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Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON EMPLOYMENT AND  
WORKPLACE RELATIONS

**Reference: Employment: increasing participation in paid work**

WEDNESDAY, 26 MAY 2004

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON EMPLOYMENT & WORKPLACE RELATIONS**

**Wednesday, 26 May 2004**

**Members:** Mr Barresi (*Chair*), Ms Vamvakinou (*Deputy Chair*), Mr Dutton, Ms Hall, Mr Hartsuyker, Mr Lloyd, Mr Brendan O'Connor, Ms Panopoulos, Mr Randall, and Mr Wilkie

**Members in attendance:** Mr Barresi, Ms Hall, Mr Brendan O'Connor and Ms Vamvakinou

**Terms of reference for the inquiry:**

To inquire into and report on:

Employment issues in both rural/regional and urban and outer suburban areas, with particular reference to:

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

**WITNESSES**

**BALY, Ms Anne Miriam, Branch Manager, Skills Analysis and Research Strategy, Department of Education, Science and Training..... 1**

**BORTHWICK, Ms Hilary Jessie, Group Manager, Department of Education, Science and Training..... 1**

**CARTERS, Mr Graham, Group Manager, Employment Policy Group, Department of Employment and Workplace Relations..... 1**

**FOSTER, Mr Christopher John, Assistant Secretary, Department of Family and Community Services..... 1**

**JOHNSON, Mr Benjamin, Branch Manager, New Apprenticeships Branch, Vocational Education Training Group, Department of Education, Science and Training..... 1**

**JOHNSTON, Ms Mary, Branch Manager, Quality and Access Branch, Vocational Education Training Group, Department of Education, Science and Training ..... 1**

**McNALLY, Ms Carolyn, Assistant Secretary, Priority Groups Policy Branch, Employment Policy Group, Department of Employment and Workplace Relations ..... 1**

**PRATT, Mr Finn, Group Manager, Intensive Support Group, Department of Employment and Workplace Relations ..... 1**

**PRINCEHORN, Mr Carl, Director, Gateway, Access and Participation Programs, Department of Family and Community Services..... 1**

**TAYLOR, Mr Dehne, Manager, Labour Market Unit, Department of the Treasury..... 1**

**TUNE, Mr David, General Manager, Social Policy Division, Department of the Treasury ..... 1**

**WILSON, Ms Serena, Executive Director, Department of Family and Community Services ..... 1**



**Committee met at 11.10 a.m.**

**BALY, Ms Anne Miriam, Branch Manager, Skills Analysis and Research Strategy, Department of Education, Science and Training**

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**TUNE, Mr David, General Manager, Social Policy Division, Department of the Treasury**

**WILSON, Ms Serena, Executive Director, Department of Family and Community Services**

**CHAIR**—Welcome. I declare open this public hearing of the House of Representatives Standing Committee on Employment and Workplace Relations' inquiry into employment: increasing participation in paid work. I welcome officers of the Department of Family and Community Services, the Department of Employment and Workplace Relations, the Department of the Treasury and also the Department of Education, Science and Training. Thank you for meeting with us today.

The proceedings today are formal proceedings of the parliament. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of parliament and warrant the same respect as proceedings of the parliament itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament.

Let us start with some of the government programs. We asked earlier this year about the effectiveness of existing government programs, and the word was that perhaps it was too early to tell with some of the initiatives. I would like to start with the pension bonus scheme, considering that there is a lot of debate about trying to keep people in the work force. Is there any data available at this stage to show whether the pension bonus scheme is actually keeping people in the work force?

**Ms Wilson**—I have to apologise in that that is not an area of my expertise within the department. I understand that there is an answer to that question on its way to the committee at present, which will include data on what the take-up of the pension bonus scheme has been, but I do not have that information with me.

**CHAIR**—Treasury would not have any information?

**Ms Wilson**—No, it is a FaCS administered program.

**CHAIR**—What analysis has been done on the effectiveness of the working credit program?

**Ms Wilson**—We do not have any very formal data as yet, because it is fairly early days—it was only introduced in September last year. But I am able to give you some indicative early data of what the take-up has been. The effectiveness is something that we will be examining in the context of the evaluation of the whole Australians Working Together package. That is not due until June 2006, so you would not expect to see a lot after this period in terms of being able to answer that question. But in terms of people who have been using it—

**CHAIR**—You would have six monthly figures, wouldn't you?

**Ms Wilson**—We have figures as of February, and we would be expecting some more formal data by the end of this month. I can tell you that around 60,000 people per fortnight are accessing the working credit and keeping more of their Centrelink payment every fortnight since it has been introduced. Around 170,000 people are using the new fortnightly earnings reporting mechanisms to report their earnings every fortnight. Some people are choosing to delay their reporting, rather than reporting on their due date, and to report a few days after their due date. But around 95 per cent report within three days of their due date. That is important, because some of the customers—those that were on working age pensions and some that were on parenting payment partnered—had not previously been required to report fortnightly. Now all working age customers are reporting their earnings—where they have earnings, and where those earnings are variable—fortnightly. We are finding that 95 per cent are reporting within three days of their report due date. People can report up to 14 days after their due date and still receive their payment up to two days later. So it seems to be settling in well. There is a fair degree of confidence about using the new mechanisms.

In terms of the modes of reporting, for the fortnight that ended on 6 February this year, around one-third of the non activity tested customers used either the Internet or automated speech recognition mechanisms to report their earnings; they were using those self-service mechanisms. About 50,000 people were using the automated speech recognition and about 2,500 people—that is excluding students—used the Internet. Students also have a very high use of the Internet to report their earnings.



The other feature that accompanied the working credit was that customers were able to keep some of their benefits, such as their pensioner concession card, their family tax benefit or their child care benefit for up to 12 weeks after entering the work force and no longer being eligible for payment as a consequence of their earnings. So far, around 35,000 people each fortnight have been able to take advantage of those mechanisms since September last year.

**Ms HALL**—I wanted to ask a question about the reporting system. Are you aware of problems that are being experienced, in particular with the voice recognition program?

**Ms Wilson**—My understanding is that it has been working extremely well and people have a lot of comfort with using it. It is a very natural sounding system, so you talk to ‘Cindy’ on the end of the phone and it sounds like a real person. For the most part, as far as I am aware, people have felt very comfortable with that technology and it has had very good acceptance. There have been some special mechanisms put in place for some customers in business services—customers with disabilities—whereby their employers can report earnings on their behalf directly to Centrelink so that, if they are not comfortable with using that system, they do not need to. So there are some special mechanisms that have been put in place for those customers. Also, at any point in time, my understanding is that, if people do not want to use that technology, they are able to speak to an operator in a call centre.

**Ms HALL**—My understanding is that people feel quite comfortable with it, but within the area I represent there are enormous problems with it—

**Ms Wilson**—Okay. I had not heard that.

**Ms HALL**—particularly with the voice recognition. I have had quite a number of people reporting that the only way that they can finally get around to reporting their earnings is to go off to the Centrelink office after trying all the other ways—although maybe not the Internet.

**CHAIR**—So when you made the comment that the feedback is that there is a lot of comfort in it, how do you know that? Is there a formal evaluation?

**Ms Wilson**—There will be a formal evaluation. At the moment, there is monitoring data that Centrelink is using to keep FaCS and the government informed.

**CHAIR**—How does that work? What kind of feedback mechanism is there from the users to say that it is working or not working? Are you interviewing people and asking them how they find it? You made a statement that it is working; I am just trying to work out how you know that.

**Ms Wilson**—Centrelink has a range of customer complaints mechanisms which are reported to FaCS as the purchasing and policy department about elements of their service where this is not a high degree of satisfaction. In addition, I believe that there may have been a post implementation review, but I will have to check that for you. The general feedback that we have had thus far is that there have been fairly high rates of satisfaction with using it.

**Ms VAMVAKINO**—And this is feedback from the actual users?

**Ms Wilson**—Yes.

**Ms VAMVAKINO**—Presumably they are given questionnaires with things to tick; is that how they collate feedback?

**Ms Wilson**—I am afraid I do not have the information with me about what Centrelink has specifically been using to check that. I can take that on notice and get back to you.

**Ms VAMVAKINO**—Just let us know what the methodology is.

**Ms HALL**—My feedback to you is that we have had an enormous number of calls within my electorate office about this issue and the fact that it is not working as well as the data that is coming back to you may be saying. I was going to make a speech on it if I had a bit more voice this week.

**Ms Wilson**—Certainly the data that indicates that 95 per cent of people have been reporting their earnings within three days of their due date indicates a fairly high rate of success.

**CHAIR**—That is pretty compelling. Considering they have a 14-day lead time, that is fantastic.

**Ms HALL**—That is compliance.

**CHAIR**—The other government program which I would like to explore is the Jobseeker Account. We have had feedback to say that there is a lot of underspend in the Jobseeker Account. Can DEWR give us an update on the Jobseeker Account? Are there really bureaucratic restrictions on accessing that, which is one of the criticisms that has been levelled at it?

