquid assets at the level of \$2,500 or \$5,000 as a couple. It is not a great amount of money. To then tell a single person with over \$2,500 at the age of 50 'You have got to take yourself down to that level of \$2,500 before being eligible for unemployment benefits,' in our view, is inappropriate and should be changed.

We have made the point in our submission that there should be a reversal of the inclusion of superannuation assets in the means test for unemployment benefits. Superannuation, in our view, should be for people who are retired. It should not have to be accessed for people who are still in the work force and still actively looking for work. The inclusion of superannuation assets in the means test for unemployment benefits, in our view, is inappropriate.

We need, in our view, also to examine the potential for greater flexibility in working hours. You will see in our submission references to initiatives that have been taken in Europe, Scandinavia and North America for introducing greater flexibility in working hours such as career breaks and phased early retirement. The typical situation in Australia is not that an individual will go into retirement in a phased way, but rather that they will be working a full 38-hour working week, then the day comes that they retire and they become totally free in terms of employment. In our view, there is scope for us to look at the sorts of initiatives that have been taken in Europe, Scandinavia and North America in those areas to allow older workers to phase out of the work force rather than having that simple one-step process from a 38-hour week to total retirement.

Finally, there are two points that are not in our submission. First, in our view, there is merit in the Job Network and the network of organisations that assist unemployed people in getting back into the work force. But Job Network should provide special resources, in our view, to assist the over-45 group to obtain re-employment. This is a group with special problems, and there should be dedicated resources to assist the over-45 group regain employment.

The final point we would make, which again is not in our submission, is that there is merit in using the Commonwealth Public Service, which is a large employer and which has a big spread of ages within it, to trial new approaches to working time for older workers. I am sure that, if the Commonwealth were to take some initiatives in that area, the organisation that represents Commonwealth public servants in the white collar area would be happy to sit down with the Commonwealth as an employer and explore what avenues might be available. That is our opening statement.

CHAIR—Thank you very much. Firstly, on the training subsidies for AQF2, do you have any idea of what the age profile of those potential beneficiaries is or would be?

Mr Mansfield—I do. There is quite an amount of statistics which show the age profile of the beneficiaries over the last two or three years. The statistic that did concern people considerably was the very high rate of growth amongst the older employees receiving the wage subsidy. It was growing at a rate of over 100 per cent a year for the last two to three years. But it had only got up in total, I might add, to a number—this is a bit off the top of my head—in the 30,000s in total. So, although there has been a high rate of growth, it is off a low base and you are not talking about big numbers at this point.

CHAIR—Could you get us an age profile break down?

Mr Mansfield—I can, certainly. That would be no problem.

CHAIR—I will also ask Maureen to ask the department to give us information on this as well. Obviously, as we have heard and as you and I both know, some employers just get rid of the person who has not got the skills and then just goes out into the marketplace and gets one who has. They see that as being preferable to providing retraining for existing employees. That is something I think we ought to have quite a serious look at.

Mr Mansfield—Yes.

CHAIR—Another issue is the superannuation assets being included for unemployment benefits. That is another thematic concern that has been put to us. Has the ACTU done any work in this area? For example, at the moment you have people in this over-55 age group who are being required essentially to draw down on superannuation assets. I think we understand that that has some immediate and positive budgetary impacts for the Commonwealth, but in the long term it may in fact have a negative impact because these people have less retirement savings when they eventually retire. Has the ACTU done any work on that itself?

Mr Mansfield—Offhand I could not tell you, but I can find out and advise the committee.

CHAIR—If you would not mind. Also, perhaps you have evidence, even anecdotal evidence, of the impact that measure has had on people in this particular category. I suspect that there may not be great numbers, but it could be argued that the effect has been particularly bad.

Mr Mansfield—Yes.

CHAIR—One of the other things that a lot of people have put to us is the earlier the intervention, the better.

Mr Mansfield—Yes.

CHAIR—Argument has been put to us particularly by two state governments and the ACT that wage subsidies and things of this sort are helpful—and I guess we have mixed views about all that. But one suggestion is that perhaps we could provide assistance to employers even before they make the person redundant or dismiss them; perhaps they could be kept in the work force for a little longer because it is easier to find a job if you already have one. Have you given any thought to those sorts of measures?

Mr Mansfield—We would say that those sorts of measures are positive and that certainly they should be supported as an approach to try and maintain employment for older workers. Once an older worker is unemployed, the evidence is very clear: it is very difficult to get that person back into the work force. The older unemployed person faces the prospect of very long terms of unemployment with all of the downsides that that delivers as well.

There have been labour market programs available in the past which were of an intervention kind which said basically, if an employer is facing the prospect of having to make employees redundant, there are government subsidies that can be accessed which can provide training for your employees and wage subsidies to try to enable the employer to maintain employment. So there have been those labour market programs in the past. I could not offhand say to you absolutely categorically that they have been successful. But certainly my understanding is that they had a positive impact in reducing the likelihood of an employer simply taking that step straight from employment to redundancy but rather, in many cases, going through the program which offered public subsidies to employers who maintained the employment of their workers and tried to work their way through the period of difficulty for them. On the other point you made about public subsidies—

CHAIR—Can you seriously give some thought to how could government, working with you and employer organisations, actually develop a program that could be workable that might actually assist them?

Mr Mansfield—Yes.

CHAIR—That is probably one of the best things that we could do. I interrupted you as you were going on to talk of subsidies.

Mr Mansfield—I was just going to make a point—and there are some brief references to it in our submission—about the practices in Europe particularly in regard to giving assistance to employers and employees to keep individuals in the work force. For example, in paragraph 3.3—

CHAIR—Yes, you go through Belgium, France, Germany and Sweden

Mr Mansfield—If we take Germany by way of example, enterprise based social plans offer early retirement benefits to older workers. Employees apply for redundancy and retirement. They collect unemployment income related benefits for a year and then collect the old age pension. The enterprise tops up the government benefits to around the level of normal wages until age 63. There are other initiatives in Europe and Scandinavia which enable employers to take on older employees with subsidies from government.

CHAIR—They are certainly some of the things we have been considering. Certainly the concept of phased retirement as distinct from a situation you describe is something also that our country ought to be seriously looking at.

Mr BARRESI—Are the employees making a contribution to a company pension fund in order to receive that? At the end of the day, if it is a phased retirement scheme, what is it actually doing for the unemployment situation for that age group?

Mr Mansfield—In the case of the German example, on the face of it, what it is doing is enabling a person to retire early on a reasonable level of income. That particular example that I quoted is not one which keeps a person in the work force, which to my mind is not the preferable way to—

Mr BARRESI—But is it creating a position for another mature age unemployed person to get into the work force?

Mr Mansfield—It could be doing that.

Mr BARRESI—Is there data to support that at all?

Mr Mansfield—I am not familiar with the data. The evidence that we saw in relation to the German scheme did not go into the data but rather simply described the scheme itself. In our view, the policy initiatives that ought to be taken ought to be aimed primarily at enabling people to stay in the work force rather than giving them income levels that get them out of the work force. But that is not to say that individuals cannot make the choice voluntarily that they want to leave the work force. Many do in that age period 55 to 60.

Mr BARTLETT—Phased retirement though helps in a sense because, instead of it being all or nothing, it actually enables them to stay in the work force longer and, in a de facto way, allow job sharing. Instead of one mature age person being totally unemployed and the other one working full time or perhaps more than full time, you have the possibility of two or perhaps three of them working on a part-time basis.

Mr Mansfield—Sure.

CHAIR—And if the person who was brought in was required to be a person who was then currently unemployed—

Mr BARTLETT—And a mature age unemployed, then you have benefits there as well. From what I understand, an extra two or three or five years, even on a part-time basis, extends the life of your accumulated superannuation assets for several more years because they are earning an income before you are drawing down on them. That therefore ensures more adequately a satisfactory level of income in your retirement.

Mr Mansfield—Sure.

Mr BARTLETT—I guess the question I have about those European examples is the extent to which the cost of that is borne by government or the employers or the employees.

With a couple of those examples, it would seem to me just from the small amount of information there—it is a bit hard without more detailed information—there is a significant cost to the employer or to the government. Maybe there is a way of looking at those where their cost could be shared more equally.

Mr Mansfield—Often it is the employer and the government that have the greatest ability to bear the cost rather than the individual. The individual in most of these approaches is still going to finish up with a lower level of income than they had previously. That is the contribution the individual makes.

Mr BARTLETT—But for working fewer hours as well.

Mr Mansfield—Yes.

Mr BARTLETT—And often that is desirable for those people; a lot of them would want that option if they could get it.

Mr Mansfield—Yes.

Mr BARTLETT—What would your response be to the question of, say, their having more disposable income? Say a worker drops from 40 hours a week to 25 or 30, with the employee no longer being required to make his or her contribution to superannuation and equally the employer not being required to make the superannuation guarantee levy, making it a bit more affordable for the employer as well to have two part-time employees.

Mr Mansfield—At the moment, most employees do not make a contribution to superannuation. It is an employer contribution, not an employee contribution. We would not see a case for a reduction in superannuation contributions by employers. The superannuation guarantee levy level of contribution is currently not high; it is not sufficient really for most employees. That is the level of contribution that an individual will achieve throughout a working life. It will not give a high level of retirement benefit sufficient for most employees to live in retirement. So we could not see really a case at this point for any reduction in those contributions.

Mr BARTLETT—Certainly you would not entertain that thought throughout a person's working life. But as you have said, employers faced with having to downsize often put off the higher wage employees, who are generally the older employees, so what about the option of some financial incentive to keep on people over 60, for instance, on a part-time basis, therefore enabling them to phase in to their retirement and still be earning an income?

Mr Mansfield—Again focusing on superannuation guaranteed contributions?

Mr BARTLETT—Yes.

Mr Mansfield—We would not see it as appropriate. Most people who are in the work force, unless you are in those employment areas which traditionally have had superannuation benefits applied—and they have been the public sector, the finance sector and so forth—if you have been an employee in probably the majority of employment areas in Australia and

you are currently sort of my age, 57—I joined the work force in 1958. I was fortunate enough when joining the work force to join what is now Telstra and superannuation benefits were available for blue-collar workers at that time. If I had joined a private employer, most private employers and many other employment areas as a blue-collar worker, I would not have been eligible for superannuation benefits and I would not have started contributing to superannuation in any way, shape or form, whatever the form takes—it takes at the moment the employer making the contribution.

But we should recognise, by the way, that if that employer were not making a contribution to superannuation, quite probably unions would have said over time, ‘Well, that money should be included as part of wages rather than simply being set aside for the employer’s benefit.’ But what unions have said, what employees have said is, ‘We’re prepared to forgo part of our normal wages in order that an amount is set aside for our retirement.’ But the point I am getting to is: that contribution has only been made really since the superannuation guarantee legislation was introduced 10 or 12 years ago. A 60-year-old today who did not have contributions made prior to the time of its introduction will not have a very big amount waiting for him or her on retirement.

Mr BARTLETT—That is right, but surely the option of working part time for an extra five years is still preferable to being unemployed and having to draw on the very small amount of superannuation that is there or, more likely, the age pension or mature age allowance.

Mr Mansfield—Sure. Our view is that individuals who wish to work on until an older age, whether 65 or even longer, should have that option available to them. But we would not support a proposition that said ‘Let’s reduce the cost to the employer by reducing the superannuation guarantee levy in order to make the employment more attractive to the employer.’ That is not an option which we think has merit.

Mr BARTLETT—Could you suggest perhaps alternative ways that we could make it viable for employers to job share on a part-time basis with older employees, without a cost to them or without a cost to the government as well?

Mr Mansfield—Could I take that one on notice?

Mr BARTLETT—Sure. I would be interested in suggestions you might have of how that might work.

Mr Mansfield—I must say that there is nothing immediately obvious. If the proposition is how you make job sharing which still requires a job to be occupied for 38 hours a week more attractive to employers, the most obvious way, I guess, is to lower the cost to employers. But, if you say to employees, ‘You will bear the penalty of that lower cost,’ it is not an option which we think will be attractive to people.

Mr BARTLETT—Maybe there is some way around it though whereby we can actually maximise the potential of that happening and minimise the cost to any of the players involved.

Dr EMERSON—There are two points that I would welcome your comments on. One is in relation to your document where you say that people over the age of 55 should be allowed to earn \$250 a week from part-time work without reducing benefits.

Mr Mansfield—Yes.

Dr EMERSON—At the moment, someone who is unemployed and who is looking at a part-time or casual job—that is, one paying \$10,000 to \$15,000 a year—faces an effective marginal tax rate of 90 cents in the dollar; and from 1 July next year, after all the changes, it will be 87 cents in the dollar. We may actually be witnessing two things: firstly, people who cannot find work; and, secondly, people who just cannot see the point in it when they are losing at the margin 87 cents in every dollar.

Mr Mansfield—That is right.

Dr EMERSON—I think we should look seriously at that incentive effect there and a proposal along the lines that you are advocating there. Do you have any further observations on that?

Mr Mansfield—We do believe very strongly that there should be a minimum level of income for people who are in the work force part time, who are seeking full-time work but, in this case, cannot achieve it. The living wage rate, which is currently in the order of \$380 per week, should be the minimum income level that individuals should have access to. We should be in a position, through both the income from part-time work and the application of unemployment benefits, to take individuals up to the level of the living wage. It is just a general policy position which we hold.

Dr EMERSON—There have been changes in the structure of the labour market. My question goes to the sort of calculation that an employer has in mind when he or she is considering returns from on-the-job training of an employee; that is, that somehow the workplace has changed—for example, training someone in new computer skills and so on. Probably 10 years ago, an employer would say, ‘Look, a young person will do that because potentially we can get 20 years worth of return from them’ because that is how long that person prospectively could remain in the business. Now make the calculation for someone who is 50 years of age. I suspect that in the employer’s mind there is that age 55 retiring business. So they go, ‘What sort of return am I going to get over only five years compared with someone else who is younger and from whom I can get a return that lasts 20 years?’ But, because the structure of the labour market has changed, young people now, yes, stay in the work force for a long time but keep changing jobs.