**Mr Pratt**—No, I do not believe so. Over the past two to three months we have been working very closely with Job Network members in looking at the administration that is necessary to utilise the Jobseeker Account. It comes down to three areas. One is, with the advent of the Jobseeker Account and the fact that we now have a rather large pool of funding available for Job Network members to spend on their jobseekers, they are spending more money on job seekers, so there is an increase in transactions associated with purchasing services and providing services for job seekers. Any activity of that sort brings with it some administration. The second area is the accountability requirements that the department imposes on Job Network members. In the early days of the Jobseeker Account it is reasonable to say that we were asking for too much information from the Job Network members in terms of what the money was being spent on, for what purpose and so forth. We have streamlined that part of the Jobseeker Account extensively while maintaining reasonable accountability measures.

**Mr BRENDAN O'CONNOR**—What did you take out?

**Mr Pratt**—Things like lots of information about the nature of the training courses and the training providers who are providing services—information which is of interest to us in terms of evaluation of performance but does not go to the heart of ensuring that the money is being properly spent and that sort of thing.

**Mr BRENDAN O'CONNOR**—Does that limit your capacity to evaluate the worth of the actual Job Network system?

**Mr Pratt**—No. What it does is it reduces our capacity to simply, through an automated report, provide instant data on these things, but we are still able to get this sort of information by doing surveys and interrogating individual records. It simply reduces the convenience for the department. The third area is the administration which the Job Network members impose on themselves in terms of administering the Jobseeker Account. Over the last few months I have gone out and talked with about 40 of the 110 Job Network members—the CEOs and their management teams—to get feedback from them on this. We find that there is a varying level of administration that they impose on themselves. We are working with the industry to identify better practice—minimum practice—administration for them which we will promulgate to them. The administration associated with the Jobseeker Account has been streamlined quite a bit and is now at the stage where it is not at all excessive.

**CHAIR**—What are the typical categories that the money is being spent on at the moment?

**Mr Pratt**—I can give you quite a detailed breakdown, but I will give you the main categories. Just over 30 per cent of the expenditure is on training; 15 per cent is on clothing and equipment for job seekers—

**CHAIR**—Can you break the training down even further in terms of whether it is skills training, interview coaching, personal—

**Mr Pratt**—It is largely skills training. This is one of the areas where I cannot give you definitive data, but the breakdown is: retail, hospitality, security, administration, first aid, OH&S, computer courses; those are fairly popular training courses. Essentially, the Jobseeker Account is incredibly flexible. The Job Network member needs to work with the job seeker to determine what that job seeker needs in terms of the skill requirements of the local labour market—for example, for some job seekers they would also provide literacy training or ESL training. Other categories include: clothing and equipment, which I mentioned, and employer incentives—those are wage subsidies.

**CHAIR**—Could I just ask you about equipment, because this has been raised a couple of times. What type of equipment is money allowed to be spent on?

**Mr Pratt**—We do not actually ban anything. We give the Job Network members a set of principles that they have to operate to in using the Jobseeker Account. The equipment would have to be something which is going to help the job seeker to get or retain a job. It would have to be something which was not going to bring the Job Network into disrepute. It would have to be value for money; they would have to be careful about that. While we do not put any limits on them, if there is any significant expenditure under the Jobseeker Account we, of course, go and have a look at it to see what it is. The type of equipment could cover a range of things, such as something which would help a visually impaired person to use a computer. At the interesting end, it could be a set of false teeth for someone who may need that, as a presentational thing, to go to work. So it covers just about whatever you can imagine which is not going to bring the Job Network into disrepute.

**Mr BRENDAN O'CONNOR**—Besides wage subsidies, what other employer incentives are there?

**Ms HALL**—And what percentage do they make up?

**Mr Pratt**—Employer incentives make up about seven per cent. It is one of the moderate operating expenses.

**Mr BRENDAN O’CONNOR**—Why is it so low?

**Mr Pratt**—Basically, it is up to Job Network members to decide what is the best—

**CHAIR**—Are they, perhaps, not marketing that as an option?

**Mr Pratt**—No, some are using it as an option; it just varies. Some Job Network members prefer to use professional services which, I guess, motivate the job seeker and overcome any individual issues the job seeker has. Others like to focus on the views of the employer to try and offset some of the costs of the employer in taking on someone who is not immediately job ready. The beauty of the Jobseeker Account is that it is so flexible and it depends on the needs of the job seeker.

**Mr BRENDAN O’CONNOR**—What other employer incentives are there other than wage subsidies?

**Mr Pratt**—Typically, it is wage subsidies.

**Mr BRENDAN O’CONNOR**—Are there no other exceptions?

**Mr Pratt**—I will see if I can find some other examples of these sorts of things for you. There are things like potentially covering the costs of a training course that the job seeker might do on the job.

**Mr BRENDAN O’CONNOR**—Would that not come under training?

**Mr Pratt**—It could do, but it could also be categorised as an employer incentive.

**CHAIR**—What about tools of the trade?

**Mr Pratt**—Typically, that would come under clothing and equipment.

**Mr BRENDAN O’CONNOR**—I was just wondering whether there are employers who would provide anything other than wage subsidies to employ people—golf clubs, perhaps.

**Mr Pratt**—I have not got any examples of golf clubs, but other examples include: pre-employment costs, such as medical examinations and police checks, workplace modifications—you know, ramps for a job seeker with a disability—that sort of stuff.

**CHAIR**—Actually, I was just about to ask a question in relation to the combination of the Jobseeker Account and the workplace modification program. Can someone access both?

**Mr Pratt**—Yes, it is possible to do so. The Jobseeker Account is very flexible, as I have pointed out.

**CHAIR**—I know that Maria is going to ask quite a few questions in regard to disability in a moment, but the reason I ask that is because one of the criticisms, by some of the groups, is that perhaps the amount of money that is available for the workplace modification program is insufficient; but you can access both programs to assist someone.

**Mr Pratt**—That is possible, yes. The workplace modification scheme is run by the Department of Family and Community Services. To date, Job Network members have not made enormous usage of the workplace modification scheme because they have resources themselves that they can utilise if necessary. However, our disability specialists are particularly aware of the workplace modification scheme, and if it needed the combined resources of both schemes that is open to them. Naturally, we would not permit any double funding.

**Ms VAMVAKINO**—As the chair indicated, quite a number of the submissions that came before us were from organisations that dealt with disability and unemployment. Some of the evidence was very interesting. In relation to the Job Network service providers, are you aware of what steps are taken to make sure that staff members are disability-aware? That seemed to be an issue with the people doing the interviewing and provision—they did not seem to have the sensitivity and awareness required for assessments. Could you also provide information on the Disability Toolkit and how effective that has been in addressing those issues. In relation to funding, what additional funding, if any, is available for finding placements for people with disabilities and, if such funding is available, to what extent is the allocated funding utilised? Finally, what proportion of job seekers' accounts are spent on Auslan—for deaf clients?

**Mr Pratt**—Can we go through those one by one?

**Ms VAMVAKINO**—Yes. Firstly, let us look at staff members. To what extent are they equipped to deal with people with disabilities?

**Mr Pratt**—All Job Network members are required to be able to service all job seekers. Part of the process for selecting Job Network members—the purchasing process they go through—requires them to give us evidence of and to demonstrate their capacity to service people with disabilities, amongst others. They have to be able to tell us about the skills of their staff, what expertise they have and how that expertise and those skills relate to the needs of the local labour market in terms of the different groups of job seekers that are there. That is a prerequisite for all Job Network members.

In addition to those Job Network members, we have about a dozen Job Network members who specialise in providing services for people with disabilities of different types. To get their specialist provider status, they have to demonstrate that they have specific skills in those areas. Each of them has skills in dealing with people with disabilities generally, but some look at specific groups such as people with HIV-AIDS, vision impairment, hearing impairment and mental health issues. So they have had to go through an additional step in ensuring to us that they have appropriate skills.

**Ms VAMVAKINO**—Are you satisfied that the system is actually working? I know the evidence submitted to our committee strongly indicated that it was not working. I appreciate that there are processes in place, but somewhere between the process and the actuality it does not seem to be working.

**Mr Pratt**—I am always interested in those claims. When you look at the specialist Job Network members and their performance in the last Job Network contract, you see that they were almost universally among the highest performing providers. Basically, the ultimate measure of their skills and capacity in this area is the level of jobs they get for people with disabilities. This is a very difficult job seeker group to place in employment, and yet Job Network's results in this area are quite positive. For example, around 54 to 58 per cent of people with disabilities who have been placed through the job matching service in the past have been in a job three months later—in employment or a full-time education course. For those who go through the more intensive services, 44 per cent are still in employment or long-term education three months later. As I said, these providers also have the highest star ratings, typically. Those are objective measures of their performance.