Mr Mansfield—Yes, certainly.

Dr EMERSON—So the employer with that information, it seems to me, would say, ‘Gee, I might only get five years, if that, out of the young person.’ Now go to the older person. Age 55 is becoming less relevant. Maybe with the calculation in the employer’s mind, they say ‘Well, gee, I have a 50-year-old who is a pretty good worker but I need to get him or her boned up on computer skills. If I can keep that worker for 10 or 15 years, I will get a lot of extra benefit from them.’ Maybe this will come over time but perhaps there

is a role for government in removing this age 55 mind-set that potentially employers have. Perhaps it could be said, 'Look, if you do invest in older workers, you can get returns for 10 to 15 years.'

Mr Mansfield—Sure. Just a couple of points on that: I think the general proposition you are putting is valid and we need to address it in terms of how do we, as a community, encourage employers to give more opportunities for older workers to remain up to date with the technology, up to date with the work practices in their enterprises and still be regarded by their employers as valued employees. We do have a tendency to focus a lot of our policy prescriptions in terms of getting people into the work force, training them up to the required level of skills, to focus on school leavers and young people and not on older workers. It goes back to that point I was making earlier about employers who are putting their older workers through vocational training and accessing the subsidies.

I will be frank with you. Around the ACTU executive table when this was debated, there was a fair amount of shock, horror: 'What do you want to train a 40-year-old for? What do you want to train a 50-year-old for? This is all a big roort.' It is not a roort. A lot of people out there need to be given new skills and new opportunities to stay in the work force.

CHAIR—Mr Della Bosca expressed some views about a prospective candidate for the presidency which was along those lines, which is consistent with the way a lot of Australians are thinking, sadly.

Mr Mansfield—Yes. So there is a job of work to be done to demonstrate to the community that older workers have got a place in vocational training. ANTA, the Australian National Training Authority, is currently working up a major campaign on the issue of developing a better training culture in Australia. Hopefully part of that campaign will be directed not at merely the sort of ads we tend to see—and we are seeing them on the television right now—of four young kids with traineeships. We should have an older worker there who has a traineeship, showing that this is not just for 16-, 17- and 18-year-olds but for 35-year-olds and 40-year-olds to get back into the work force or, having been in the work force, to develop new skills and get greater job security and promotional opportunities. But the ANTA training culture project hopefully can address some of those issues regarding older employees, and I will certainly bear it in mind myself.

Mr BARRESI—Just to further discuss this issue of training, yesterday we had a submission from a group that made a suggestion that there should be a levy placed on employers who embark on retrenchment in order to retrain those who have been retrenched, particularly the mature aged. I wonder what your thoughts are. To some extent, although you are not suggesting that as a training levy, you are suggesting that there should be compulsory outplacement services for mature age people. Either way it is a cost to the employer. Frankly, I think there is some merit in having some form of costs being imposed on larger corporations. I have serious concerns when we are talking about small business who will just see it as another barrier to making the employment decision to begin with, if they then have to pay a levy of some sort. What are your thoughts about that? Is that something that can conceivably work?

Mr Mansfield—I think your distinction between large employers and smaller employers is appropriate because there are different approaches that could be expected from larger employers as against smaller. If you looked, for example, at the way in which BHP handled its massive retrenchment in Newcastle over the last couple of years, I think there is a very good example there of how large-scale redundancies can be handled in a way which maximises the opportunities for the individuals affected to get on with their lives in a very positive way. That involved counselling of the thousands of workers who were to be made redundant—counselling on what their future opportunities might be, what they could look forward to in the future, how they should do some lateral thinking about what their potential is for the future.

A lot of those individuals had been working in the steelworks for most of their working lives. We have seen it on television over the last year or so: several generations of the one family had gone through the steelworks all making steel, and the steelworks were not going to be there any longer, and what were they going to do with themselves. They had to be shown that there was a life ahead of them and that there were positive opportunities and that they had potential. So the counselling process was very important for that particular downsizing.

Training opportunities were also made available through BHP. People were able to go off the job for quite considerable periods of time during that 12 to 18 months during which the plant was shutting down. The payment of redundancy benefits: very important. You cannot just put a person out the gate with nothing. That individual has to get a decent level of redundancy payment.

Mr BARRESI—Sorry to interrupt, but my problem with your example of BHP is that to some extent that is just one out of the box.

Mr Mansfield—I am not suggesting that BHP has application to—

Mr BARRESI—They had national attention, it was bad PR for them, a town was depending on that work force and you had government providing assistance. But say there is a factory across the river in Footscray that lays off 20 people out of a work force of perhaps 400. What about those companies? How will it work in industries where you do not have the national media, where you do not have government assistance?

Mr Mansfield—That is where you do need a set of public policies which provide the sort of support that the employer could be expected to provide in the BHP example. BHP has the resources to do what we have just been describing. The 20-person factory in Footscray which lays off three people does not have the resources to do that. So that is where you do need the public support. You need support from government to enable the individuals to access the retraining, to get the counselling, to show them that they do have a future.

Mr BARRESI—I come from a human resource background. Certainly in the 1970s and 1980s outplacement was a rarity. Those who went through outplacement—just about 100 per cent of them at that time—were senior executives being sent to your large outplacement corporations, and they would get a job out of it. These days that same level of outplacement

service is not as intensive as it was back in those days, I think mainly because of the dollars involved—there are not as many dollars going into it—but also the employment is not there where people can be directed. Counselling is a very important part of it. But I think the key here is the training aspect, the retraining and the upskilling. You need the counselling, you need to be guided in terms of at least thinking about a career change, looking at other options, doing an assessment of your skills and all those sorts of things—and a lot of Job Network providers would do that. But it then falls down in terms of the training to be able to get that next job. I wonder whether or not an employer should have a moral or social responsibility to take part in that because they have retrenched their people.

Mr Mansfield—I would argue yes, but the level to which the employer will be able to do that will depend very much on the shape of the business. I do not want to let employers off the hook here, but often employers who are retrenching people are in trouble financially. To say to them, ‘Well, in addition to that retrenchment, you now have to do this, this and this, rather than focusing on running your business and trying to get it back on its feet,’ might not be all that practicable.

CHAIR—But one of the things that Phil is alluding to which we have been considering is—in fact, I wrote to Martin when he was the president about this—we have to get the economy right, and that is the most important thing, as you said at the start. But, having said that, how can we better deal with the human dimensions of displacement of unemployment and redundancy? One of the things that we are thinking about is some sort of code of conduct which could be developed between the BCA, the ACCI, the Small Business Council, the government, the ACTU that basically would be seen as a guide for employers to follow as a best practice model right from your corner store through to your BHP.

As you say, often the businesses themselves are in real trouble. In fact, one person said to us at one point that the best thing we could be doing is having some sort of business doctor. They call in somebody who goes in and says, ‘Look, our business is in trouble; how can we get out of it?’ Some employers—and BHP is a great example—have done it extremely well, but many of them are appalling. A lot of the problems that we have encountered of people applying late for benefits, of problems in the family, of depression—14 per cent of these blokes suffer depression and all this sort of business—relate to the way in which the process is managed. That is something that perhaps the ACTU ought to be thinking about. I know you are worried about employees and in particular those who have jobs as well as those who you would like to get jobs, but there is a real need here which is not being met.

Mr Mansfield—Codes of practice to date have not been terribly successful. They are well intentioned, and I think everybody who participates in them has a genuine commitment to them. But, in our experience, they sit there and very few people in the real world know about them or take any notice of them. There are codes of practice on the introduction of technological change; there are codes of practice on industrial democracy, as it was called. There is a whole range of other codes around that 99 people out of 100 would not even know exist.

CHAIR—But perhaps there could be financial incentives that the government can inject into it. What we are talking about is requiring them to involve Centrelink and counselling

agencies, advise family members, all of those things that happened at BHP. Perhaps we can inject some sort of financial incentive into it because in the end I think it is likely that there will be savings if this process is managed better—savings at least to the public purse. It is worth having a look at, from my experience in any case.

Mr Mansfield—The ACTU would certainly be willing to sit down with other parties, the ones you mentioned—governments, major employer organisations and others—to look at the potential to develop a code of practice. I am not saying that it is without value. But the codes of practice we have developed in the past in a whole range of areas, by and large—there may be exceptions—I am afraid, have not had the sort of effect that people would want.

CHAIR—A lot of employers are still ignorant about things such as unfair dismissal and so on.

Mr Mansfield—Yes, sure.

Mr SAWFORD—I was saying to Brendan earlier this morning that on this inquiry it is a little bit like the movie *Groundhog Day*. We have gone through this argument on unemployment for the last 20 years and we have not advanced terribly far.

CHAIR—Until this morning.

Mr SAWFORD—Unfortunately, with respect, I do not think we have gone much further either. This is not a personal attack on you; I think it is an indictment on all of us. If you look at the quality of the condition of unemployment in terms of suggestions of the \$2,500, the super, all of those things, they affect the quality of the condition of unemployment.

Mr Mansfield—Yes, sure.

Mr SAWFORD—But in terms of the quantum of the real unemployment issue and, if I can use some of the comments you made both in your oral evidence and in your written submission, one of the practices in Europe which we have tended to follow is that of time flexibility, which I want to follow up on just a little more.

Mr Mansfield—Sorry to butt in, but we have not really followed the practices in Europe.

Mr SAWFORD—One we have.

Mr Mansfield—One we have; I see, okay.

Mr SAWFORD—You also made mention of the two recent recessions, 1981-83 and 1990-92, and that mature age people—in fact, all the long-term unemployed—have taken a long time to get back, and some have never got back.

Mr Mansfield—Yes.

Mr SAWFORD—Notwithstanding all of that, if you look at one piece of information from Europe—because it is not available in the Australian context—from 1829 to 1979, the hours worked by men—and the figures are only available for men—have decreased from 100, through wars, through depressions, through everything, and productivity has continued to rise and capital investment has continued to rise—

Mr Mansfield—And GDP has risen.

Mr SAWFORD—But hours have fallen from 100 into the thirties and in some cases below the thirties, until 1979 when the graph of hours worked per week started to turn around. In 1979, the people who are in employment are now working longer hours than they have ever worked. In 1979, if you looked at the quantum of unemployment, it was essentially whether you were full-time unemployed or you were not. You were not really looking at, as we are in Australia, 700,000 unemployed as you would have been with the figure in 1979. Now you are looking at who is underemployed, another figure of 700,000, and you are looking at another figure of 700,000 who have just given up. That was not true in 1979 either. So the complexity of what is unemployment or what we describe as unemployment has changed quite dramatically. Given that we had a fairly generalised comment made by Drake Personnel yesterday that there is a fairly much agreed prediction that in the next couple of decades 70 million people will come onto the labour market in the OECD and there are five million jobs potentially that people have identified as being available—

Mr Mansfield—I would put quite a bit of money on that prediction not coming true.

Mr SAWFORD—But the current orthodoxies in terms of dealing with unemployment are not working. You have mentioned one in terms of flexibility of time, which we have never taken seriously in this country as a debate, including the ACTU with respect, including government; it has never taken that seriously.

Mr Mansfield—I would not disagree with that.

Mr SAWFORD—I will ask you to make some comments about that. But also we do not seem to have much flexibility in terms of the orthodox mind-set in terms of wages or on-costs; there is not a debate about the flexibility of those things either. When you look at research, what longitudinal research do we have in this country about any form of unemployment, let alone mature age unemployment? It has been a form of research that would have been very useful to government, to the ACTU, to academia, and yet none has been sponsored in the last 20 years other than the odd little bit of what I would call serialised research where a university or someone gets a one-off grant to do something but it is never followed up. In terms of flexibility of time, flexibility of money and the non-availability and the non-willingness to engage in longitudinal research, are we just deluding ourselves—government, unions and business—that we are seriously taking on this debate about unemployment?

Mr Mansfield—In my view, I do not believe that we could legitimately make the case that the community is not seriously tackling unemployment. We are all aware of the large

numbers of programs and the large expenditure of funds that have been directed toward reducing unemployment over the last couple of decades.

Mr SAWFORD—They have not worked, or they have worked a bit.

Mr Mansfield—They have worked in a fashion. In fact, if you look at our experience in Australia by comparison to, say, Europe, you would have to say that they have worked probably spectacularly well. Our unemployment level has probably been in the order of 60 per cent of the average level of unemployment that occurs through most of the OECD countries throughout Europe. Levels of unemployment of 12 to 14 per cent have been and still are quite common amongst the OECD countries in Europe.

Mr SAWFORD—But that depends on how you measure it. In the OECD since 1990, the measurement of unemployment has changed dramatically. Countries like France and Portugal use a more traditional form of measurement, so they come up with these figures of 12, 14 and 15 per cent. We use a ‘cheating system’, if I can call it that, in terms of measuring unemployment.

Mr Mansfield—I am just making my observation on the basis of the figures published—

Mr SAWFORD—Ours are 14 or 15 per cent, too, but we do not measure it that way.

Mr Mansfield—I am making my statement on the basis of figures that the OECD publishes. I can only hope that they have standardised to a figure which is comparable across the various OECD countries. But our unemployment performance over the last 20 years has been good by comparison with most other developed economies. The only real exception is probably the United States, which has had an unemployment level normally lower than Australia's. But by comparison with most other OECD economies we have been performing well. So some of the policy measures we have been taking have been effective.

In regard to unemployment in the longer term, I am not a pessimist, neither is the ACTU pessimistic, about our prospects of getting unemployment down below our current level of around seven per cent. We are still trending downwards in terms of unemployment levels. If you look at our employment growth rate over the years, we have more people employed today than we have ever had before in our history. The challenge in front of us is to increase the rate of growth a bit. That is not to say that there are no concerns. The level of casualisation, the level of part-time employment, the growing divide between those who are in secure, well paid jobs and those who are in marginalised, peripheral jobs are causes for concern. Today it is not like it was when I joined the work force in the 1950s. Then, you went into employment, you got a 38-hour a week job, you had a reasonable prospect of job security and career ahead of you. Today, many young people face the prospect of part-time or casual employment. That is a downside to the way in which our work force structure is changing.

Mr SAWFORD—I will just interrupt you there. Basically, I am not arguing about whether the future is optimistic or pessimistic; I am not interested in that. What I am interested in is this: perhaps the current mind-set that we have developed in this country and the current orthodoxies that we have developed in this country to deal with unemployment

are not the right ones. It is like anything: if you do not do your homework and you do not develop a basis of strong research from which to operate, there is no way you will get anything right. In the United Kingdom, for example, they do have a track record for longitudinal research. We do not. We have never had it, whether it be in employment, education, health or anything.

Mr Mansfield—I would agree with you that that is a weakness and it should be rectified. I would make one final comment, if I might. In regard to longer hours, the ACTU is currently undertaking quite an amount of work on the tendency for existing employees to work longer hours than they have in the past. We are very concerned about the reversal of the situation where the trend has been downwards to a situation now where individuals are being expected to work more than 40 hours a week, and in many cases they are being expected to work that without any extra remuneration.

Mr SAWFORD—The quantum of that, by the way, is 25 million hours. That equates to, I think, 700,000 full-time jobs. It is an interesting analysis.

Mr BARTLETT—You have said that you are doing research on that. Could I just ask you to look at the barriers that might be discouraging employers from taking on new people rather than just expanding the pressure on their current work force.

Mr Mansfield—Yes.

CHAIR—Thank you very much, Mr Mansfield, and thanks to you and your colleagues for providing us with such a comprehensive submission. There are a couple of things on notice on which you will come back to us.

Mr Mansfield—Yes, I will come back to you.

[10.12 a.m.]

DAVIES, Mr Edward, Director of Operations, Davidson & Associates

CHAIR—Welcome to our inquiry, Mr Davies. Please give us an overview of your submission and then we will discuss it until 10.45 a.m.

Mr Davies—I am Director of Operations for Davidson and Associates. D&A, as we are commonly known as, is a consulting organisation which specialises in the field of career transition, or outplacement as it is more commonly known. We have worked with over 30,000 individuals in our 16-year history, those individuals being referred to us by a wide range of corporate and government employers from throughout Australia.

In an analysis we undertook recently of 1,000 people with whom we had worked during the course of 1998 and 1999 who had been retrenched or made redundant and whose files had been closed—that is to say, had landed another position—we found that 33 per cent of people over the age of 50 had become self-employed. This compared with only 13 per cent of people under the age of 39 who chose self-employment and 21 per cent of the sample overall. We also found that of our sample more than half, 53 per cent, of the people moved to a new industry sector and 41 per cent changed the type of job they had previously. This, we believe, emphasises the importance of transferability of skills.

In our view, the reasons for the significantly higher level of self-employment in the over-50s fall into two clear categories. The first is that regular full-time jobs for the over-50s are simply more difficult to come by than for younger people. This statement is based on a wide range of anecdotal evidence and community perceptions about older workers. In contrast, we also find that many people, after working for someone else for most of their careers as employed persons, choose to pursue self-employment because they wish to work for themselves. They may have reached a stage in their working lives where lifestyle issues become more important or where many of the factors driving people earlier on in their careers—such as family commitments, bringing up children, paying off mortgages, et cetera—are no longer as important. That is, at this stage in many people's careers, they may have choices that they lacked earlier and those choices may include pursuing self-employment.

We also believe that an important factor behind this trend to self-employment is the growth in outsourcing in recent times. As organisations have moved to outsource non-core activities, this has in effect created a number of opportunities. The work that was historically performed in-house still has to be done, but now it may be done outside by subcontractors.

The following are some of the key issues we believe to be pertinent in this discussion or debate. Skills: if lifetime employability rather than lifetime employment is part of the new employment order—and we believe it is—what skills must people have in order to survive and thrive in this environment, recognising that an environment which encourages lifetime employability reduces dependency on state-funded superannuation and the welfare system in general? Also, in terms of infrastructure and training, if self-employment continues to be as prevalent as we expect it to be, what type of infrastructure support or connectivity is

available to promote and facilitate this and, again, what type of skills will be needed? That concludes my statement.

CHAIR—Thank you very much. I appreciate what you have said, but I would like to start by asking about the other end of it and about people losing their jobs. I know that some of my colleagues will come back to the things you have raised there. In your organisation you deal with a lot of people in middle and senior management, as I understand it, and you assist them to find other kinds of work. Is that right?

Mr Davies—Yes. We have tended to specialise in the areas of middle and senior management, although I would say in more recent times that the range of people we have worked with has extended throughout organisations. We have worked with organisations enterprise wide in these sorts of activities.

CHAIR—Do you derive your income from the business with which you place somebody, or do the prospective employees themselves pay for the service?

Mr Davies—We derive our income from the employers from whom the redundant or retrenched employees have come.

CHAIR—So you are an outsourcing company?

Mr Davies—No, we are not an outsourcing company. If a company decides to retrench an individual or outplace people, they will refer those people to us and say, ‘We would like you to help them move on in terms of finding the right next position.’

Mr WILKIE—They are normally senior people though?

Mr Davies—That has been the tendency, yes.

CHAIR—So, by definition, you are dealing with employers who in some ways care about the people who are leaving because they are engaging you to find them some other sort of work.

Mr Davies—That is correct. We find that the vast majority of employers these days would use some sort of outplacement assistance for redundant workers across a whole range of workers.

Mr BARRESI—Is Davidson and Associates the former Davidson and Axesmith?

Mr Davies—Correct.

CHAIR—One of the things we are concerned about is the way in which employers handle the whole redundancy and dismissal process. By definition, the ones with whom you are dealing are probably the better ones. It is a pity that that does not apply right through the labour market and not just at the top end.

Mr Davies—Yes. In our experience now, the vast majority of employers will want to help their departing employees land another position for all sorts of reasons. In many cases it is simply a question of saying that they want to help their people. I will give you one example of a statement made to me by an employer recently. When I asked the employer what their expectations of the outplacement process would be, the response was, ‘I would hope that the people who are leaving this organisation, after they have left and gone through what is obviously going to be a difficult period but come out with another position, will be able to look back on their employment with this organisation in a positive light.’

CHAIR—Is age one of the main factors why they are being moved on; and is age a barrier when you are then trying to find them another position?

Mr Davies—Yes. In terms of the first question, I would not say that we have any evidence to say that age is a factor. There are anecdotal observations that we could make but no evidence to that effect. In terms of the ease with which displaced workers find another position, there is no doubt in our minds at all that it is more difficult if you are older. There tends to be an in-built bias against older workers for a whole range of reasons—which are invalid, I must add. But there is a number of perceptions about older workers which may include judgments about flexibility, age, energy, cost, all sorts of reasons.

CHAIR—If you were setting out with all of your experience to try to change the culture amongst employers in relation to older employees, how would you go about it?

Mr Davies—If I can start with the employees, I would say that there is a responsibility, we feel, among employees to ensure that they continue to keep their skills current and marketable. So that is the first exercise and the first principle that is involved here. The first area of responsibility actually lies with employees to recognise that they have a responsibility to what we call manage their own careers. The responsibility of the employer, we believe, is to ensure that there is the support and the system—the infrastructure—to enable that to happen.

Mr SAWFORD—You have been established for 16 years. You have mentioned your survey in 1998-99. How regularly do you do surveys?

Mr Davies—We do a survey every two years.

Mr SAWFORD—Over the last 16 years, what sorts of patterns and trends have you seen emerging in terms of mature age unemployment?

Mr Davies—We have found that there has been a greater move towards self-employment among the people whom we work with during the last 16 years. There is a greater trend towards people moving into self-employment as opposed to the past.

Mr SAWFORD—Why has that been the case in Western Australia, I think it was, far more than, say, South Australia or Queensland? Do you know why?

Mr Davies—No, we do not. We have looked at the data more in terms of a consolidated series of data than on a state by state basis. One of the questions that was raised by another

organisation when we made that statement, which is based on the data that we have, is: does that indicate that people in Western Australia are more entrepreneurial than people elsewhere in the country? We would say no, there is nothing to back that statement up. Whether the sample size is sufficient to derive any statistical significance from that, I would not say. But we would certainly agree with the broad interpretation from this data that it is much more likely that, if you are over 50, you will go into some sort of self-employment than if you are under 50. That is very strongly the view, and that is across the board in every state.

Mr SAWFORD—Earlier this morning we had mention from Bill Mansfield of phased retirement in Europe. In your view, how realistic is phased retirement in the Australian context?

Mr Davies—I think it is very realistic. In fact, more and more people are doing this. We tend not to use the word ‘retirement’ because fewer and fewer people actually go from a position where they are working full time and then stop working absolutely. In fact, there are many schools of thought which say that that is very bad for people. A phasing-out from full-time work to part-time work to retirement is more and more prevalent. Many of the people we work with will go into part-time positions. Many of the people we work with will undertake a range of activities, what we would call a portfolio career. They may go into part-time work. They may support that by doing some sort of tertiary education. Some will go and teach. Some will work for voluntary organisations. They will combine a range of activities and keep themselves active. So I would say it is absolutely the case that there is more of a tendency now towards a phased retirement, using your words.

Mr SAWFORD—In terms of the self-employment, were there any indications in your survey of what sort of self-employment was involved?

Mr Davies—Again based on our experience with the people we are working with, recognising that a number of the people that we work with occupy middle management levels and above, a number of people will go into consulting and a number of people will go into contracting in areas of general business management, finance and accounting operations where they can bring their skills to bear with organisations that may have a need for those skills.

I will give one example, which I think is pertinent here, and it is particularly relevant for older workers. As we go through the growth of a number of smaller organisations—technology type organisations which, let us say, are Internet based but not restricted to those—you will find a lot of these organisations have been founded and are being run by younger inexperienced people who have taken a very good idea and formed a business out of it. These people may be very smart, but they have very little experience in running a business. Many of the skills that older workers have complement that perfectly. We find that that creates, as I said in my opening statement, this whole trend towards outsourcing, in the first case; and the emergence of newer businesses based around new technology has, in fact, created a number of opportunities that were not there before.

CHAIR—We have certainly seen in the IT sector a better spread of work force age which perhaps reflects that to some extent. You have the bright young people with their ideas at one end and then you have the people with experience at the other.

Mr Davies—Yes.

Mr SAWFORD—The successful ones are buying the financial skills and they are buying the marketing skills.

Mr Davies—That is correct, because they do not have them.

Ms GILLARD—Looking at the percentage of people who move to a self-employment status after losing their jobs, do you have any feel or any figures about how many succeed and how many fail in their new business? One of the concerns that has come up during the course of the inquiry—and it might not apply so much to the work force segment you are dealing with—is that people think that a useful strategy is to move into small business and invest heavily in terms of their redundancy moneys in order to start the business, and of course small business failure rates are very high.

Mr Davies—Yes.

Ms GILLARD—Do you have any feel about that in terms of your clientele?

Mr Davies—We would work with our clientele very closely before they decided, for example, to jump into buying a business to make sure that they had developed a very clear understanding of what they were getting into and that they were managing that risk. I suppose one of the ways in which I can respond to that is by saying that, if people try these things and they fail, we encourage them to come back into our program. We basically say that, for a period of up to 12 months after they start something, whether it is in a full-time role or a self-employment role, and it does not work out, and recognising that there is risk involved in this, we encourage them to come back and continue to make use of our services.

The proportion of people who do that is about five per cent. So it is very small. Whether that is an indicator of success in this particular regard is a matter of interpretation. But in terms of the information that we have at our disposal, it is a fairly low percentage. But one of the things, as I say, we do with people is work with them very closely when they are at a point of evaluating either a job offer or a business concept. We work with them and challenge them in terms of: is this right? Is this a right fit? Does this make a sensible opportunity for you?

Going into business for yourself is often very attractive to people while they are in the full-time corporate sector and when they have worked for somebody else for all their career; for those people, it can be a very attractive notion to think about the independence and the autonomy that goes with being self-employed. One of the things that being self-employed also involves though is that, in running your own business, first of all, you have to recognise that, for example, you will not have a lot of support. A lot of the things that you have taken for granted in your career are not there any more. In running your own business, one of the things you have to do first of all is to make sure that you have some customers. You have to be able to develop a business. A lot of people who have a good idea who are excited or interested at the prospect of working for themselves need to think through some of the consequences of that. We think that is a very important part of the process in order to come

up with the right decision. So, hopefully, if we are doing our job properly, the number of failures should be relatively low.

Mr WILKIE—I am a fan of outplacement services. Organisations that I have seen operating appear to be working very effectively. But what I have noticed is that predominantly they have been set up by senior management for senior to middle management positions so that, when they get retrenched, they are found positions. How do you think this program would work with other employees; and how should it be funded if it were introduced on a broader scale?

Mr Davies—I think your comment is appropriate maybe more in the past than presently. We are seeing more and more examples of organisations which offer some form of what we would call outplacement or career transition support to the organisation.

We worked with an organisation, for example, in Ballarat very recently where there was a plant closure which affected people from senior management right through to the shop floor. We worked with all levels in that organisation because the principles involved in job search are common throughout; it does not matter what level you are operating at. We feel very strongly that it is inappropriate to impose some sort of arbitrary cut-off as to where outplacement support should or should not be provided. We are finding that more and more organisations are recognising that; certainly the larger organisations are doing so.