**Ms HALL**—Another objective measure that worries me a little bit is that, if you look at the statistics and the surveys being conducted for people with disabilities, the length of time they are unemployed is increasing and the group is not shrinking. In meeting the needs of that group, it would appear that there is a gap.

**Mr Pratt**—My colleagues from FaCs may wish to comment on this, but I think there is certainly more the employment services can do for people with disabilities, which is one of the reasons we introduced a pilot for disability support pension recipients earlier this year—to test how the Job Network could better engage with job seekers with disabilities to provide them with services which they are entitled to but which they may not know about or may not have taken advantage of. For example, we have many disability support pension recipients in Australia, a proportion—do not ask me to quote the figure, because I do not know it—of whom could well use the Job Network and are entitled to a service if they want to take it up.

**Ms HALL**—Can you also add something about the mechanisms that are in place to stop Job Network providers creaming—dealing with those people with disabilities who are easier to place, rather than those with disabilities who are harder to place?

**Mr Pratt**—When you are dealing with a job seeker group with disabilities, I am not sure—

**Ms HALL**—I did it for 13 years.

**Mr Pratt**—that there is any creaming that can be done, in the sense that they are all difficult clients.

**Ms HALL**—There is.

**Mr Pratt**—The government has streaming arrangements in place through Centrelink. Those arrangements attempt to stream job seekers with moderate to severe disabilities to the very expert providers who are provided by FaCs under the Disability Employment Assistance

Program and to stream job seekers with mild to moderate disabilities to the Job Network for assistance.

**CHAIR**—So that we are still on track—we are getting derailed and FaCs are key to the questions on disability—I would like to indicate that Mr Princehorn has joined us. Did you hear Ms Vamvakinou's questions regarding disability?

**Mr Princehorn**—I did.

**CHAIR**—Would you like to have a go at those?

**Mr Princehorn**—Certainly. I would probably reinforce Mr Pratt's comments about the streaming mechanism. The key there is to ensure that we are trying to get the right people for the right services. Under the legislation, FaCs services are funded to assist those who have ongoing support needs in work, so we are aiming to fund services to work with them and provide ongoing on-the-job support. We also fund CRS Australia to provide vocational rehabilitation to those who, without a rehabilitation program, would probably never gain employment—or be able to retain employment, were they to gain it. That is certainly working. We are in the process of undertaking a post-implementation review of those streaming arrangements at the moment. Indications so far are that overall it is working very well. We have not seen any problems in a generic sense with appropriateness of referral from providers. The post-implementation review will be looking at going into the detail of that data and surveying providers and job seekers about the appropriateness of those referrals and the matching of job seekers to effective services.

Going back to comments about the employer incentives, obviously all of our services can also provide and access wage subsidies—the Workplace Modification Scheme and so on. Indications are that they are tapping into those where necessary. A lot of the feedback we have from providers—and in many cases from employers—suggests that wage subsidies and so on are not generally seen as necessary in most cases. Either providers believe they can get a job without necessarily providing a financial incentive to the employer—and where they can do that they prefer to do it that way—or, similarly, they will only tap into the Workplace Modification Scheme funds where they believe it is absolutely necessary to ensure the best fit of job seeker to workplace or where the employer has indicated they have some financial difficulty in meeting some of those workplace modification costs.

**CHAIR**—We heard from witnesses in South Australia—it might have been the blind society—that the available workplace modification program money is insufficient for the needs of their particular client group. Is that something that is unique to that client group but is okay for the disability cohort, generally speaking?

**Mr Princehorn**—Generally. To put it in context, there were only 296 applications for the workplace modifications scheme last year, with an expenditure of around \$604,000. We certainly had more money than that allocated to the program, so there is an issue around claim and demand there. It is not that we are rejecting claims—nearly 74 per cent of all claims are approved up front. So, to put it in context, certainly those with vision impairment are the highest users of the scheme, at around 45 per cent of the population, followed by around 33 per cent with a physical disability. It then goes down to 6.4 per cent with a hearing impairment. So vision is certainly the largest user. Those issues are more around things like magnification screens for

those with a significant vision impairment who are not legally blind and a range of other elements to modify the workplace to enable them to operate effectively. Certainly we have had no indication that there is a particular issue with access for those groups. We have had no communication or representation from the Royal Society for the Blind or any of the other groups to say that there are systemic issues relating to access.

One of the things that FaCS is looking at at the moment is the potential to broaden eligibility for the scheme. The issue at the moment is that the scheme is only open to those job seekers who are engaged with Job Network intensive support customised assistance or with a FaCS disability employment assistance provider. CRS funds its own arrangements. Our concern there is that effectively that limits our ability to capture people who may be able to get a job and stay in a job without the need for those services but who may need some minor workplace modification. We would perhaps be looking at expanding eligibility to all people in receipt of a disability support pension—not just those being assisted directly by a service.

**Ms Wilson**—The other potential issue relates to awareness of the existence of the Employer Incentive Scheme and its various components, including workplace modifications. About 18 months ago, we did some work within FaCS looking at the Employer Incentive Scheme. That indicated to us that what Mr Princehorn was talking about—perhaps reviewing the flexibility of the scheme—was important but also that there are low levels of awareness and that employers desire to get assistance in the one spot about how to go about employing and supporting employees with disabilities. To that end, FaCS is developing a disability portal that will be available via the Internet to employers, service providers and employees with a disability. The aim is to put all the information in the one spot so that they know how to go about it, what assistance is available to them, who to contact for various elements of that assistance and what things they have to take into account around legislation et cetera.

**CHAIR**—When is that being launched?

**Ms Wilson**—It is still under development, but we are pretty hopeful it is going to be launched by the middle of this year. It is fairly close to being completed.

**Ms VAMVAKINO**—You have raised the issue not only of employers' awareness but also of employers' desire—to even apply—which I keep thinking about. I have a provider in my electorate, very close to my office—Distinctive Options—and my office picks up a couple of their people each week for a bit of training. One of them is called Adam—and I think of him, because he did get a job, but there were work and safety issues and the employer was not prepared to make the modifications necessary to allow Adam to stay, although the job was one that he clearly could do and liked. What I am wondering is whether, in this case, it is just that the employer does not want somebody around after three or four months because of—I do not know—liability issues or compensation issues? Are you aware of these issues, which may actually stand in the way of any sort of brochure or information that you may put forward?

**Mr Princehorn**—Perhaps I can address that one. Certainly a whole range of employers out there have not even come to the point of contemplating employing people with disabilities. That is one of the biggest hurdles. Certainly the research has shown that those who have taken that step and engaged a person with a disability find, to a large degree, that that is a rewarding



experience, both personally and in terms of business delivery, and will often repeat the exercise when they are looking for new employees.

The biggest challenge, I suppose, is those employers who have never been exposed to the issue. That is a little bit about marketing and exposure to information about available assistance through government, but part of it is also about overcoming some of the stereotypical views of disability. Our research showed that most employers perceive disability as being somebody with Down syndrome, somebody in a wheelchair or somebody with a schizophrenic disorder. That is the linear mental model they have, so obviously their perception of the broad range and diversity of disabilities is not there. I believe that is part of the challenge as well.

**CHAIR**—We have had evidence given to us of some research done in the United States about the very issue of the worth to the work force of an employee with a disability. There were some very compelling figures regarding absenteeism, morale and all the various parameters that one would assess, including worker satisfaction, which was pretty high. It was very much company specific rather than general. Have you or DEWR done any research at all about those sorts of issues in Australia?

**Mr Princehorn**—Yes, we have. Several years ago FaCS funded Deakin University to do some work around engaging with employers who had employed people with disabilities and finding out fairly quantitative data around their experiences: increases or decreases in claims for workers compensation or sick leave, and so on. The results overall, which we and DEWR have access to, showed a very positive result.

**CHAIR**—What are you doing with those results? Are you getting them out there to prospective employers?

**Mr Princehorn**—We are at the moment. We are doing a number of things. We are both engaged in working with both Mark Bagshaw of IBM Australia and the Australian Disability Training Advisory Council, which is a council of the Australian National Training Authority, to conduct ‘champions dinners’, which Mark Bagshaw termed and designed. These are designed to bring influential business people to the table over an evening to basically present a business case for why you would employ people with disabilities. One of those dinners has already been held in Brisbane last year. The likes of John Conomos from Toyota Australia, amongst others, were extremely engaged. As an example, he is now working very closely with Mark Bagshaw and others to look at how he can improve Toyota’s efforts in that. Similarly, late last year we provided some seed funding to the National Diversity Think Tank to create an Australian disability employers forum. It is to be an employer run and operated body, so that basically employers engage with employers about the benefits and experience of employing people with disabilities. The research from the UK, which has a similar employers forum, suggests that this is a very powerful means of, if you like, engaging with employers and driving this issue.

**CHAIR**—That is similar to the mature age forums that are held every now and then.

**Mr Princehorn**—Yes, in some ways.

**Ms HALL**—Very quickly, on increasing employer awareness about the positives of employing people with disabilities, possibly the best initiative that was ever taken was the Year

of the Disabled. Maybe there is a need for us to revisit that sort of approach because that did a lot towards encouraging employers to look at people with disabilities in a very different way and it actually had some positive impact upon decreasing the number of people with disabilities that were unemployed.