In terms of the funding, it is our belief certainly that the majority of employers recognise their responsibility to provide support. They also recognise that the responsibility for funding that falls on themselves.

Mr WILKIE—Do you think there should be any levies put on employers to raise funds for that sort of activity?

Mr Davies—As long as the funds are there, I believe it should continue to be the responsibility of the employer to provide that sort of support and fund it. It is part of, I think, the cost of doing business.

Mr BARRESI—Without indicating your own organisation's differential, unless you feel comfortable about doing so, what is the usual differential in fee for service between providing an outplacement service for the senior management-middle management level and perhaps those on the shop floor?

Mr Davies—Could you explain the question a bit?

Mr BARRESI—You would be paid a fee by the employer to provide outplacement services.

Mr Davies—Yes.

Mr BARRESI—Would it be the same fee for blue-collar level outplacement?

Mr Davies—The level of program varies depending on the needs of the individual. Therefore, you will typically find—and our organisation is, I would think, fairly typical of most organisations in our field—that there will be a tendency for older people, more senior people, more highly paid people to take longer to land a suitable position than people who are lower paid or less senior or who have less experience.

The principles that we work on: we work on one assumption; namely, that if people are leaving a job and will be looking for another job, they will at least be looking for something comparable. We certainly strongly encourage people not to assume that they have to go down in value or that they have to sort of lower their sights in terms of the sorts of jobs that they should be looking at.

Therefore, given that principle, we would say that it tends—and, again, our data confirms this—to take longer for more senior people and probably requires more intensive intervention on the part of organisations like ourselves. But, as a proportion in relative terms, I really cannot give an answer to that question because there is a whole range of fees that apply here.

Mr BARRESI—I am not asking it as a way of justifying your existence; I am asking it more in terms of whether or not that in itself is an incentive or disincentive for businesses out there to hire an outplacement service for the lower ranked positions. What I am trying to get at is, organisations often would use an outplacement service for their senior management. Part of it is to do with wanting that person in a job, perhaps in the sense of payback for loyalty or past performance. They want to make sure the person is given acknowledgment for whatever reasons—it might be to buy peace so that the person does not take them through the courts.

Mr Davies—All those reasons, correct.

Mr BARRESI—So they might be willing to pay a premium; they might be willing to pay 10 or 15 per cent of the person's salary. But what incentive is there for an employer to ensure that their customer service operators, their telemarketers are receiving outplacement services as well?

Mr Davies—That is a very good point. I would come back to the issue of reputation. The way in which employers handle the termination of its people—whether it is senior people or a customer service operator, who still has an extremely important role to play in that organisation—has a fundamental impact on not just their reputation in the community, their reputation with their shareholders, their reputation with government, but their reputation with their people.

The reason why many organisations recognise the need to handle these very difficult situations with extreme care and sensitivity and to provide the appropriate level of support to their people has as much to do with the people who are staying with the organisation as it does with the people who are leaving the organisation. The way people are treated in leaving affects the people who are staying enormously; it can have a huge impact. That applies, frankly, across the board. So I would suggest that certainly the larger employers and the ones who recognise this will want to use some form of outplacement support for all their people

because, as I say, it has a major business impact on the operation. It has an impact on the reputation but also on the climate for the people staying.

The one thing that people leaving an organisation have, difficult though the situation is, is clarity. They know that their future is not going to be with that organisation. The people who are still with an organisation still have a lot of questions such as, 'What's my new job going to be? Who's my new boss going to be? How safe is my job? What is the future? What are they doing? What is the plan? Who is going to do all this extra work?' So there is a lot of anxiety around the people who are staying with organisations which has a material impact here.

Again, I think responsible employers recognise this and act accordingly. So yes, they want to do the right thing for their departing employees. I would suggest that the vast majority of employers are motivated certainly by that, but there are also some very practical reasons why they need to provide support for their departing employees as well.

Mr BARRESI—The portfolio career has been mentioned a couple of times by various witnesses. You make the point here that a number of those who have come through your organisation have taken portfolio careers made up of board memberships, consulting and lecturing. What evidence do you have that the concept of portfolio careers is being grasped by maturer age workers in non-executive, non-senior management roles? Also, what would be those portfolio careers; what would they be doing?

Mr Davies—Again, a number of people there would be doing part-time work. They might be undertaking work in providing contract support for an organisation. A lot of people, particularly older workers, take the opportunity to do voluntary work. Our experience of portfolio careers is probably more related to managers, but the principle of portfolio careers applies throughout—which is why we do not use the word 'retirement', as I said earlier. A number of people will consciously say, 'I don't want to work full time; I want to spend more time pursuing my own interests but I want to do some part-time work.' Wherever that applies, they will pursue it.

CHAIR—One issue that we have considered is this concept of having some sort of code of conduct which is negotiated between small and large employer organisations, unions, government, perhaps involving companies like yourselves, in terms of developing a best practice model, if you like, that ought to be followed by employers who are going through this process. Bill Mansfield from the ACTU, who was here previously, made the point that, whilst the ACTU would clearly support something like that, codes of conduct are not always all that well adhered to. Do you think there is some merit in something like that?

Mr Davies—Yes, I do. One of the things that we do in every situation such as I have described is work with the companies, the managers, the employers wherever possible and as early as possible to ensure that things are going to be done properly. We find that the earlier the intervention and the more we can coach particularly line managers in how to handle these situations, the smoother these situations go and the less risk, the less likelihood, of litigation, disruption and the like. So I think a code of conduct around best practice lines would be absolutely appropriate. I think, given the experience of our organisation in dealing

with these very delicate and very difficult situations, it is something that we would be more than keen to participate in.

CHAIR—A number of people have said to us, ‘Look, the problem in terms of age discrimination is not always the employer; the problem can be the person who is the human resources director,’ or whatever title is attached to such a person, and often that person is in their late 20s, early 30s; and here we are talking about a prospective employee who might be of the age of 50. Is that a frequent problem for you? I suppose, if an employer has someone with that attitude in that area, they have employed the wrong person for the job.

Mr Davies—That is right, and it is never overt but always covert. It is very rare. We get a number of referrals from prospective employers as well telling us that, if we are working with a particular individual or individuals with a particular range of skills, they would like to hear from them. So we talk to a lot of prospective employers as well. Age will never come into it. I would suggest that it may not be the human resources department; it is more likely to be the line management that exhibits those sorts of prejudices. I think HR people recognise or probably have a better appreciation of not only the legalities of the situation but also of the fact that older workers have some experience and skills that would be of value. They should be coming at this with a more open mind, I would suggest.

CHAIR—Thank you for coming along today. We really appreciate it and we appreciate the work that you have been doing. I realise that it is a business, but it is a very good one.

[10.45 a.m.]

CORDINGLEY, Ms Sha, Chief Executive Officer, Volunteering Australia Inc

CHAIR—Welcome. Would you like to give an opening statement, at the conclusion of which we will ask questions.

Ms Cordingley—Volunteering Australia in its written submission to the inquiry documented a number of factors that make volunteering a viable option for people over the age of 45 seeking to re-enter the work force. Listed in our submission are a number of benefits described by volunteers in various surveys and research projects. Maintaining skills and the capacity to maintain work readiness were two important factors to volunteers seeking paid employment.

More than the statistics, the two case studies enclosed with our original submission demonstrate both the tangible and the perceived benefits of volunteering to unemployed workers seeking paid employment. A policy briefing paper, prepared by the National Centre for Volunteering in the UK for the Social Exclusion Unit of the Cabinet Office, states that ‘lack of employment is a major cause of social exclusion’, and ‘volunteering can provide a means of tackling unemployment by providing skills, training, experience and contacts as well as by improving self-esteem and confidence.’

The Stepping-stones to Employment report by the Department for Education and Employment in the UK and evidence from volunteer-involving organisations point to clear links between volunteering and employability. Similarly, the ACOSS research paper, ‘Volunteering in Australia’, commissioned by the Commonwealth government in 1996 found that respondents to the survey definitely saw volunteering as a useful pathway to employment. However, volunteers felt that a transition to paid work was not always related to specific job skills learnt from volunteering. Gaining confidence and self-esteem were often cited as the benefits. Also frequently mentioned was making contacts and the expanding of networks which had often led to paid work.

Much of the literature and research on volunteering refers to the reciprocal nature of volunteering. The ABS survey in 1995 reports that providing a benefit to the community was a major motivation for volunteering. However, 59 per cent of the volunteers reported personal satisfaction as a benefit, with 38 per cent specifying social contact; 16.7 per cent of the volunteers reported learning new skills as a benefit, with 7.8 gaining work experience or a reference; and 11.3 using their existing skills and experience. Only 4.7 per cent of volunteers reported receiving no benefits at all from volunteer involvement. The ABS survey also showed that two-thirds of people who volunteered were either in full-time or part-time employment and that people aged between 35 and 44 reported the highest volunteer rate at 27 per cent.

Volunteering Australia does not seek to promote volunteering as an alternative to paid work or a solution to unemployment. However, volunteering does appear to be a useful option to people seeking paid employment. It would also appear to be the case that volunteering offers different benefits to different age groups. For example, research shows that young people use voluntary work to gain work related skills and training. The ABS

statistics show that a significant number of individuals around the 45-year age group are already volunteers or have been volunteers in the recent past. The reason for this involvement is usually around family commitments—that is, children and spouses, leisure activities or in schools. However, if this group is already committed at some level to volunteering, it may only be a short step to involving themselves in volunteering should they become unemployed. It also seems more likely that, as mature and skilled adults, their motivation will be to maintain their skills and keep themselves motivated while seeking paid employment and to provide a useful and worthwhile service to the community at the same time.

It is also possible to use volunteering to test new types of employment. In addition to promoting volunteering, Volunteering Australia also promotes good volunteer management practices to ensure that volunteers are treated fairly, receive adequate training and support and are provided with opportunities for professional development. Many Volunteering Australia documents reflect the belief that, as one of the many benefits of volunteering, volunteers are entitled to adequate levels of training. Volunteering Australia has produced a set of best practice standards for involving volunteers in the not-for-profit sector. These were developed in full consultation with the sector.

The submissions of Volunteering Australia have concentrated on the notion of people over the age of 45 using volunteer work as a vehicle to re-enter the paid work force. As a sector, we have moved well beyond the stereotyped view that altruism is the only legitimate motive for volunteer involvement. It is clearly understood by the sector that volunteer motivation is a complex issue. Consequently, volunteer organisations want to provide volunteers with good volunteer experience and to meet their needs as far as possible; this makes for a committed volunteer work force. It is, however, not the only way in which to meet the needs of those seeking to find paid work or to set up small business. Some people could seek and receive assistance from volunteer programs, particularly through mentoring programs and support networks.

We believe that volunteering is no solution to unemployment but that it can offer a number of opportunities and even life savers to some people. In a nutshell, it gives people choices, it allows them to offer their skills where they will be valued and it keeps them in control of their lives.

CHAIR—Thank you very much. Thank you also for what you do for Australia's volunteers. As you know, our inquiry is looking at the problems of people over the age of 45 who are unemployed and in career transition. A big part of that is whether volunteering assists them to get employment. A lot of what we have been told is, in fact, it does. Is Volunteering Australia or any of its umbrella organisations involved in actively having volunteer programs or promoting them as a way of assisting work readiness for people in this age group?

Ms Cordingley—Yes. Two years ago we were awarded a contract by the federal government precisely to assist people over the age of 50 who were unemployed and on unemployment benefits to get volunteer experience. Part of the rationale for that is that it assists them in re-entering the work force. We also target long-term unemployed people, many of whom are around that age group. We are just about ready to do an evaluation of the

program, but we have found that it certainly assists older people in keeping up their motivation, maintaining their skills in order to re-enter the work force.

Mr WILKIE—I am not sure what the current rate is, but I know that people who are long-term unemployed can be involved in volunteering without it affecting their benefits.

Ms Cordingley—Yes.

Mr WILKIE—Do you believe that that number of hours should be increased? What do you think would be realistic?

Ms Cordingley—I think if you increase the number of hours, it causes problems in all sorts of areas. I think people who are using volunteering as a vehicle to re-enter the work force also need to have the time available to search for paid work. Also, I think volunteer organisations themselves have not particularly geared themselves up to have people involved on a full-time basis in their organisation. So that presents a slight problem to the sector inasmuch as we have to find multiple placements in order for one person to reach a certain number of hours in a week. If we are looking at full-time volunteer work, it then also perhaps creates industrial problems as well because it could start to displace paid workers from the sector. I am sure that no-one wants that.

Mr WILKIE—I was not necessarily thinking of full time but whether you think the level of hours people can do now without it affecting their benefits is enough or whether it needs to be increased or decreased?

Ms Cordingley—I think it is—

Mr WILKIE—Quite adequate?

Ms Cordingley—Yes.

Dr EMERSON—Perhaps I could share an experience with you and see whether you have had a similar experience; that would help me. The experience relates to volunteer work in relation to the reading recovery program that operates in Queensland. In my electorate of Rankin, we were very interested in seeing whether we could encourage particularly mature age unemployed people to come along to schools in some of the disadvantaged areas and read to children who had been identified in the year 2 diagnostic net as having reading difficulties. It was all going very well. Centrelink agreed that such volunteer work would be given points or accredited for the work test for Newstart allowance or the relevant allowances. The schools were really excited about it. We identified a mechanism for basically doing security checks on prospective volunteers so that they were suitable—in other words, ascertaining whether they had a criminal record or not. At the operational level of the Job Network providers, they were pretty keen too in identifying people who potentially could do it—because Centrelink felt that they did not have the capacity to do so.

We then visited the offices of the Job Network providers and talked to the management of those, and each of them said that they would not participate because they could not make any money out of it. The first we visited was Employment National, and they said, 'There's

no money in it for us, so we're not doing it.' We then went to the more conventional private sector providers and they said no. Then we went to the Salvation Army and they too said no; they said, 'We're a profit maximising business and there is no money in that for us.' I do not blame the Job Network providers for this, but the way that system is set up seems to me, in effect, to be thwarting what would otherwise be a very good initiative. That is a long way of asking the question, but do you have similar experience with Job Network providers not being in a position to help with volunteering?

Ms Cordingley—We do to a certain level. We are pretty much dependent on Centrelink referring people into that particular program. But one of the barriers we have found is with a similar sort of thing. If people are going out to private providers then, of course, what you have described is a reality. With Centrelink, we have found that there are competing program areas. So, if Centrelink has to build up quotas in terms of, say, mutual obligations or some of the other program areas, volunteering inevitably gets pushed down the line because volunteering does not have a quota attached to it; it is simply there as an option to unemployed people. So we do find that a bit of a problem.

Obviously, we can spend vast amounts of money advertising our program to unemployed people who fit or who are eligible for it. But the best source of referral is Centrelink because, with the face-to-face interviews, the program can be explained to people. So we do find that the more program areas that are being developed at the moment, the less the pool of available volunteers.

Mr SAWFORD—In the transition for mature age unemployed, what sort of volunteering activities have been more successful in getting people back to work? Have you been able to identify any particular areas that are perhaps more successful than others?

Ms Cordingley—That is not a very easy question to answer really. I think the ABS statistics found that people tend to volunteer in their areas of professional expertise. So professionals and management level people would tend to go towards committees of management, that type of involvement in organisations, whereas people with a trade may try to use those skills that they have. So it is a difficult question to answer because it depends on the motivation. Some people may be looking at volunteering in order to maintain that set of skills they have, whereas other people may decide, 'I'm just not going to get work in this area again; I need to be looking at something else.' So they are in there testing what other jobs look like. Sometimes that is not, in itself, very easy. But they look for not necessarily an organisation they would like to work for, but an organisation that offers them the opportunity to develop some new skills in an area that they think they might like.

Mr SAWFORD—Has your organisation been able to conduct or sponsor or commission any research in terms of how people have used volunteering organisations to help them win employment, or is that a possibility in the future?

Ms Cordingley—Yes. We are in the middle of discussions now with the Department of Family and Community Services and Centrelink to do an evaluation on the voluntary work initiative to see what impact that has had, where people have gone, whether they have returned to the work force, whether it has had any long-term benefits for them. Also, the ABS hopefully will be conducting a new survey next year; we should hear in December

whether that is possible. Also, 2001 is the International Year of Volunteers, so we are hoping that a large amount of research will be conducted in that year. People already are trying to define research areas. Using volunteering as a vehicle for re-entry into the work force will definitely be on the agenda for that year.

Mr BARRESI—You make a statement here saying that most of the people who go into volunteering are not retirees. I guess that goes against the myth of volunteering.

Ms Cordingley—Yes.

Mr BARRESI—I make a song and dance in my electorate about the contribution which older members of the community are making to various organisations. Your figures are very specific about those who are within your organisation; are they all volunteers? It just seems to me that there is a lot of people out there in that older age range, 50 plus, who are doing work for various sporting groups, community groups. This Thursday and Friday, for example, we are having the Commonwealth recognition awards function up in Canberra. The fellow from Deakin is in his 80s and he is on about 10 different community organisations—and that is not abnormal. I am just trying to get a feel for how you compile your figures and what kind of organisations they are representing.

Ms Cordingley—We use the ABS statistics when we talk about level of volunteer involvement. They show that the majority of volunteers are under the age of 45. That is really to do with life cycle, I suppose. People get involved with their children in sporting activities and they get involved in the schools. So younger people use volunteering in order to test professions or to gain entry into courses, those sorts of things. But that is not to say that there is not a significant number of older people volunteering, because there is and they have obviously volunteered for many years.

But I think what has happened really is that the community has a perception about older people volunteering and particularly women volunteering because, until the very recent past, people have thought of volunteering more in terms of service delivery with community services and health and welfare, whereas now the definition of volunteering has expanded to include all of those areas like the environment, sport and recreation, emergency services—all the areas that traditionally were not seen necessarily as volunteering. That is probably why people still have this view that there are a lot of older people volunteering because that simply has been the traditional view of it.

Mr BARRESI—Since the voluntary work initiative program commenced, have there been new areas where volunteering has emerged where it has not happened in the past? Given that private enterprise is part of it as well, is the volunteer work that is taking place still very much community based? Is it possible to have a voluntary work initiative in a private enterprise organisation?

Ms Cordingley—That is a very difficult question. Volunteering Australia would say that volunteer work only occurs in not-for-profit organisations. But there is another way of involving private enterprise, which is using or encouraging their staff to become volunteers so that they then become part of not-for-profit organisations and can support people. I think that is the other side of the issue really. What is occurring with some of the large banks

now—with Westpac, for example, 33 per cent of their staff are active volunteers—is that they have a very active volunteer program within the bank. National Australia Bank—

Mr BARRESI—This is non-bank volunteering work though.

Ms Cordingley—Yes. I would not like to comment on how much volunteer work they do for the bank.

Mr BARRESI—I thought they might be volunteering to work behind the counter of a branch in a country area, that is all.

Ms Cordingley—No. These are volunteers working out in the community. I think it is a new concept in Australia, but the notion of employee or corporate volunteering is very well entrenched in the United States and Europe. A lot of those volunteers have skills with which they can get transferred out into the community sector and then support people in that way. So we have not really tackled the notion of people working in for-profit-making organisations. That may very well be very good experience for unemployed people, but we would not call it volunteering, we would call it a different type of unpaid work.

Mr BARRESI—I know that this would be difficult to do because you would not know whether you were being exploited by the organisation, but I am sure that most members here would have large corporations in their electorates and there must be some scope where various positions for volunteers could be opened up—they may end up calling it ‘work experience’, I do not know—where certain jobs could be done and skills enhanced as a result of it. But it would be hard to make sure that you were not exploited.

Ms Cordingley—That is one of the primary reasons why we talk about the not-for-profit sector. Everything that we say and do is underpinned by a set of principles. It is really to do with ensuring that volunteers get a good deal and that they are not exploited but also, at the same time, being quite careful that organisations do not displace paid workers in order to bring in volunteer staff. I suppose, in terms of commercial organisations, we would feel less confident that it was happening just in order to—

Mr BARRESI—But you would have volunteers in councils, wouldn’t you.

Ms Cordingley—Yes.

Mr BARRESI—So how do you know that they are not being exploited in a council environment where they could very well be employing more people?

Ms Cordingley—We do not really. But I suppose, as a global view of volunteering and where volunteers work, we sometimes know that volunteers work in the same areas as paid workers, but we see volunteering as perhaps part of an evolution. In the past, there were no paid social workers; they were all volunteers. Now we have a very healthy profession of social workers. The same could apply to Meals on Wheels. We know that Meals on Wheels was really started by volunteers, meals were delivered by volunteers. But now, particularly in Victoria, many Meals on Wheels services have gone out to the private sector. Volunteers do not deliver meals. They have turned into paid positions.

So I think part of the evolutionary nature of volunteering is that volunteers do get in there, they see a need, they provide a service and, at some point, they say, 'This is actually beyond us; we really want to encourage governments or users to pay for this service and put in paid people. We started the service up, we saw the need, we met it and now we cannot provide any more service.' Then they will move on to another area. Throughout history I think we have seen that sort of cyclical aspect.

Mr BARRESI—The studies that you said you were about to start and also the ABS one: what is the time frame for the completion of those?

Ms Cordingley—The ABS study hopefully will be conducted next year in order to be released in the International Year for Volunteers, 2001. We are pretty hopeful of that. We have heard from the ABS, so we are pretty hopeful that it will be conducted next. With our own, we are just about to start determining the terms of reference for our own study with the voluntary work initiative. We want to do that before September next year and it needs to be released well before.

Mr BARRESI—Probably it will be beyond the life of this inquiry. I thought that might have been useful information to feed back, particularly if part of the study is to be about the effectiveness of the program in getting people into jobs.

CHAIR—Still it will be of great interest. But, as Mr Barresi says, it will probably occur after we have written our report.

Ms Cordingley—Yes.

CHAIR—Thank you very much for coming along today. As I say, thank you for everything you do. It means a great deal to our community. If you have any supplementary thoughts or even if, as you go through the course of study, there are things you think ought to be drawn to our attention, please send them on to us.

Ms Cordingley—I will certainly do that.

CHAIR—Thank you.

[11.19 a.m.]

CREE, Mr Murray, President, National Business Institute of Australia

CHAIR—Welcome. Would you like to give an opening statement, at the conclusion of which we will ask questions.

Mr Cree—I will give you a very quick overview. The National Business Institute of Australia is a private sector TAFE. It has no public funding coming into it, nor does it intend to have at this stage of its operation. It has been in operation for two years. It is supplying its services across Australia and into New Zealand. The reason why I have addressed this issue which you are facing as a committee is that the way we operate is that we take workplace learning and accredit it under a skills recognition licence. Let me give you an example of a candidate and that will put the picture together for you.

Ray Ferres, for example, has spent 23 years working in the Goulburn Valley as an agricultural trainer. He has also had a farm. He is 53 years of age. He has three children who went to Monash University; all three have finance degrees and they are established in the work force. Ray wanted to move out of the Goulburn Valley and back down to Berwick. He had previously been in Gippsland, part of a farming family there. He found that to get the job he wanted he was required to have some qualifications in management. He is now a manager of a heritage site.

He came to us and said, 'Look, I have all this experience. I know just about everything that I need to know backwards but I cannot get the job without the qualification.' So we put him through the assessment for the diploma of management and leadership, which is on the national register of the Australian National Training Authority, and we are licensed to do this. I went through all the modules of that diploma and all the learning outcomes and I scoped his workplace experience with the particular learning outcomes in the modules. He stacked up as about 150 per cent qualified in terms of competency and experience. We normally aim at about 110 per cent just to take us over the margin. After the assessment had been carried out, our institute issued him with a diploma of management/leadership, which is fully authorised by the state training authority. So he had the qualification and then he got the job. There are lots and lots of Rays out there. We are running across them. We do not do much marketing of our company at the moment because we are in other areas of business, but by word of mouth there are a lot of people who are stuck.

There is another thing that is happening with these sorts of qualifications. Taking Ray's case as an example, they brought him up to speed with understanding the competency language which fitted his skills. There were words, terminology, ideas and concepts of which, when we worked him through them, he was able to say, 'Oh, so that's what strategic marketing means,' or 'the four Ps in marketing analysis.' It was a matter of just putting the language together.

I will give you just another example to help you get a feel for this. With another person I was interviewing and looking at doing assessment on, we got to the point of logistics. This was a mother of three teenage kids. She said, 'Oh, logistics, I know nothing about logistics. I'm going to fail in this area.' I said, 'No, you do know something about logistics, but let's

work it through.' I said, 'You've got three kids; who's the taxi in the household?' She said, 'I am. My husband doesn't come home until 7 o'clock at night to avoid taking the kids around to their sports.' So I said, 'When you take the kids to the sports stadium, have you ever found that if you go the long way around it is faster?' She said, 'Yes. With the basketball stadium, if I go the long way around I miss two sets of lights.' I said, 'How did you do the calculation?' She said, 'What calculation?' I said, 'You calculated a time and distance and with effort worked that out.' She said, 'I didn't realise I did a calculation.' I said, 'Well, I could take you to a transport manager of a trucking firm. It's the same thing. He does those logistics all the time.'

Then I said, 'Is there ever a time when you are coming back from the sports stadium and you think you will whip into the supermarket and get the groceries so that you don't have to make a second trip?' She said, 'Yes.' I said, 'Well, in the transport industry, with logistics that's called "backloading", and that's where you actually make your profits.' So I said, 'You do actually know quite a lot about logistics, it is just the language.' You can see that self-esteemwise, once a person starts to see that and puts their natural competencies or experience into that competency language, they start to move. Again, for her it was the same situation in terms of getting the qualification. She then felt confident in being able to go back into her workplace and she has got a promotion from there. That is what we are on about.

I am saying that on the stats and figures I have supplied to you, but you can check them out yourself. OECD stats say that very clearly there is a deterioration in the skill base in this country. UNESCO is saying that there needs to be much more flexible systems for giving qualifications and competencies in this area. All the figures that I have read say that we are in a very serious situation—and of course it is the 45-plus group that are really being belted around because they are in a situation where they did not realise the value of a lot of these qualifications. That is a starting point.

CHAIR—Thank you very much. One of the suggestions you made was that workers could draw from their superannuation for a period of time to finance their retraining or education. Can you expand on that?

Mr Cree—Sure. The cost of the service that I am talking about is \$3,000 per person to go through a full assessment because that takes about 40 hours of assessment work against the qualifications. One of the issues is people saying, 'Where do I get the \$3,000? I do not have that floating around.' They have household pressures and all that sort of stuff. I have looked at the idea and thought about it, which is why I put the suggestion to you of their being able to draw down for a period of time from their superannuation almost interest free so they would not have to go and borrow more money on credit—just bring it down and then put it back up again from their work force situation.

Some of the issues that I think people are facing at the present time is that their investment in themselves is more critical right now than even looking out for the future. I understand the role of the superannuation and everything else, but these people are actually being shunted out of the work force by recruitment agencies who say, 'The first thing we look at is a screening tool. Any qualifications? No, you have none? See you later.' So I am

suggesting that the superannuation funds should be able to find a way of letting that money out.

CHAIR—Would you be restricting it to people in a certain age group? Is that the idea?