**Ms Wilson**—There is the International Day for People with a Disability that happens every year. There is a fair bit of publicity around that, and we seek to use that within FaCS to highlight issues around employment for people with disabilities. I believe DEWR does similar things. In addition, there are the Prime Minister's Employer of the Year awards for employers who employ people with disabilities. So there is a range of awareness raising activities that the Australian government undertakes, including through the Department of Family and Community Services.

**CHAIR**—I have one more question on disability. One of the criticisms that has been levelled by those within the disability sector is the two separate systems: the Jobsearch system and the FaCS employment system. Is that a valid criticism? The comment has been made that a prospective employer would access only one of the systems—they would not go to both systems—and therefore those with disabilities are perhaps missing out on some jobs that are available for them. Are you trialling anything, is there a strategic partnership anywhere, where the two systems come together?

**Mr Pratt**—We have certainly been working very closely with our FaCS colleagues on just that. In fact, in recent months, with the DSP pilot that we have running, we have had Job Network members getting together at the local level with the disability employment assistance providers to form those partnerships and identify ways in which, as necessary, they can move job seekers between them, depending on who would offer better services, and also to look at the issues of generally better servicing job seekers. Those sorts of connections are being made at the local level.

**Mr Princehorn**—Perhaps I can add to that. Certainly we have seen no systemic evidence of 'siloeing' of employer contacts at all. To put it in perspective, particularly those Job Network members who specialise in disability, many of those are also funded by FaCS to do the same thing and so they are actually the same organisation working across both markets, just dealing, if you like, with a slightly different target group of client. On the ground, often what happens is that employers will engage with whichever service around the place can offer them the range of employees they are looking for at the time. Often there is competition from employers within the markets, not necessarily just across the markets. Certainly we have not seen any major barriers to how that operates at that stage.

**CHAIR**—I guess the question, though, is that often the employer will often go to the Jobsearch system rather than the FaCS system and yet the person that is suitable for that job may not be on the Jobsearch system.

**Ms Wilson**—So you are talking about registering a particular vacancy?

**Ms HALL**—Maybe something like going back to the disability review panels, where you had everybody working together, would be good.

**Mr Princehorn**—Perhaps I can comment on that. Essentially, the way we have set up the streaming and referral arrangements aims to do essentially that but without, if you like, the significant administrative overhead that the disability panels represented, and providing it in a far more focused and targeted way. But the key element around how this operates is to ensure that there is appropriate engagement on the ground. That certainly seems to be working at this stage.

**Mr Pratt**—Typically, an employer will actually go to an organisation or a provider of services and not actually know whether they are funded by the Disability Employment Assistance Program or Job Network. The relationship is with the actual provider of employer services. I suspect the risk of the claim that is being made to you actually happening is relatively low from an employer's point of view—they will just go to an organisation which can provide the best service to them and give them the right candidates.

**Mr Princehorn**—The only other thing I would highlight there is that job seekers who are in a FaCS funded service can access the Australian Jobsearch Database and also access the Jobsearch Support Only element of Job Network. They certainly have access to all those vacancies.

**CHAIR**—Treasury, just so you do not feel out of place, I have a question for you, although I am not even sure it is actually within your domain, so I apologise—I know you are nodding off there! The *Australian Financial Review* has stated that our labour productivity is about 83 per cent of the United States and that we are ranked about 14th on international labour productivity tables. To what extent can improved productivity offset the need for greater participation in the work force and what steps have been taken to achieve this? We are here talking about getting more people in the work force, but are we looking at it the wrong way? Is it really a productivity issue?

**Mr Tune**—The way that Treasury considers these issues is that we think they are both important. When we appeared before you last time we talked about our 'three Ps' framework that we use to think about the supply side of the economy—

**CHAIR**—Population, productivity and participation.

**Mr Tune**—Yes. Since then, we have done some further work. There was work published in last year's budget, and there is a bit more being published in this document here, which is put together by a task force which includes all the departments on this side of the table and which is out there for discussion at the moment. Productivity and participation are not necessarily two distinct things: our view is that a lot of productivity enhancing things that are done in the economy will also act to improve participation in the economy. We have put some emphasis in this document on the participation side of the equation, largely because it was reflecting things around the demographic challenges and how to increase employment and participation in response to the ageing of the population. But, equally, we recognise that productivity can do similar sorts of things.

We have some information—I do not have it to hand; it was published in last year's budget statement 4—which looks at the relative contributions that increases in participation can make to growth and also, relative to that, that changes in productivity can make to growth. I will get that for you. It is indicative. The assumptions underlying the IGR are around productivity growth

being the average of what it has been over the last 30 or 40 years. That is lower than we have achieved in Australia in the last decade—significantly lower. I was reading an article in the *Financial Review* this morning by a member of the Productivity Commission, who was suggesting that a large part of the productivity improvement we have had in the last decade or so has been driven by microeconomic reform, which has changed the culture, the way people do business and so forth. It has increased the incentives and the opportunities for people to take up ICT, for example, where we have a very high take-up rate relative to the rest of the world. So there have been big improvements.

The figure you quoted at the outset of your question—83 per cent of the US level—is basically right. It has improved as a result of our higher levels of productivity growth over the last decade vis-a-vis the rest of the world, so we have now pulled back more or less to where we were back in the fifties. In the fifties we were at about that level relative to the US. We then declined through the sixties, seventies and eighties. In the nineties we picked up, so we are hopefully on the uphill climb again.

In terms of future policies, the government is starting to consider what the next stages of productivity enhancements may be. A review is being done by the Productivity Commission which is to look at the next stage of what sorts of things can be done in the economy to improve productivity. Those range across the normal sorts of areas you would think about: energy, water, physical infrastructure, port systems, transport systems and so forth. There are a lot of possibilities there. There are issues around the way we regulate the economy. Whether we can reduce the regulatory burden is another possible avenue. There are issues around the way we regulate the professions. There may be possibilities to ease up there and perhaps increase productivity.

**CHAIR**—Are they going to make a substantial difference?

**Mr Tune**—They can. Each one in itself may only have relatively minor impact. If you put them all together they could have a substantial impact. I think a large part of what they do is change culture in the private sector. As I said, the private sector becomes more responsive. There is a greater capacity for them to utilise R&D to innovate and basically be more productive in the way they go about doing things. So it is a change of culture. Rather than allowing them to sit back and, in effect, utilise some protective barriers that may be there to help them, it is freeing them up to do those sorts of things. We see that as being quite important, but I think we see participation as being equally important. Perhaps participation can give you more of the long-term gains. Productivity gains are more one-off things, whereas if you can improve participation over a period of time then you can make some major gains in growth.

**CHAIR**—Has there been any gender analysis of future labour needs or the effects of ageing on future skills by the Treasury?

**Mr Taylor**—In terms of productivity, not particularly. Certainly, there was a gender analysis in the IGR on participation that took into account increasing female labour force participation. Even though overall we see participation falling significantly, that takes into account rising female participation over that period.

**Ms HALL**—I turn to the casualisation of the work force. What are the long-term impacts there? How do you think that will impact on the training level and the skill level of our work force?

**Mr Tune**—I will pick up on something general and perhaps others can pick up on the training aspects.

**Ms HALL**—And skills. Also, how does that compare with overseas?

**Mr Tune**—You may have some comments on the overseas stuff, Dehne. Certainly, it is true that there have been increased casualisation and an increased incidence of part-time work. I guess from where we stand that is not necessarily a bad thing. It goes back to the comments I was making earlier, that greater flexibility in the labour market has actually increased the job opportunities available over time. So we see that as a healthy thing. Some people see it as a negative thing, but we do not necessarily see it that way. Obviously, there has to be a strong proportion of full-time jobs in the labour market for there to be a strong labour market and lower unemployment.

Part-time work is obviously an avenue that a lot of people would like to see continue. Women, in particular, are often quite keen on part-time or casual work. People coming off income support often use part-time or casual work as an avenue towards full-time work. Our view is that these things balance out in the economy, and that the casualisation of the work force has not necessarily been a bad thing at all. It reflects changing flexibility—the way employers and the private sector operate, and often the way that families and individuals operate in the labour market themselves.

**Ms HALL**—Can we have an overseas comparison?

**Mr Taylor**—As David said, if we think of it in terms of increasing labour market flexibility, you could perhaps look at the US economy, which arguably has the most flexible labour market where you see a lot less part-time employment than you do in other countries, especially Australia. Then if you look at Australia's minimum wage to medium-wage proportion, we are the second highest in the OECD. While most surveys show that people in part-time work want those sorts of hours and do not want any more, it also suggests that employers may be responding to the rigidity still within the Australian labour market.