Mr Cree—I am pretty open. I am really just keeping it in mind for the people who are 45-plus. I guess you are looking at people who are 45-plus up to 60. But then who is to say with the ageing issue where you want to go with that? We have people who are actually talking about going through this qualification process as part of their own self-development. The thing to understand is that these people are not going to go to your TAFEs and put themselves through the embarrassing process of sitting in a classroom and being at risk of failing an examination. They are too afraid of doing that.

CHAIR—So your program condenses the time frame, apart from other things.

Mr Cree—Yes. The other thing is that it says that you do actually have the skills and the competencies; it is just that no-one has ever given you credit for them.

CHAIR—What about employer attitudes to recognising your qualification as distinct from the traditional TAFE qualifications? Are there any problems there?

Mr Cree—No, we have not run into any issues there, but I understand the question. I think the point is that, once you get the qualification and you get to appear before the employer, the next thing they want to know is what you are good at. If you have been through our process, you know it because we work through workplace examples to explain, 'Hey, what is the competency I have?'

I think there is an example that you need to be aware of though and I think it is probably impacting in terms of the labour market. That is the situation of the defence forces. They have an accreditation system similar to the one my company runs but it is not personalised. So you get someone coming into, say, the armed services and they do Army 1, Army 2 and Army 3. Then they get an automatic accreditation from the Canberra Institute of Technology for that, which is a piece of paper that arrives. There is no linkage between Army 1 and that piece of paper. When they go into the work force, they find that they are asked questions such as, 'Oh, you've got this module in management; what does it mean?' They answer, 'I don't know. I only understand it as Army 1.' They cannot talk in the language of the labour force.

I have been doing a bit of background on that talking with Army. It is not a subject they want to talk about a lot because it is obviously a problem. But I think you will find that there is a group of people in the defence forces running into the same thing when they run out of their contracts.

CHAIR—Perhaps that is something we could inquire about.

Mr SAWFORD—Using the example of Ray Ferris, if I understand this correctly, basically you give him a one-on-one 40-hour assessment.

Mr Cree—Yes. I give him all the learning outcomes and modules, the whole framework and say, ‘Here it is, 24 modules. There are about four learning outcomes that we have to satisfy and there are about six elements under each learning outcome. That is what I have to sign off on, Ray. So I want you to gather a portfolio of evidence.’ That becomes a fairly big folder. It includes all his previous training activities; he can write them down. He puts his CV in there. It is a record of employment of where he has been.

Once I get that portfolio together, I start to go through it and do the alignment and the assessment. If there are any gaps, I come back to him and ask ‘How do we look at the gaps? Do you have other workplace learning experience?’ Most people understate themselves because they do not want to appear too confident. The second thing is that, if there is a definite gap that cannot be adequately identified, we set up a workplace learning experience. I say, ‘Right, go off and do this. I need to know that you have, say, computing skills so I need you to go and learn how to use an email, learn to do some word processing and come back and show me.’

I will go and do a site assessment if necessary. For example, I recently dealt with a young French flock manager up in Donald. I went up to the stud farm and talked to the farmer there. I said, ‘Show me that this guy can run a flock of 2,500 with all of the necessary management skills,’ and I had a look. So it is combined with their previous record of evidence.

One woman I found up in Darwin was very interesting. She was a human resource manager in the Public Service and she said—she had a university degree—‘I have been waiting for you to come for 10 years. I’ve got boxes of information from training courses that I have attended and I’m a hoarder.’ She said, ‘I really need all of that accredited.’ That is the way we put it together—with that. Then there is the work site assessment and then any other information. But it takes me about 40 hours of assessment time to do one person.

Mr SAWFORD—So basically in some ways you are a sophisticated job club or a sophisticated writer of job applications. Is that correct?

Mr Cree—No, not at all. In fact, the assessment skill set comes from the fact that I have been a Professor of Business at Monash University and I have taught management at very advanced levels. I have also been a TAFE director. It is not about writing applications. It is about being able to quantify and then align workplace experience.

Mr SAWFORD—I understand what you are saying.

Mr Cree—The person gets the qualification and they then go off and write their applications or whatever. But it is not a job club situation because we are dealing with individuals.

Mr SAWFORD—In some ways it is a horrible indictment of the way we operate in this country, isn’t it, in terms of the examples that you have given of the language, of these people having this information but no-one having actually bothered to quantify it and categorise it, put it in some sort of priority order, et cetera.

Mr Cree—Sure. It is recognition and then accreditation. The evidence is that you are dead right. You go back and read the material in the Karpin report from 1995 about the state of management in this country and it is a terrible indictment. But those people are not going to go through the TAFEs and they are not going to end up going to university either.

Mr SAWFORD—And they do not get a job interview unless they get a qualification.

Mr Cree—They get screened out very quickly. Often they are screened out by people who are 25 and 30 years of age. So they have a real problem.

Ms GILLARD—What sorts of numbers of people have you dealt with in this way?

Mr Cree—At the moment we have only put 35 through, but we will be dealing with a lot larger numbers next year.

Ms GILLARD—What is the age profile of that 35?

Mr Cree—There are about two who are under 30 and the rest would be between 40 and 55.

Ms GILLARD—What is the gender divide?

Mr Cree—It is about fifty-fifty at the moment.

Ms GILLARD—Were any of those referred to you by Job Network members or Centrelink, or have they all come to you from your own activities?

Mr Cree—They would not even know we are in the business; we have not gone through any of those conventional unemployment channels. We are dealing with people who are coming by word of mouth and who have identified the issue. So we have not picked up on that area.

Ms GILLARD—One of the issues that has been raised before this inquiry is the way the system currently works—I do not know whether you are familiar with the terminology, but there is FLEX 1, FLEX 2, FLEX 3. In terms particularly of the intensive assistance that is provided to longer term unemployed or people with particular labour market disadvantages, there is an insufficient quantum of funds available to meet training. For example, with the issue you have raised about the fee of \$3,000, it would not extend to that. Do you have any view about the way in which the system of assistance that the government provides could better intersect with what you are doing if you think that is valuable for longer term older unemployed people?

Mr Cree—Sure. I think it was summarised recently in a media article by Professor Gilbert of the Melbourne University. He said that we have a cyber situation emerging where it is \$US361 to enrol for a cyber degree for a year and it is \$US12,500 in the United States to enrol. So there is the measure. With our technology I would argue—and it is not my technology, but it is the application of it—that if it were made available on a properly set up web site and Internet arrangement, you could do much larger numbers very cost effectively.

The idea would be that a Ray Ferres comes along to the Internet site, you set it up as a virtual reality shopping mall. He goes into the shop through virtual reality and says, 'I want to look at management.' He takes a book off the shelf and then opens up in a multimedia way. Then he has all sorts of ways that he can go through simulation of management questions. At the same time he can have the competency profiling being registered as a percentage along the side so that, as he is answering questions about learning outcomes and talking about case scenarios, it is telling him that he is 60, 70, 80, 90 per cent competency or he is back down to 20. That can all be done very easily. It is expensive, but it can be done; the technology is there now to do it. That is where we have to move because all of these buildings, TAFEs and all that, are dinosaur material.

To be honest, when I was a TAFE director in Geelong, that is what I said to the board when I left. I said, 'I do not really think I can carry on servicing your TAFE fairly because this place needs a massive restructure around information technology and I think I had better get out in the private sector and head in that direction'. I am not anti-TAFE but that is the reality of this information technology.

Ms GILLARD—Do you think ultimately if you had that sort of service available though that employers would worry about the quality of that assessment as opposed to a more traditional form of assessment where someone has been involved perhaps in a mix of classroom and online learning, but there has been a more formalised assessment model? You would be aware, for example, of the debate about the VCE in Victoria; that the quality of assessment processes is one of those things that employers obviously do worry about and focus on.

Mr Cree—Yes. I think there are a couple of things that you need to be aware of in there—and Gilbert raised this as the vice-chancellor. He said, 'We would all feel very comfortable in our universities if we knew those people with cyber qualifications were not getting jobs, but they are.' That is the reality of the challenge of that.

The second thing about the formal assessment process is the standard of assessment that we use by comparison with a TAFE—and I can benchmark this because I have taught the same classes that I am assessing in. The standard of assessment in my opinion is up around asking a person to actually score marks of about 90 per cent for the modules, whereas they would get through in the conventional TAFE system with a score of 60 per cent in the classroom training because are you actually linking people's experience into the competency. So they actually know it, not just have the head knowledge but the skills and the lockup in terms of their own personal interest.

Mr SAWFORD—Just on that, it seems to me that one of the strengths about what you were speaking of is your one-on-one assessment.

Mr Cree—Sure.

Mr SAWFORD—The original principle of learning is impact of mind on mind. Whether that is from Greek times or modern times or future times, that will still become the basic principle of education.

Mr Cree—Sure.

Mr SAWFORD—That does not necessarily translate into a cyber situation, does it?

Mr Cree—The issue really coming through with the cyber situation is the level of interactivity. You go in and have a look at some of the standard format and measure yourself. But then you come back into the cyber tutorial arrangements. For example, Ray is down there in Berwick working today. He communicates with me on issues from time to time by email. Emails are going backwards and forwards all the time on business issues and things like that. I have just kept in contact with him for that reason. So there is that high level of interactivity. That is what they need.

The other thing if we are talking about young people is that they are not getting the social lifestyle and interaction skills that come from that environment. But we are not talking about those sorts of people. We are talking about people who have plenty of interaction, plenty of social experience. Their issue is their confidence in themselves and their knowledge of their competencies. That will be a much bigger issue as we move into a knowledge economy because they will have to know those things, not just be able to say, 'I can turn the machine on.'

Mr BARRESI—In essence, you are playing the role that NOOSR plays but with those who do not have formal qualifications.

Mr Cree—That is right.

Mr BARRESI—Do you liaise with them in any formal way?

Mr Cree—Let me be quite derogatory of NOOSR: I think they are a stacked deck. They have a comfortable arrangement with, as I understand it, the Australian Institute of Management in Canberra and with some of the other institutes. When they talk about the issues they do, the whole issue is not up for tender. So my company, for example, could have no dealings with NOOSR activity because it has already decided who is the authority to decide on management. I question the judgment and wisdom of locking in the Australian Institute of Management as being the expert on management skills in this country. But that is something that has been decided by a series of processes. So we keep well away from those government authorities because why would you want to get tied into political fights with them?

Mr BARRESI—Is that a tender process?

Mr Cree—No, I do not believe it is even a tender process. We have written to them and you do not get a response. The same issue has come up—and I make the point here—in that I wrote to the Rural Training Council of Australia and said to them, 'Look at the issue of the rural needs,' because there are plenty of Rays out there. What do I get back? Some sort of stupid note that says, 'This is an old and defunct technology.' But it has only been available by federal licence in the last two years. When I started to think about it and read the correspondence through I thought: these people are dinosaurs; we should just stay well clear of them.

But there is the poor rural sector. There are huge problems with the kids coming out of the rural sector and into the cities, with the parents being left behind. Particularly, if parents have to sell up the farm for one reason or another, they find that they do not have generic management skills or perceptions of them. The other thing is that many of their rural qualifications are not easily translated into the city environment. A city employer will not be impressed with a rural diploma of management. He will just think that is a farm qualification. It is not generic management or generic business.

Mr BARRESI—The success of your organisation is obviously going to be dependent on how successful you are as an assessor and providing those qualifications. How many of you are there?

Mr Cree—I am the director sitting over it. I have a team at the moment of 10 assessors as we are preparing to do a fairly big launch next year. One of the things I think you also ought to be aware of—maybe I will ask the question and answer it for you—is that what we are talking about has been more highly developed in New Zealand than it has been here in Australia with the Public Service going down the competency model.

One of the issues that they are facing in the New Zealand context as well as here is that, as of 1 January 2000, there will be free trade and vocational education occurring between New Zealand and Australia; it will open right up. So the question is: how many people can I get as assessors and train? I can pick up 30 or 40 assessors fairly quickly and train them up. Usually they are people who have gone through a qualification like here or even a degree. What I need to do is train them in the methodology. They can then go out and do a whole lot of the background preparation of the portfolio of evidence and all that. Then I come down over the top of it and actually check the quality of their work.

Mr BARRESI—Why are TAFEs and universities not involved in this? Are you saying it is not part of their core business?

Mr Cree—There is a very simple financial explanation.

Mr BARRESI—There is no money; they want to steer people into paid courses?

Mr Cree—They run on a ‘bums on seats’ model of financing and we run on ‘bums off seats’. Believe me, having been the head of two business schools at Monash University and run international teaching and training programs and then having sat over a TAFE of 500 staff and 12,000 students, I have seen the gap in the system and I have gone and talked. I have run TAFEs and I have had people ringing up to try to get through and get this 100 per cent accreditation. They will never get it. They will only get 50 per cent and then they are told, ‘You have to come to the rest by classroom, even though you might be 150 per cent competency qualified.’ Why? Because otherwise the finance of the system does not work.

Mr BARRESI—How often are you and your assessors assessed in order to ensure that you are doing the right thing and not just simply pumping out Kelloggs qualifications?

Mr Cree—I work in two different fields. I do a lot of executive development work with a number of our corporations. So my actual skill assessment in terms of my ability to relate

in management is constantly under testing in that environment. But actual formal accreditation: I work with a business partner with whom I check off all my work. There is no requirement that I be formally assessed in my qualifications or my experience other than what I subject myself to. But the other side is that in the process there is a 'crap detection' mechanism—excuse the language—because Ray Ferris can identify if I am offline. He says, 'This is all too simple. I'm paying my \$3,000. I really want to see significant development here.' So there is a set of market forces that come into play as well as people's natural intelligence.

Mr BARRESI—Of the 33 who are 40-plus that you have worked with, how many are in full-time employment?

Mr Cree—Probably 75 to 80 per cent. If they are not working, it is by choice; it is not that they cannot get the work.