**Ms HALL**—What about the skills level?

**Ms Borthwick**—If you look at the provision of training in the work force—I think the last survey was in 2002—around 80 per cent of employers provide some form of training to their workers. So that is still a reasonably high level. I do not have the detail of that material in front of me, but my memory of it is that the level of training is more affected by the size of the enterprise rather than the status of the person undertaking the training. But I could not say off the top of my head what the impact of the casualisation of the work force would be.

**Mr BRENDAN O'CONNOR**—Are you saying that there is no evidence to suggest that an employer's attitude towards training would differ if the employee were casual as opposed to permanent?

**Ms Borthwick**—I was not so much suggesting that, but that the biggest driver of whether people provide that training or not is more to do with the size and resources available to the enterprise rather than the kind of employee population they have.

**CHAIR**—So a Coles Myer with casuals will provide training, but a smaller organisation with casuals may be prevented from providing training by its size rather than the mix of its work force?

**Ms Borthwick**—Size is one of the biggest drivers of whether or not employers provide training.

**CHAIR**—In your analysis, you say 80 per cent, which sounds pretty high. How does that relate to, say, 10 years ago or even during the days when we had the training guarantee levy—and that is going back a long time, back to when I was working in the field. Has the number of employers who are spending money on training dropped or is it steady?

**Ms Borthwick**—Again I apologise as I do not have the figures with me. But, overall, the level of training provided by employers—depending on what dimension you are looking at, but between the last survey periods—remains about the same. In fact, in some dimensions it has actually improved. As I say, I do not have the details, but we can certainly provide them to you.

**Mr BRENDAN O'CONNOR**—Training is a very broad heading, isn't it?

**Ms Borthwick**—It is.

**Mr BRENDAN O'CONNOR**—That could mean a conference on the Gold Coast for the managers of a company, couldn't it?

**Ms Borthwick**—It could. The most common form of training is on-the-job training.

**Mr BRENDAN O'CONNOR**—The inquiry has uncovered concerns about skill shortages—and I direct this question to DEST and DEWR—and the lack of skills in the work force generally. Some of those skill deficiencies are in particular regions but there are also absences of skills across the board. The committee would like to know whether these shortages are being monitored and tracked or whether it is left to the industries to do that and provide information to the departments.

**Mr Pratt**—Certainly we monitor skill shortages, because it is an area where Job Network can play a part in giving job seekers the skills that are required. We have an industry strategy task force in the department which works with a range of industries, the Job Network members and the National Employment Services Association to act as a catalyst to bring together Job Network members, industry and the training providers to meet those sorts of skill needs. Those are targeted at areas of high need, particularly things like community services, hospitality and retail.

**Mr BRENDAN O'CONNOR**—All of those growth areas.

**Mr Pratt**—Yes. The sorts of resources that the Job Network can bring to the table are its access to skilled people across the country because the national vacancy database extends right

across the country through the Internet. Even more importantly, the job seeker account and the training account can be used to fund training in the skill shortage areas to equip people and then have them placed with those industries.

**Mr BRENDAN O'CONNOR**—Does DEST target skill deficiencies in terms of education and training? How is that undertaken?

**Ms Borthwick**—We do. We rely on advice from DEWR as to where and what the skill shortages actually are. But there are a number of initiatives in place. I do not know whether Mr Johnson or Ms Johnston would be best placed to talk about that.

**Mr Johnson**—I might lead off and my colleague Mary Johnston, who is with us as well, might want to add further to that. As Mr Pratt has touched on, our department leads a National Industry Skills Initiative or NISI, which has recently been relaunched by our minister as the National Skills Shortages Strategy. It is a cross-agency, cross-industry initiative to target particular areas of skill shortage. The work undertaken through that forum engages the Australian National Training Authority, the peak industry associations, including the Business Council of Australia, the Australian Chamber of Commerce, Industry and Australian Industry Group, and other key agencies within government with a particular interest in skill shortages. They have over last few years focused particularly on industry specific strategies to work jointly with industry in identifying particular training, recruitment and promotional needs to attract new entrants into those particular areas of skill shortage. Certainly that work is informed by the information that the Department of Employment and Workplace Relations provides to us. A significant focus of that effort has been on skill shortages in the trades and related occupations.

**Ms Johnston**—I think Mr Johnson has covered the elements of the National Skills Shortages Strategy fairly well. I would emphasise that there is a lot of work going in the area of careers advice for young people to ensure that they are aware of where the skills gaps are so that they can look at that as an opportunity for their participation in the work force. The other area that I would just mention quickly is that we are working closely with groups like group training organisations who provide new apprenticeships. We are funding some of those, particularly targeting skill shortages areas, again based on advice from DEWR on where the skill shortages exist, in both regional and different industry areas.

**Mr BRENDAN O'CONNOR**—I want to go back to the Job Network system. I know we have spent a lot of time on dealing with matters to do with people with disabilities. I had a concern which actually arose more from my electorate than from the inquiry. I had a situation where a constituent, who I think was a year 12 student, noticed on the AJS web site that there was a position as apprentice chef in a local restaurant in his town of Melton. That same job was being advertised in the local paper; he just happened to see it on the web site. He was informed that he was not in a position to apply. He did not know that it had also been advertised in the local paper by the employer. He was told that he had to have a Job Network card. He rang Centrelink and they told him that, to get a Job Network card, he would have to leave school. It worried me that a system would be established that would encourage students to leave school to apply for jobs. Is that a prevalent problem, or has that been rectified?

**Mr Pratt**—The advice provided to your constituent was incorrect.

**Mr BRENDAN O'CONNOR**—I have written information from the provider, which I probably should provide to the department. One of the concerns I had was that it seemed to me that the provider wanted to capture the person—to say: 'We were the ones who found him the job.' It seemed to me that that advice was being provided so that he could stay in the system rather than get the job off his own bat. I cannot see any other reason why he would be advised that. He said that Centrelink advised him—

**Mr Pratt**—Without knowing the details it is hard to comment. In terms of policy, a student who is seeking assistance with placement in an apprenticeship or a traineeship is eligible for a Job Network service.

**Mr BRENDAN O'CONNOR**—So, as a student, he can be a Job Network card holder? That is the issue, isn't it?

**Mr Carters**—Generally speaking, full-time students are not eligible for Job Network services; they are only eligible to seek an apprenticeship placement.

**Mr BRENDAN O'CONNOR**—So, in effect, if he remained at school he could not be a Job Network card holder. He was advised by Centrelink that he could not apply for a job unless he was a card holder and he could not be a card holder unless he was not a student. Is that correct? I just want an answer to that question.

**CHAIR**—I have also had that feedback in my electorate.

**Mr BRENDAN O'CONNOR**—My advice to the student was that he should not leave school in order to apply. He subsequently found out that the apprenticeship was being advertised, so he rang the restaurant. They then interviewed him, and had no problems doing that. No-one can prevent him from applying for a job that is in the local paper, but it seems that, if the only advertisement was on the web site, he was caught in a position where he could not apply for the job through the web site unless he was not a student. That would mean he would have to leave school, and then he may not even then get the job. That really worried me.

**Mr Carters**—It is a very sensitive area. Usually the issue goes the other way. The last thing we want is for Job Network members to go into schools and drag people out of school.

**Mr BRENDAN O'CONNOR**—That is a bit extreme, I suppose.

**Mr Carters**—To a large extent that is why the protection is there for people who are in full-time studies not to be able to be serviced by a Job Network member—at least, not a paid service. That enables people in schools to take up school based apprenticeships et cetera—and that is a perfectly okay approach—but it does not allow Job Network members to essentially entice people out of school to take up jobs if the Job Network member is going to get paid for it.

**Mr BRENDAN O'CONNOR**—I understand why you provide some safeguards against that, but that is not the case here. In this case, he wanted to be in work more than he wanted to be in school. I suppose one could contend that the problem was that, if he did not get a job, he might have left school anyway. It seemed to me he was being unfairly excluded from the system



because he was in learning. If he left school, all of a sudden he would be eligible to apply for the job. That seems to me, in a way, an inducement for people to leave school.

**Mr Pratt**—The bottom line is that, in that circumstance, he was given incorrect advice. He could have applied for that job through the web site and the Job Network member could have placed him and claimed a fee for doing so.

**Mr BRENDAN O'CONNOR**—So they can claim a fee even though the person is not a Job Network card holder?

**Mr Pratt**—Yes, for people applying for apprenticeships and traineeships—if they place them in a job.

**CHAIR**—So it is restricted to apprenticeships and traineeships?

**Mr Pratt**—That is right.

**CHAIR**—Ms Wilson, do you want to make a comment on that?

**Ms Wilson**—No.

**CHAIR**—I do not know whether this is covered by DEST or DEWR, but this question is about mature age apprenticeships. We had evidence from East Coast Apprenticeships in Queensland that 20 per cent of new apprenticeships are going to people aged 40 and above, and it has been suggested to us that the age limit of apprenticeships accommodates a standard entry of up to 25 years of age in some industries. Does the department have any thoughts about that? Are we missing out on a particular cohort? They are not quite mature, but also not at the junior end either—they are in those years of young adulthood—and yet we are not able to capture them?