Mr BARRESI—Are you able to give us some idea of how long it took them to get a job?

Mr Cree—No, because they are people who are usually in transition. They are looking for work and they can see the pathway in. They have the interpersonal skills but they have not got the qualification or the knowledge, say, with things like management. Go back to the Ray situation, he has been very good at teaching people about agricultural things and all that, but he never framed it into management terminology so he could not get a management job—and there are plenty of management jobs out there.

I am not talking about this being a solution for the chronic unemployed. That is not it. But much more fracturing is going to occur in the work force—you know it and I know it—in the next five to 10 years. These people will need all the transition assistance they can get. Even someone like me, I am going back and getting my assessment qualifications rechecked through another assessment organisation, a training organisation, just to make sure that I have the qualifications to stay in the game—and I should be pretty nicely off in terms of education with my background.

Mr BARTLETT—You mentioned some examples of success stories and I am sure you could give us a lot more of those. Are you aware of any examples on the other side where you have given accreditation to someone, they have then been placed in employment and the employer has not been happy with the accreditation in that they have not lived up to their expectations in terms of the accreditation that has been given?

Mr Cree—We have not got any bad cases like that. I am not hiding those stats, we just do not have them. The other side of the coin is that—and I am not interested in fudging because I have a reputation to protect as well—I make sure that a person, as I said before, is at least 110 per cent over the line. In fact, by the time they come through that process, they are well capable of standing up. Part of my process of assessing them, as well as their portfolio of evidence and the work site visit, is that I will interview them. That interview process of the assessment almost functions like a 'Who are you and what are your credentials for being in this role?' It prepares them.

It is a sad situation: a lot of these people have never prepared a CV and they might never have been to an interview in the last five years. I used to keep telling my business colleagues at the university and the managers working under me, 'Go out and apply for another job and get interview experience every 12 months just to see whether you have market value. If you get a better offer, go.' There are a lot of people in that situation and they are scared to put their hand up and say, 'I haven't got a CV and I haven't been interviewed.' That is a very big issue.

But no, I would not let them go through because the whole idea is using this technology to build confidence. It is people who do not have confidence and they are afraid to say so. Again I go back to Ray. He has three kids with university degrees and he has not got anything on the wall to believe in.

CHAIR—The skills passport: can you just explain that idea in a bit more detail?

Mr Cree—Yes. There have been a couple of attempts but it has not really worked. It can be done electronically. People can come in with a skills passport. In this concept, it is just like an ordinary passport but, in fact, it has a statement of where your competencies are, what they are. They might be in management, they might be in marketing and so on. You can use this to supplement a CV.

As you probably know, most resumes and CVs are really static documents, they do not keep up and they also do not reflect the skills and competencies. So it is moving across to an electronic model of that. We do a little bit through our systems with our people. The next question that the employer asks is, 'Okay, here is what you have on paper; what does it mean? Can I break it out even into subsets of learning outcomes and that sort of material?' At the moment people do not have that. The idea is to get that competency profile up on a passport or a ticket that you can take through. As you add to it, you build on it.

The one thing that is obvious to me from my background in education is that there are so many people out there with such fantastic skills but they often do not know it. I look at someone like my mother who, during the war years, was a manager; she had no qualifications, left school at 14 and was put in as the manager of a stationery factory that was an essential industry. Yet when the war years ended, she was sent back home to have children and from there on never saw herself as a competent manager. Yet she had managed 26 men running a stationery factory for five years during the war. There are more of those people, younger ones, out there. As you know from all the stats, they are saying that that is a problem.

CHAIR—Thank you. It has been extremely stimulating. We appreciate your evidence very much. Good luck with what you do.

Mr Cree—Thank you for the opportunity.

[11.53 a.m.]

GRUEN, Dr Nicholas, Assistant Director, Business Council of Australia

KAMENER, Mr Larry, Director, Boston Consulting Group

CHAIR—Thank you for your submission to the inquiry and for coming along to speak to us today. It is fortuitous that we are meeting in the BCA headquarters. Perhaps you each could give us an overview of the Business Council's view on this question of mature age unemployment and then we will discuss it.

Dr Gruen—The BCA is a somewhat unusual industry association. It is formally constituted by the CEO members and, therefore, it is not quite like most industry associations which tend to provide expert services to their members which the members themselves often do not have—services in liaising with government and so on. All the members of the Business Council tend to have those services in-house and the Business Council itself focuses on particular areas that it regards as areas of high priority. For that reason, there is a partial match-up between the areas that you are interested in and the areas that we are focusing on. I wanted to bring some of those to your attention today, at least those that I have responsibility for. You may also be interested in some of the industrial relations issues, in which case you might want to make contact with Colin Thatcher in this secretariat. He is on leave at the moment.

The work that I want to show you a bit about is being done within the New Directions Task Force. About two years ago the council felt that it was important for it to adopt a somewhat broader approach to the issue of reform. The council was pretty keen on promoting microeconomic reform but also felt that unemployment was the key social sticking point as far as microeconomic reform is concerned and felt that adopting an approach to try to address those issues would help the cause of reform. And by the same token, if we really do believe in reform and believe that reform generates productivity growth, it ought to be the handmaiden of increased employment growth rather than the opposite which it is sometimes seen in the community as being—that is, as something which destroys jobs rather than creates them. I do not think we agree with that. But either way, if it does, by generating productivity, growth destroy jobs, it is important that we find ways to create more jobs as a result of reform rather than less. That is part of this project.

The project at the moment has essentially four strands. In March we released a discussion paper on a wage tax trade-off entitled 'Rebuilding the Safety Net'. On 25 October, we released the second discussion paper, which is entitled 'Avoiding boom/bust: Macroeconomic reform for a globalised economy'. It is remarkable how much recessions are a part of our unemployment problem. There are several other projects that are going on. One of them is a project into long-term unemployment, which is the issue I was going to raise with you today. Again, it does not focus on your area exclusively but it does have some things to say about that area.

The Boston Consulting Group are managing that project. I would like to say, before Larry takes you through a bit of it with some slides, that the Boston Consulting Group are doing this for us on a pro bono basis. I think that illustrates the fact that concern about these

issues is very widespread and there is goodwill towards us all for trying to do something to address those issues which is very widespread as well.

Mr Kamener—As Nicholas mentioned, we have agreed to look at some strategic interventions to deal with the area of long-term unemployment as part of their general umbrella of programs. Before I go to the comments which I think might be relevant to your inquiry—the specific comments that we have extracted from our research—I would say a couple of things. One is that we are very much midway through this so this is very much work in progress. To the extent that we could even have some discussion around it I think that would be good. Secondly, Nicholas has mentioned a number of aspects of the BCA's work which is focused on the job generation side of things both in terms of tax wage trade-offs as well as in terms of macroeconomic policy. We have not focused on that, although we recognise it as being critically important.

The one of the areas we have focused on in terms of long-term unemployment is the major pathways to long-term unemployment. Of the major pathways we have focused on, one is failed school to work transitions, which is not relevant to this inquiry. Another is failed termination back to work transitions, which is relevant. We have been looking for whether there are some new things that can be done in terms of those pathways that can make a difference, bringing the lens that we as consultants to business bring, which hopefully might provide a different perspective to others. That is a bit of the context.

Nicholas will hand out a couple of sheets. The first page of this probably just recaptures what I have just said. The one thing I should add is that, as well as the lens we are bringing being one of I guess a business framework, the other one is to the extent that businesses themselves can get involved in helping to provide solutions. That is another aspect that we are focused on.

The one, call it an insight if you like, that we have seen when we have looked in this area, which is obviously a difficult and somewhat intractable problem of how do you find jobs for people who have been long-term unemployed for some time, is that there are a lot of resources that go into that, there is a lot of effort that goes into that. We have not got it here, but we have interviewed a large number of the Job Network providers, for example, as well as human relations officers at various companies both large and small. There is no question that finding work for mature age people who have been out of jobs for some time is difficult.

However, when we interviewed those people we picked up a common theme—which is on page 2—that there is a strong correlation between the timeliness of that intervention versus the probability of success. So the earlier you can intervene and start the process of seeing where you can find people work, the better the chances are. That is obviously for two reasons: one is people's own confidence and self esteem and therefore their presentability decline; secondly, employers' perceptions—whether they are mature or youth; it actually does not differ in that respect—of their employability also declines because they use the fact that they have been unemployed for a period of time as a bit of a proxy indicator for: are they likely to be suitable or not?

Page 2 just takes you through a number of comments which are in some senses obvious but we think important:

Getting to people before they are terminated and leave the company is ideal . . . You can do wonderful things with people who get assistance as soon as possible.

Early intervention is critical. People are in employment mode while employed, their momentum is up. Once they leave the workplace, they lose their steam and become disenfranchised very quickly.

Minimising the gap between retrenchment and re-employment is paramount. To find a job prior to being retrenched does wonders for the work ethic . . . and helps out before the gloom sets in.

I would find it far easier to place a mature-age worker if I could get to them before they left work than six months later.

Employment services are optimised while the employee is still employed. The pressure is off, they are earning and their self-esteem is still on board. Gaining employment assistance prior to retrenchment means you can go through the process with your mates, with encouragement from your peers. Once they've been retrenched they are so isolated and distant from their peers.

Those comments I think are important and maybe not that surprising.

Then you take it further and say: what are some of the best practices in this area? When you look at some of the large corporates who I think have taken a very social responsible attitude to downsizing, you find that they have done a lot of things. There is often a long period of notice from decision to terminate to when the actual termination takes place. They tend to use that time very proactively with their employees. BHP in Newcastle is an example of that.

Another example—unfortunately we did not get clearance to use the company's name but we hope to do that—is on page 3. It is a paper company closing a plant in a regional area, an area which was not flush with jobs. Management decided to close the plant, 40 employees terminated. They then started a process of working with those employees, doing the sorts of things that are good practices, setting up job shop services, having case management in relation to those individual workers—and it was a manageable number; I think in this case it was 40. They had psychological counselling and so forth in terms of understanding what was ahead of them. So people actually brought forward the realisation, and one of the problems is that people often do not realise the impact of this until it is too late to really impact on it. So there was some counselling on the importance of moving quickly.

The net result was that of the 40 terminated employees, 38 found jobs and went straight from one to the other. The comment was:

If we had not provided assistance prior to termination, most of those terminated would not have found jobs.

So again, that to us strikes a sort of good practice but it is something that can really only be done by well-resourced larger companies and benevolent larger companies at that.

That gives you a bit of a window into what would be possible. It does not create new jobs. But what it does prevent in our view, which is important, is some groups of people

becoming very marginalised from the employment market and therefore potentially unemployable which is what tends to happen. It also means that whatever assistance is provided—and clearly there is a fair bit of assistance provided through the Job Network program—it is likely to be provided at a time when it is more effective.

The question that naturally flows from that is: okay, that is fine, but is it possible to extend that? The first issue to deal with is: many of the terminations do not come from the large corporate sector. So the next page—and this is our own survey because we could not find good ABS or other data on this—is our own survey of a number of Job Network providers asking them to go through their files of what was the size of company that the people who were terminated came from, whether they were retrenched or fired, and terminations accounted for about 50 per cent of the people on their files. What that shows is that about 30 per cent were from companies with more than 100 employees; 40 per cent, 20 to 100; and 30 per cent less than 20 employees. So 70 per cent are from pretty small companies who will never, or are unlikely to, be able to provide this level of pre-retrenchment counselling and services and so forth.

So the first question is: is it possible to or what can you do with the remaining companies as well as incentivating those larger companies that are not as benevolent to do something similar? One of the things to look at is the federal government provides—and I do not have the figures at my fingertips—funding through Centrelink to people who are eventually identified as being high risk. When I say ‘eventually’, that tends to be after they actually appear at Centrelink and the problem there is that typically there is a period of exclusion because of packages and so forth. Quite often that is three or four months at least after retrenchment. Then they apply the JSCI instrument, which is a risk indicator. Then, if they hit the high risk category of becoming long-term unemployed, Job Network providers are provided with a reasonably significant incentive—and we could debate whether it is efficient—to help them find work. But that, as I mentioned, tends to be at about the six-month mark at best and often later, and that is at a time that the likelihood of that intervention being successful is already reduced.

So in terms of where the funds could come from for the small and medium firms and for the larger firms as well, the first question you ask is: is there a potential to bring those funds forward? If you could bring those funds forward, then you are likely to get a better return on funds. The question that then might be asked is: the problem with bringing funds forward is that, if we wait for 12 months we will be 100 per cent correct about whether these people will be long-term unemployed—because by definition they will be. If we bring it forward, then we might end up spending the money on a lot of people who will find their own jobs and this will be an ineffective use of money.

So one of the things that we are exploring—and this brings me to my last page—is to what extent is it possible to apply that risk profiling? You can take the JSCI as a starting point and say: is there some modified version of the JSCI that could be applied prior to retrenchment so that at the very least we could say: these are the people who we know are at high risk of ultimately becoming long-term unemployed and, therefore, hopefully we have not substantially increased the net of people to whom we are giving funds to.

You can make a separate decision as to whether you want to expand the net in any case, which might be appropriate, and there are other funding mechanisms you might use to do that—but even with the same amount of funds. Then you could ask the question: if there is some leakage in the sense that we have expanded our net a bit beyond that because we will not get it quite right if we do the risk profiling early, does the increase in effectiveness by applying the intervention at that point more than make up for the fact that we have got a few people in the net who otherwise would not be there? Our contention that we are currently working through the modelling on that is that it probably almost certainly will be.