**Mr Johnson**—I might start off and then other colleagues may want to add to that. I think at the last hearing we had before the committee we indicated that there are currently around 13 per cent of all apprentices, and there are around 406,000 new apprentices in training, who are mature age Australians. They are 45 years and older. We are not aware that there are any particular age restrictions to limit age access within any industries which currently offer training pathways through an apprenticeship or traineeship, and certainly, in terms of the New Apprenticeships incentives program providing support to employers, there are no restrictions around age entry to particular trade qualifications.

**CHAIR**—If I recall—and it was some time back—I think one of the issues there was also the starting salary of someone coming in at that age and the flexibility involved.

**Mr Johnson**—That is correct. I think that the last time we discussed this issue with the committee we indicated that there are wage restrictions on different years for apprenticeships. The concerns expressed by some committee members at the time were around the potential limitations to attracting mature Australians into apprenticeship pathways if they had to commence an apprenticeship at a first year apprenticeship wage rate.

**CHAIR**—And one restriction is the state awards that come into play, as well.

**Mr Johnson**—It is a restriction that is identified in state or relevant awards; it is not a restriction that is identified through the New Apprenticeships incentives program.

**Ms Johnston**—Can I just add that it is up to an employer to pay over award. There is no upper restriction; there is an award wage set, and an employer can pay over that award rate.

**Mr Johnson**—Further to that, we provided the illustration of a couple of industry sectors which had negotiated a specific adult apprenticeship award rate. The metal manufacturing industry is one area I think we have provided to the committee as an illustration, where the first year apprentice wage rate that they have for an adult apprentice almost equates to the equivalent rate of a fourth year or fully qualified apprentice in the area. So there are some specific initiatives being pursued by various industry occupations to address those issues.

**CHAIR**—There are two further issues on that, though. Firstly, are there measures in place to encourage industries to modify their awards so that older workers are not excluded? Secondly, what about the recognition of prior learning? If I am someone in my 40s and I want to start an apprenticeship, is there any discussion about recognition of prior learning? Recognition of prior learning came up over and over again. I guess I am asking in the context of apprenticeships at the moment, but it is also relevant in other contexts.

**Mr Johnson**—I might start with the recognition of prior learning issue first, if you like. We did indicate to the committee—and I think provided to you previously—a report which the National Centre for Vocational Education and Research had undertaken on behalf of the Australian National Training Authority last year on the recognition of prior learning. At our last discussion, we indicated that, under the Australian qualification training framework, registered training organisations which are accredited by states and territories to provide training in their jurisdictions are required to offer recognition of prior learning or recognition of current competencies to individuals when they are seeking to sign them up into an apprenticeship or traineeship pathway. I think the particular issue that the committee focused on at the time was the issue around the cost and resourcing of that RPL process.

That research by the NCVET last year indicated that there is quite a variation of regimes in place in different states and territories for fully resourcing RPL for new workers or entry level trainees in particular qualifications and a variation, too, in some jurisdictions, where there is no resourcing made available, notwithstanding the fact that RTAs have to offer recognition of prior learning to individuals at the commencement of training.

It certainly is largely the case—again, I could not point to any particular research, but anecdotally it is brought to the department's attention—that individuals usually elect to participate in full training for a particular qualification rather than undertaking an RPL process, because effectively the cost of RPL is determined to be equal to or more expensive than the cost of delivering the training for the full qualification to that individual.

Certainly, there has been continuing work undertaken by the Australian National Training Authority to try and progress a more transparent and clear resourcing framework across the states and territories for RPL but effectively it comes back to an individual's decision about how

they wish to pursue the recognition of their current skills. But that framework is currently available to individuals if they are undertaking a new training pathway. In respect of your first question—

**CHAIR**—Which is the modification of awards in order to allow older workers into apprenticeships.

**Ms Johnston**—Do you mean to change the minimum rates of pay?

**CHAIR**—Yes.

**Ms Johnston**—I am not aware of anything at the moment that is happening there; that would be a matter for the industry parties rather than the government to take up. However, under the National Skills Shortages Strategy we have proposals from some industry groups which explore ways of encouraging more mature aged workers. I do not think they particularly address the wage issue; they are looking more at how we can improve the take-up of RPL, which would lead to a shorter apprenticeship, which would be much more attractive for mature aged people. One of the impediments to getting mature aged people into traditional trades apprenticeships in particular is that they need to complete four years, whereas many of them will have a lot of the skills that are required. There are some pilot projects that we are looking at under the skill shortages strategy.

**CHAIR**—I asked that question because it seems to me that the whole concept of lifelong employment is dying out completely these days. People will move from job to job and perhaps make career changes—the sea change that we keep hearing about—and RPL would seem to be critical as we try to keep people in the work force. Mr Johnson mentioned that it is going to be at an industry level, but perhaps a far more coordinated approach led by the Commonwealth with the states following it would be far more preferable. As you say, ANTA has currently got that before it.

**Mr Johnson**—It certainly has been an issue on the training ministers' MINCO agenda.

**CHAIR**—An article in this week's *Herald Sun* headed 'Trade school losing appeal'—in fact I think there have been two articles in the past week—said that in Victoria hundreds of apprenticeships are not being filled by school leavers, that training organisations are blaming that on bias towards universities and on low pay for apprentices and that the school curriculum is directed at higher education. What initiatives is DEST involved in to deal with that trend and future skill shortages?

**Ms Johnston**—That is one of the major things that have been picked up in the National Skills Shortages Strategy and in the work on careers. There was certainly the impression that careers advisers first and foremost—and parents and other influential people—will direct young people towards university rather than necessarily a trade qualification, for example. We have been working with a number of industries over the years to develop attractive materials to distribute to schools to encourage people to consider other careers. Mr Johnson could mention the current range of new apprenticeship advertisements and last year's advertisements which focus very much on trade careers and apprenticeships as a way forward for many young people. I do not know whether you want me to go into detail about some of the careers materials that have been

developed and other careers initiatives with schools. Another part of our department is working closely with schools to change those perceptions among teachers, careers advisers and, hopefully, young people.

**Mr Carters**—I want to mention a pilot we are running to address the same sort of issue. We are working on that with DEST as well as the New South Wales government in the Illawarra area. It is an area with very high youth unemployment and also skill shortages, particularly in traditional trades requiring apprenticeships. So there is a pilot running down there, and all those players are coming together with employers and young people to basically identify better ways to attract youth into those areas and also to get employers to take youth on in apprenticeships to help resolve the issue of skill shortages. We are very hopeful that that pilot will give us some very good learnings on best practice opportunities to promote that more broadly. The aim is to try and create 80 apprenticeship placements in that location. A lot of the disadvantaged young people require access to the New Apprenticeship Access program, which is prevocational training before they are ready to take on an apprenticeship. We can then flow them through to an apprenticeship with employers in the area to resolve the skill shortage issue.

**Ms VAMVAKINOU**—This is an issue. To what extent do you think that doing away with the so-called technical schools, certainly in Victoria some 14 years ago, that had very clear pathways had an effect? On this issue of young people and trades, we talk about attitudes—everybody wants to go to uni, and that may have increased. But there was a time when the trade sector had some element of acceptability and respect: there was a very clear pathway and it was a clear choice. That seems to have merged. I wonder to what extent you think that may be the case. Maybe young people are more confused about what they can do and maybe the pathways are not as clear in their minds. There used to be two very distinct paths some years ago, and then, of course, policy changes merged them together. I am trying to understand it, because as a teacher it fascinates me that these shortages are out there. I have high youth unemployment in my area and they do not seem to be connecting. People are not following the pathways that are there for them that we think they ought to be following to alleviate unemployment and all the other issues that politicians—and everyone else—have to deal with.

**Mr Carters**—There seems to be a tendency for some young people to want to get the fast dollar and not to look at longer term careers. Something we want to promote, with our colleagues around the table, is demonstrating the potential for these people in these trades to become self-employed, run their own businesses and make a lot of money out of some of these trades where there are distinct shortages, such as electricians and plumbers and so on. So we are looking at some options for campaigns to promote that in particular locations to try to turn that around.

**Ms Borthwick**—The other thing to bear in mind is that, while it is absolutely true that there is an entrenched view amongst teachers, students and parents that university is the preferred outcome, the proportion of young people actually doing apprenticeships has not actually declined. They are still doing it at the same levels and in the same numbers.

**CHAIR**—It has not declined in proportion?

**Ms Borthwick**—It has not.

**Mr BRENDAN O'CONNOR**—They just think less of themselves, do they? Everybody wants to go to university but they go to TAFE colleges instead.

**Ms VAMVAKINO**—This is the paradox I am trying to understand as well. Why are the shortages there, then, if it has not declined?