Then you come, in our view, to the final question which we are also working through: if all of that is true and if the government says ‘Yes, if someone can identify who these high risk individuals are—these people about whom a decision has been made to terminate but who have not yet left the factory gate or the equivalent—we are happy to bring that funding forward’ then how do you incentivate particularly the small to medium business to actually close that loop? We do not have any sort of clear answers for that yet, but we broadly think that there is a prize in terms of increasing the effectiveness of finding jobs, particularly for mature age workers who are going to be at high risk of being long-term unemployed, for bringing forward the assistance that is provided and continuing to target it on those at high risk.

That is the sort of area we are working on which is really about improving the effectiveness, substantially hopefully, of existing efforts. Again, there are a whole lot of other things and this in itself would not be a sufficient solution. There is the whole question of attitudes of employers to mature age workers which is important and we think is probably an issue. There is a whole issue about sufficient creation of jobs and areas of high local unemployment which is an issue. But in our scan of where are the potential improvements, this is one we think is potentially quite significant.

CHAIR—That is excellent. What you have just been through is what we were discussing with Bill Mansfield earlier this morning—how we can improve. He would naturally agree with you and us that overall you have to have the economy going and all these sorts of things, but that is self-evident. But improving these processes is critically important. When do you think you will have this work completed?

Dr Gruen—We intend to release it some time early next year.

CHAIR—Naturally we would like to have a copy of that as soon as we can.

Dr Gruen—What is your timetable for this inquiry?

CHAIR—We would expect to be writing our report in about March.

Dr Gruen—It is possible that we would release this in time for that to be of some use to you.

CHAIR—We have been contemplating the concept of some sort of negotiated code of conduct between employer organisations, large and small, unions, government and so on—a kind of a best practice model which would need to be modified depending on the size and

circumstances of the business. Probably government would need to be putting some of its resources into this to improve it. One way of doing that that has been put to us is the concept of bringing forward the assistance which has a short-term cost but is probably likely to have a long-term saving.

The other theme that comes to us all the time is the inherent prejudice that employers have against older employees. Firstly, is this something that you do identify? Secondly, what can or should be done about it?

Dr Gruen—I think there seems to be quite a bit of anecdotal evidence that is about. I do not know of any really hard evidence that is about because it is inherently a difficult thing to prove, I suppose.

Mr Kamener—I cannot add to that in any quantitative sense. There is no question that there is a perception amongst employers in general that older workers are less attractive. I think the question you would ask yourself is: is that actually a rational decision and therefore, if we want to do something about it from a social perspective we will actually have to tip the balance towards older workers because employers are not making rational choices, or to what extent is it an irrational choice and therefore a communication program will be sufficient? It is probably in reality a combination of both of those, but I think it is important to disentangle that.

One of the organisations that we have been talking to a lot—I do not know if it is presenting to you—that has focused a lot on this area is JobsEast. I know it has a lot of good case studies of companies around the world that have a particular customer profile and that have focused on older workers as a target employment group because they see a lot of good properties in terms of reliability, experience and a match in a customer service sense with their own client base, and have converted their whole recruitment strategy in that direction with very substantial pay-offs in terms of improved productivity, reduced turnover and so forth. So there are good case studies around and that we have come across—and I would point you to JobsEast if you are looking for those—of what some good practices are. The question is to what extent—it is very hard to prove—there is a general irrationality going on with employers which needs to be addressed, or fundamentally whether employers are making a rational choice.

CHAIR—Yes. We have spent quite a bit of time with JobsEast, so we are aware of that. We also naturally have the Drake survey recently released, some of the work done by Davidson, and it is fairly clear that there is more employer prejudice against older workers in some industries than in others.

Mr Kamener—Would you say the evidence that has been presented is that it is irrational prejudice?

CHAIR—Yes, it seems to be. One of the things that I think it is likely we will be recommending to the government is the funding of research to look at the impact in the work force of having a spread of age, if you like.

Dr EMERSON—One of the case studies that perhaps you are referring to is on the last page of our document, the BCA one, where B&Q Home Hardware Retailers advertised for older workers. Amongst the results was that employee turnover was six times lower than the average of the five comparison stores. So, in that context, I just want to raise a question that I raised with the ACTU this morning. Perhaps what is going on is that there is an element at least of irrationality based on perceptions of the structure of the work force that may have been true 10 to 15 years ago; that is, on the part of employers—if you are going to invest in people in terms of on-the-job training—maybe 10 or 15 years ago you saw a fairly long period of return from that investment. You had the idea in your mind that if you hired someone at age 25 you would have them until 50-odd, so you would get a good long yielding return from them. But, particularly with all the emphasis, including that on superannuation coverage and other parts of the work force, on early retirement at age 55—remember that age 55 became the sort of retiring age—I can see how an employer in that mind-set would say, ‘Why should I put an investment of time and money and effort into someone who is aged 50 when they will go at 55?’ But now, 10 or 15 years later, it is probably the young people who will stay with you for five years—

Dr Gruen—Or shorter.

Dr EMERSON—An older person aged 50 nowadays could easily, with improved health and everything else, work until 65. So you might get a better return out of investing in the 50-year-old than you might out of a 25-year-old, or at least no worse return. Perhaps it is that there is an element of re-education that may naturally take place in another 10 to 15 years time, but is there a role for government and business organisations and trade unions in trying to accelerate that change in perception?

Mr Kamener—I broadly agree with that and I have read the same case studies, and it intuitively I must say makes sense with the logic you have given. I have canvassed that with a number of people I know in the employment field on the company side and I have run exactly the same argument: to what extent are they taking that into account in their own recruitment? I think they acknowledge that yes, there is a bit of an element of that, of not keeping up with a logic structure about what is likely tenure in any case for young versus old, and therefore five years might be a reasonable time span regardless of what age, rather than thinking it is far too short.

The issue they raise with me is that it depends also on what the function is they are being brought to do? In the case of the hardware chain, it is to deliver a well-established service function. You are drawing on people’s skills and interpersonal skills and so forth, as well as hoping to get reduced absenteeism and so forth. One of the things that people have fed back to me is that in organisations going through rapid change one of the reasons that they recruit against older people is the perceived lesser flexibility of older people towards change. The response is, ‘If we are envisaging that we are going to have to change our business model several times or what people do is going to change several times, we have a bias towards younger rather than older because we perceive that they will be more willing to change. Older people, if it is a set role, even if it is a skilled set role, can be great; if we are not quite sure what the role is going to be and it might change three or four times we would go for younger people.’ That is the sort of response I have had—yes, I am sure there is some of it, but it is not going to be a sort of across the board view.

Dr Gruen—There is another thing that has just occurred to me and I would be interested to know whether you have had anyone else talk to you about it. If you are going to hire an older worker, it is likely that they will start at a fairly junior position; that is what you tend to do with people you hire. If you are running a work force, you might be concerned about having people getting on where younger people are ordering older people around. I think that might be quite a serious HR issue. I just mention it because it floated into my head right now.

CHAIR—It is difficult. We have struck that.

Dr Gruen—I think that is an issue. This whole issue of mobility through the work force is a huge issue, particularly for people who want to spend a good chunk of time caring for their children—usually mothers but it does not have to be. They then pay for that to the tune of \$10,000, \$15,000, \$20,000 a year for the rest of their lives because we are not good enough at situating people exactly where they should be in an organisation; there is a lot of history to where people are in organisations. I do not have any easy ways to solve that. But it is clearly a big issue for us because our society values mobility so much and we have thrown history out the window and we are trying to run a meritocratic economy. So it is a big obstacle to it.

Mr Kamener—I am sure this has been raised in discussions you have had before, but the other counter trend which is running somewhat more in favour is the whole trend towards outsourcing. Outsourcing means that more and more jobs can be done outside of the hierarchical structure—which means that we are going to employ someone or report to someone who is junior. Outsourcing can be more skill focused. Say I have certain skills, we will provide those skills to whoever needs those skills rather than being part of a company where what I do might change completely from one year to the next in terms of the job definition. Clearly, we are seeing to some extent the emergence of some outsource providers who are more focused on this as a recruitment segment and some people sort of self-define themselves as contractors—whether they are actually employed or not is another question. But that is a trend and I think that is, in my view, a favourable trend to groups like this and one that can possibly also be harnessed to some extent.

Mr SAWFORD—Under the heading of the new directions project, Nicholas, in the information that you originally provided us: basically the objectives there in terms of the unacceptability of Australia's unemployment rate are fine. To make a comment on the flavour of the comparison with the United States, yes, certainly we would like to get down to four per cent, but sometimes you need to compare apples with apples. In the US two per cent of the male population are in prison, two per cent of the population of the United States operates outside of the economy within the crime economy. We do not have that same comparison. I would have thought the aim would have been better at just the four per cent rather than the comparison with the US, which I think takes a little bit of acknowledgment away from it.

In terms of the structure of the new directions project, I know it is not necessarily inclusive, but two of the major issues in the past in terms of employment have always been what old Henry Ford and Mr Kellogg produced. Ford was saying basically that for productivity increase he was going to double the wages of the day, and he did. Mr Kellogg

halved the hours that people worked during the day for the same amount of wages. In other words, the two big issues were time and money. You have referred to wages here, and I suppose superannuation and other issues will be included in that as well. But you have not referred to time at all. Is there a reason for that?

Dr Gruen—I would not mind just addressing both of those things. Regarding the comparison with the United States, the more in-depth material that we have produced does mention a number of other economies that have been very successful with unemployment other than the United States and countries which are not beacons of free enterprise. They are developed free enterprise economies but they are countries like the Netherlands, Norway and so on. So we are not at all shy of saying that there are some countries that have been successful on this front that have not followed a particular free market model, or even a labour market deregulation model. That having been said, there is something really quite remarkable about the United States story. I personally regard the idea of two per cent of the male population being in gaol as just an extraordinary and horrendous state of affairs. But it is actually a bit of a red herring with regard to this issue.

Mr SAWFORD—It is also true.

Dr Gruen—Yes, it is true, but it is a bit of a red herring because, if you really want to look at the issues dispassionately, then you would compare things like the employment to population ratio. The United States employment to population ratio has climbed well above ours from being below it and with a much less attractive demographic base—meaning that there are a lot more disadvantaged people. That does not mean that it is great to put two per cent of your male population in prison; that is terrible. But you can fully take that on board, you can allow for it in the figures, you can just do it crudely right now and add one percentage point to American unemployment, which is equivalent to two per cent of the male population—it seems that almost no women are in gaol—and they are still doing spectacularly well. But in fact, the more you go into it, the more amazing the story is. It is certainly something that people should keep in mind. It is something that we mentioned in our discussion paper but it is not a stopper to the debate by any means.

Mr SAWFORD—Robert Reich, the former American secretary for labour, does not necessarily agree with the point you are making and he was a secretary for labour, but let us go on to the next point.

Dr Gruen—The issue of time is a quite contentious one. There are people who argue very passionately and perhaps convincingly that there is a very big voluntary mismatch; it is pretty obvious that there are a lot of people who have less work than they want. But at the other end it is somewhat contentious to say that there are a whole lot of people who have more work than they want, but it may well be the case. But it is not clear, but that may be the case. I am not sure whether we mentioned this in our discussion paper; I think we did not partly because it is contentious as to the extent to which this has become more of a problem—yes, we did actually. There is some material in there from Fred Argy on this very issue of time, so it could be in there. But I guess in a summary document like that, it suggests that we might endorse something like a French approach which strikes us as completely crazy to try to regulate one's way out of that problem. But it is an area we should keep our eye on and try to facilitate the addressing of those problems. But if you

want to have inspectors running around trying to stop people working more than 40 hours a week, we think that does not work at all.

Mr SAWFORD—No, but I think there are ways—there are 25 million hours of overtime, both paid and unpaid, that operate in this country. That is a figure that has been developed and acknowledged. I know, making a crude simplistic analysis and saying, ‘Well, that is equivalent to 600,000 or 700,000 jobs,’ is nonsense of course. But there may in fact be opportunities for 100,000 jobs in there and agreed voluntary arrangements in terms of being encouraged.

Dr Gruen—Certainly voluntary arrangements and trying to get rid of impediments to better voluntary arrangements.

Mr SAWFORD—Yes, agreed.

Dr Gruen—We endorse that. I will give you a copy of our discussion paper and show you where it is.

CHAIR—Unfortunately that has consumed all of our remaining time. Kerry and Phil, could you just ask the guys your questions and we will take them on notice if you could get back to us?

Mr BARTLETT—I had wanted to pursue a couple of things. Firstly, you mention Fred Argy’s work. I did not see that in here anywhere.

Dr Gruen—No, it is not.

Mr BARTLETT—Could you perhaps get some of that to us on that issue of time?

Dr Gruen—I extracted some things that Fred Argy had said in his new book and I am happy to give you a copy of that discussion paper and point you towards it.

Mr BARTLETT—That would be very useful. Secondly, very quickly, you made mention here of avoiding recession induced lay-offs by increasing wage flexibility to profit sharing arrangements.

Dr Gruen—Yes.

Mr BARTLETT—I would not mind an elaboration on that perhaps. You could send us something on that, particularly the response of the union organisations et cetera.

Dr Gruen—I will give you two discussion papers today. That was the second discussion paper.

Mr BARTLETT—Thank you very much.

Mr BARRESI—I think all my questions have been answered.

CHAIR—Thank you very much for coming along. What you have had to say has been very interesting. I apologise that your time has been so limited. We should have spent much more time with you. I am sorry for that.

Dr Gruen—I can also give you something on the prisons issue if you are interested.

Mr SAWFORD—Yes, that is fine. I have heard those other arguments too but I would welcome that information.

Dr Gruen—I do not want to conceal the fact that it is a terrible state of affairs.

Mr SAWFORD—All I was saying is that the aim is sometimes better at four per cent. We could have done without the other comment, obviously.

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

That this committee receives as evidence and authorises the publication of the supplementary submission received from the Business Council of Australia for this inquiry.

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

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

Committee adjourned at 12.32 p.m.