**Ms Johnston**—I think there is actually a high level of satisfaction for those who do go into apprenticeships.

**Ms VAMVAKINO**—I am sure, yes.

**Ms Johnston**—It is the encouraging them to go in. I want to pick up on your point about the technical schools. The structure of the education system is of course basically a state issue, but one of the things that has happened over the years has been a move away from streaming people at a relatively early age. We have had a huge growth since the abolition of technical schools in vocational education and training in schools across a much wider range. So I suggest there are pros and cons for both approaches.

**CHAIR**—But we are seeing the emergence of skills centres now—skills clusters—as a way of perhaps overcoming some of this. We will be back after the division.

**Proceedings suspended from 12.29 p.m. to 12.41 p.m.**

**CHAIR**—I asked a question about the uptake of skills clusters in response to a comment on the decline in skills apprenticeships and trades training in the school environment. Is there any evidence so far to show that that is working and it is turning around the situation?

**Ms Johnston**—Are you referring to local community partnerships?

**CHAIR**—Yes. I am talking about a group of schools getting together and perhaps setting up a hospitality cluster, a retail cluster or an automotive cluster. I think it might be something that is only in some states, but it does involve ANTA funding.

**Ms Johnston**—ANTA funds the skills centres as part of the ANTA funding of infrastructure. Most of the funding that the Australian government puts into that is for physical facilities like that. I believe ANTA did a review of the skills centres last year. If I can get hold of a copy, I will table that.

**CHAIR**—That would be great. Thank you very much.

**Ms Johnston**—I will check with ANTA whether that is available.

**CHAIR**—I am very conscious of time, but there are some critical and key questions which we still have not asked. This might be a question for DEWR. We also heard evidence from a number of proponents of schemes wanting to set up intermediate labour market programs. There is an intermediate labour market model used in the United Kingdom, which employs people with a community agency and then transfers these people to a job once they have demonstrated the skills they can do. There is an Anglicare project in Sydney that provides an intermediate labour

market. Do you have any comment to make about the worthiness of those and whether or not there is a move for us to adopt more intermediate labour market programs?

**Mr Carters**—I will start off with general perceptions, and Ms McNally might give you some specific examples of partnerships on the ground in terms of what is happening and what the departments are doing—working with state governments and communities—to set up these sorts of partnerships that you are referring to. Before we go into that, I will talk more generally about the concept of community work and employing unemployed people in work which is paid at award wages and is full time. There have been significant evaluations of past employment programs which have demonstrated that that sort of approach is a worthy approach in that it provides the individual with more money, raises their self esteem et cetera. The negatives to that sort of approach are that they are a very expensive option and they have a lock-in approach. People who are in those programs have a tendency to see themselves as not being on welfare anymore, which is great. However, because of that, they see themselves as earning a ‘wage’ in a ‘real job’ and have a tendency to stay there for a long time and to stop looking for other jobs, and that is funded by the taxpayer.

**Mr BRENDAN O’CONNOR**—Do you mean because the job is there for them indefinitely?

**Mr Carters**—Yes.

**CHAIR**—That proposal was given to us by one of the professors at the University of Newcastle. It was to develop one of those programs as well where it becomes a fixed job. I think the one in the United Kingdom that we have come across had them move on outside the agency.

**Mr BRENDAN O’CONNOR**—Yes, they moved on.

**Mr Carters**—It was under a new deal approach or something like that. Essentially, that sort of moving on opportunity is available through our Job Network services. The job seeker account can be utilised to assist people in obtaining work experience, the training, the wage and all those different options. We see the Job Network approach as having that significant flexibility instead of more of a one-size-fits-all approach to a program. Those sorts of ideas and linkages can work well, but the flexibility is there with Job Network to provide those services here and now.

**CHAIR**—Your major concerns about intermediate labour market projects are that the placements become an end in themselves as a job and it is a costly means of handling the issue.

**Mr Carters**—In terms of real job outcomes at the end of it, the past research has certainly demonstrated very high costs per placement.

**CHAIR**—Ms McNally, do you want to make a comment on that?

**Ms McNally**—My responsibility is for some of the more disadvantaged groups—Aboriginal people, people with a disability and so on. As my colleague Mr Carters has indicated, we are keen to use the flexible approaches within our programs. A lot of the approaches that do come to us are people that have an interest in particular priority groups, saying, ‘We want a labour market program to address these special needs.’ We have been able to see that some of those special needs are similar across all of the groups having the same sorts of problems and issues, so we

have been trying to promote the idea of flexibility within our current programs. The other important part is linkages to other programs and applying more of a solution broker type model where we use a toolbox of linkages to other programs and our flexible approaches and try and broker solutions rather than lock people into a program which brings with it more silos than we would see as beneficial.

**Mr BRENDAN O'CONNOR**—When the department is assessing the cost of a program, does it weigh against the cost the success rate of finding work after the program? While I am on that, more specifically, can you draw some conclusions when you compare the programs under Working Nation and the Now programs which are described as more like a welfare type job, placing greater emphasis on getting people employed quicker with less structured training and certainly less income? Can you reflect upon the differences between the programs under the previous government in the form of Working Nation and the sort of labour market programs now under the current Commonwealth government? What are the main points of difference?

**Mr Carters**—The main differences are the ones that I have already mentioned. The job creation Working Nation programs tended to be a guarantee of a job for six months.

**Mr BRENDAN O'CONNOR**—Not an indefinite period.

**Mr Carters**—That is right. It was usually a community job. In the case of new work opportunities or in the case of job skills, applicants got a real job that paid an award wage but it was still a produced job and it tended to be more in the public sector than the private sector. The job skills placement program had better employment outcomes than the new work opportunities did because the new work opportunities program involved basically just community work.

However, even with the Jobskills program, the cost of paying a six-month job at full minimum wage and a full-time job had the negativities that I mentioned. It locked people in. They tended to think, 'We're in a job, we won't look for another job for six months.' Because of the high cost, the outcomes were still no better than, for example, the current Work for the Dole program. They are running at about the 30 per cent mark. So a mutual obligation program like Work for the Dole, which essentially puts people in community work but on a part-time basis, is a lower cost to the taxpayer; it leaves the opportunity and in fact people are expected to look for work as well as that; and the outcomes are running at a similar sort of level. Essentially the difference is that they achieve similar sorts of outcomes, similar sort of logic, but Work for the Dole type approach is far cheaper.

**CHAIR**—On the trial sites of Cape York and Shepparton with the Council of Australian Governments whole of government approach, can you give us an idea of the progress of these trials and evaluations to date?

**Ms McNally**—What we are really looking at at the moment in terms of learnings is being applied to some of the changes that are occurring through the new ATSIIS arrangements. We are looking at some sort of qualitative learnings as well as quantitative learnings. Some of the early learnings include that things like coordinated lead agency roles make a difference and the levels of community engagement are critical. Again, it is a solution brokering approach where we do not offer individual programs and arrangements to communities or individuals but we offer a suite of opportunities. Also building partnerships between the public and private sectors has been

important, particularly in areas like Cape York where they do not have a lot of skills on the ground. Also multiple tiers of involvement. We have found that in both sites having just Commonwealth government working closely with communities is not appropriate and we really need to bring to the table state, Commonwealth and local councils—all the levels need to be working in that whole of government approach. Also things like flexible funding approaches have been critical, where we do not lock people into that silo mentality; we can actually use funds from programs flexibly and link them to other programs.

**CHAIR**—So the department through these trials is basically giving a big tick to the whole of government approach on some of those programs.

**Ms McNally**—That is right.

**CHAIR**—My next question relates to a visit we all did to the Brotherhood of St Laurence in Melbourne. I am sure you are aware of their particular project where they have brought in not whole of government but whole of agencies: all the community agencies have been brought together to work in the inner suburbs of Melbourne with a disadvantaged group. They tell us that Centrelink cannot use this approach and they are not structurally designed to move into these communities. I guess there is a bit of resistance there to what they are doing, yet they have got a good track record with their approach. Could you make a comment about the Brotherhood of St Laurence project and what can be done from a Commonwealth point of view to assist welfare organisations embracing their particular approach? DEWR has just given a big tick to holistic approach at government level.

**Ms Wilson**—I am aware of the work that the Brotherhood of St Laurence is doing through the Neighbourhood Renewal program in Melbourne.

**CHAIR**—There is state government involvement there but there does not seem to be any Commonwealth involvement.

**Ms Wilson**—That is not quite the case. Our state office of FaCS has been working with the relevant state government department to look at some sites where we might cooperate and join up our services in a more integrated way. The sites we have been visiting include Shepparton. There was also a joint visit to Wendouree in the Ballarat area.

**CHAIR**—Yes, Wendouree is another one. That was the first one, actually.

**Ms Wilson**—That may have been one somewhere out in the far south-eastern suburbs of Melbourne.

**CHAIR**—Around Doveton, or that area?

**Ms Wilson**—I am not sure exactly. There is a thing called the welfare reform working group of the Community Services Ministers Advisory Council, which is a forum for the state and Commonwealth community services officials. Through that working group, both in Victoria and in New South Wales, work is quite well advanced with the FaCS state office working with state government counterparts in sites of joint interest where we share the problems. From a FaCS Centrelink perspective, there are high numbers of people on income support. From the state



government perspective, there are high numbers of users of their services—the gamut of health services through to child protection et cetera. In New South Wales that work to date has been focused on the Mount Druitt area.

The sorts of things that we try to do in those sites include seeing whether on a needs basis there is an argument for targeting any expansion of current programs within the program guidelines to those sites, whether we can make the on-the-ground linkages work better—getting local officers such as Centrelink officers involved—or whether there are particular innovations we can do within some of our programs, like the Personal Support Program or what have you, that would use our funded organisations that are running those programs to focus in that area with a particular at-risk group or with a particular intervention. There is work happening along those lines. I am not aware of any specific problems around the site—it is Atherton Gardens, isn't it?—where the brotherhood is working in Melbourne.

**CHAIR**—Yes, it is Atherton Gardens. I guess what they are saying is that Centrelink cannot use that particular approach.

**Ms Wilson**—I am sorry; I do not quite know what that means and what the specific problem is. I would have to get some more information about that.

**Mr BRENDAN O'CONNOR**—I went on the inspection. It was about a month ago, wasn't it?

**CHAIR**—I went last week.

**Mr BRENDAN O'CONNOR**—I am not sure what the chair thinks but certainly members who went on that earlier inspection were very impressed with what has happened. There are long-term unemployed people in employed work and they have genuine positions and so on. I am very aware that they have used the Community Jobs Program, which is pretty small budgeted scheme, isn't it? There are not a huge number of participants.

**Ms Wilson**—Yes. It is a state government project.

**Mr BRENDAN O'CONNOR**—It used to be 26 weeks but now I think it is down to 15 weeks. I was not aware of the extent to which the Commonwealth was involved. I was going to ask how much. You were just about to allude to the fact that there was some involvement.

**Ms Wilson**—In terms of Atherton Gardens, I am not aware that there is any specific involvement. We are aware of the project because FaCS is also responsible for the Commonwealth-State Housing Agreement, which includes joint funding of public housing in estates like Atherton Gardens. One of the provisions in the new CSHA is trying to look at ways we can combine the employment objectives and housing assistance objectives to get better outcomes for jobless people who are in public housing. I am not aware of any specific contribution that we are making around Atherton Gardens. I guess what I am saying is that I am not aware that one has been sought and we have not been able to provide it. I cannot comment any further.

**CHAIR**—Were you about to comment, Ms Johnston?

**Ms Johnston**—Just to say that I am aware that certainly our state office has been called upon to give advice on what programs we have that contribute to that neighbourhood renewal—for example, our New Apprenticeships Access Program. They are trying to bring the programs together to work them together. I think it is being done at a state level, which is appropriate.

**Mr Carters**—The DEWR state manager is also working on the same projects. It is basically a four-pronged attack in terms of solving and resolving those issues.

**CHAIR**—Is that work more in terms of providing advice and counsel or is there also a facility for Commonwealth financial involvement?

**Mr Carters**—The financial involvement is basically in our existing programs and services—how we can utilise those very flexibly to resolve issues and to put solutions on the ground.

**Mr Pratt**—At a more general level, one of the key elements of the new Job Network arrangements are what we call the complementary programs where we now actively encourage and make it possible for Job Network members to place people in state government programs like CJP. They can work with those providers and supplement them with a job seeker account and so forth. We have a memorandum of understanding with the Victoria state government to allow that.

**CHAIR**—Based on evidence from a particular organisation—the MS Society of Victoria—it appears they have been negotiating with FaCS for a sheltered workshop arrangement in which a Jobs in Jeopardy program could go into workplaces and provide dedicated support. Has there been any progress in the negotiations on this, Mr Princehorn?

**Mr Princehorn**—My understanding is that those discussions are still going on between our Victorian state office and the MS Society. We certainly see a lot of merit in the broad proposal that they have in place to metamorphose their current operations to more of a Jobs in Jeopardy intervention approach. It is a matter of sorting through the fine details now to get it rolling.

**CHAIR**—Do you see a similar model being used elsewhere?

**Mr Princehorn**—To put it in context, all our funded services—CRS Australia and the non-government providers under the Disability Employment Assistance program—are currently able to operate and assist people whose jobs are in jeopardy so they can go in and engage with the person while they are still in work and ensure that they remain in work.

**CHAIR**—Their criticism is very valid. It is far better to assist these people to remain in work than to try to get them into work once they are out.

**Mr Princehorn**—Absolutely; it is far more cost-effective for everybody involved and particularly far more reasonable for the job seeker.

**CHAIR**—I think we had that same comment from the blind and the deaf societies as well. I have a last question for Treasury. Professor Macdonald has been cited many times on this committee, but this time it is in a different context.

**Mr Taylor**—Is this Ian or Peter Macdonald?

**CHAIR**—Ian Macdonald. Peter is the one who has been cited. Professor Macdonald commented that the methodology used in the projection of health expenditure in the intergenerational report would mean that by the year 2126—that is a long time away—100 per cent of GDP will be spent on health services.

**Mr BRENDAN O’CONNOR**—Is that current GDP?

**CHAIR**—Projected GDP. Does that mean we are all going to be in aged care work?

**Mr Taylor**—I think that is just the Pharmaceutical Benefits Scheme. This comes out of the IGR, which is out of the Charter of Budget Honesty. The IGR is required to assess the long-term sustainability of current government policies over a period of 40 years—not 140 or whatever. That includes taking into account such things as demographic change. By definition, the IGR highlights those elements of expenditure that are growing faster than the overall economy. The particular figures are set out on page 82 of the IGR, and how we arrived at that real growth of about four per cent per annum. I think that is what Professor Macdonald refers to. They are quite conservative. They are based on the policy changes that were announced in the 2002 budget, which included a modest increase in charges to the Pharmaceutical Benefits Scheme which did not get through parliament. So, if anything, you could perhaps say that those numbers might get slightly worse. It is important to remember that this IGR is where we would be if there were no policy change. We do not expect to end up there in 40 years. If we do we are in quite a lot of trouble. It leads you to areas where you might want policy change.

In that respect, the IGR suggests that we are going to have about a 5.25 per cent fiscal gap in 40 years time. The government has put forward the proposal that the best way to address this is to grow the economy faster, which gets back to one of your earlier questions about productivity and participation. Our view is that if we halve the intended fall-off in participation then we will pick up about 0.5 per cent of GDP per capita real growth per year, and if we can maintain our productivity at around two per cent rather than the 1.75 per cent which we have in the IGR then we will get another 0.5 per cent. The magic of compounding over 40 years is that 0.5 per cent will give you an economy that is 20 per cent bigger than it otherwise would have been. The economy will still be growing but this sort of compounding will give us an economy that is 20 per cent bigger. We currently pick up about 25 per cent of GDP, roughly, in taxes. One-quarter of a 20 per cent increase is five per cent—voilà! We have reached that five per cent of GDP gap we had in 40 years time.

There was another thing that I thought was interesting. I could not resist doing some sums when I saw Professor Macdonald’s evidence. I think he said that by 2100 a third of GDP would be taken up by the PBS, and by 2126 it would all be taken up. If we manage to grow the economy by this additional 20 per cent, those numbers fall to 20 per cent and 50 per cent respectively. It is just an example, but it shows that growing the economy makes a big difference to where those sorts of numbers are heading.

**CHAIR**—They are still frightening numbers.

**Mr Tune**—The numbers in the PBS projections are based on growth rates that have been occurring over the last 10 or 15 years. If you go back to the sixties, you will see slower rates of growth in PBS expenditure. When we were doing the projections, it seemed to us that we had seen a sea change in the way that pharmaceuticals were being used in society. For various reasons—largely technological—we now have a massive explosion in the capacity of society to produce pharmaceuticals for a range of purposes; they are becoming cheaper per se. Therefore, that rate of growth that we have seen in the last decade or so is more likely to reflect the situation we are going to see in the future than if you go back over a longer period of time. As Mr Taylor said, these are projections—they are based on current policy settings. If you change your policy, you can change those numbers quite dramatically.

**CHAIR**—Thank you. Does anybody else have any closing comments? We could have pursued a few more questions with you, Ms McNally, so I apologise for that. I thank all of you for giving up your valuable time—you have given up 2½ hours, if not more. If any of us have not been able to ask certain questions today, the secretariat will forward the questions to you this afternoon, and we would appreciate it if you could get back to us. Some of you have said that you will provide us with information—please do so—and someone was going to send us the Senate report.

**Ms Johnston**—I am not sure when that is available. I will confirm that.

**CHAIR**—We would like you to get back to us as soon as possible because we want to finalise the report as soon as possible.

Resolved (on motion by **Mr O'Connor**, seconded by **Ms Vamvakinou**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 1.07 p.m.**