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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, 31 MARCH 2004

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON EMPLOYMENT & WORKPLACE RELATIONS

Wednesday, 31 March 2004

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

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

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

EGAN, Ms Susan Wendy, Executive Officer, Physical Disability Council of Australia..... 1
LIND, Ms Lou-Anne, Executive Director, National Ethnic Disability Alliance 1
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Committee met at 11.18 a.m.

EGAN, Ms Susan Wendy, Executive Officer, Physical Disability Council of Australia

LIND, Ms Lou-Anne, Executive Director, National Ethnic Disability Alliance

CHAIR—Welcome to this hearing via teleconference. I declare open this public meeting of the inquiry into employment: increasing participation in paid work. Thank you for meeting with us today. The proceedings here 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. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. I invite each of you to make some preliminary comments about the issues you think are important to this inquiry before we move to questions and discussion.

Ms Lind—I will start with a statement, and I will refer to Sue at certain points to give a few more details.

CHAIR—Please go ahead.

Ms Lind—Both NEDA and PDCA would like to thank the Standing Committee on Employment and Workplace Relations for the opportunity to respond to this inquiry. It is my understanding that the standing committee has received a copy of our joint submission.

CHAIR—Yes.

Ms Lind—NEDA and PDCA have also provided comprehensive responses to the government's consultation paper *Building a simpler system to help jobless families and individuals*, and we would recommend that the committee also look at these documents. It has been estimated that 19 per cent of the Australian population have a disability. NEDA represents the 25 per cent of people with disability who come from non-English-speaking backgrounds. We are the peak body in Australia representing the rights and interests of people from an NESB with disability and their families and carers. PDCA represents the majority of people with disability who have physical disabilities, and PDCA is the peak body in Australia representing this group.

Both NEDA and PDCA certainly support initiatives aimed at increasing the access of people with disability to paid employment, and both agencies challenge the underlying assumption, which is contained in much of the government's documentation, that somehow people with disability do not want to work. However, our position also is that, unless the government genuinely commits to its welfare-to-work philosophy and provides concrete support in a number of areas, we will not see any radical changes in the number of people with disability in the paid work force.

We believe that the real issue here is a need for practical assistance from government to assist people with disability in gaining employment. Types of assistance can include providing financial assistance to meet the costs of participation, creating opportunities for people with disability to gain meaningful work experience, providing incentives for employers to hire people

with disability, providing better education opportunities, recognising qualifications and experiences gained in other countries, ensuring that all employment support policies assist in keeping people who acquire a disability in employment, and providing culturally competent services to place people with disability in real jobs with meaningful outcomes and appropriate award based wages.

The particular type of employment assistance that a person from an NESB or a person with physical disabilities will need very much depends on their individual circumstances—for example, the extent of their impairment, their ethnicity, age, gender, location, migration status and level of English literacy—and therefore the support provided needs to be tailored to the individual.

Another significant barrier to employment for NEDA's and PDCA's constituents is the negative attitude held by employers and their prejudices about people with disability. Again, the government needs to provide adequate resourcing to educate employers about the abilities of people with disability. NEDA and PDCA also recommend that the government takes this one step further and looks to introduce legislation that ensures that larger companies employ a certain number of people with disability. If they do not do this, these larger companies would be fined and the money would be used on employment initiatives. A similar system currently exists in the United States.

In addition, people from a non-English-speaking background with disability have very limited access to Commonwealth funded employment services. In Australia, four out of five people who speak a language other than English and three out of four people from a non-English-speaking background currently miss out on receiving employment services that are provided by the Commonwealth. Finally, in our submission, NEDA and PDCA highlight the real need for adequate income support to be provided to people with disability who are in paid employment or looking to enter the work force.

At this point, I also want to make specific reference to the work that PDCA has done on the cost of disability and the associated costs of participation. NEDA and PDCA would like to refer the committee to our submission as well as to the documents lodged with the Commonwealth in 2003 in response to its consultation on income support. In conclusion, we would direct the committee to consider the recommendations issued by both peak bodies. In order to achieve meaningful increases in opportunities for paid employment for people with disability, we believe that these strategies need to be seriously considered.

CHAIR—Thank you very much, Lou-Anne. Susan, do you want to make a comment?

Ms Egan—I would like to pick up on the issue that Lou-Anne spoke of—that is, the cost of disability. As Lou-Anne mentioned, our organisation, the Physical Disability Council of Australia, researched the issue of the costs of disability. These are the costs that are outside the normal expenses of everyday life—costs that are directly attributed to having a disability. We had Dr Jack Frisch, who is a leading economist and a lecturer at the University of New South Wales, work for us to undertake this research project over a period of two years. The outcome of the research showed quite significantly that people do experience an additional cost through having a disability and that this is often exacerbated when people go to work. For instance, the

cost of working sometimes might supersede the actual income, particularly where people are on low wages, which is quite common for people with disabilities.

It may be attributed to the cost of transport to work—having to get taxis because there is not significant accessible transport. Even though transport is changing, it is not expected to be fully accessible for another 20 years in Australia. If you live in a rural or remote area, this is even worse than in a city because there may not be any accessible taxis that people can use to go to work. On top of that there are the costs, once in the workplace, of workplace modifications. In some cases, the government Workplace Modifications Scheme can meet those costs, but if you are talking about major changes in access to premises then \$5,000—which is the top limit—certainly will not meet those costs.

We are also talking about the cost of having personal or attendant care to assist you to get up in the morning, to get out of bed, to dress, to have breakfast, to get to work and often to set up the workstation—and in reverse at the end of the day. Often people need assistance with toileting and eating lunch during the day, so people will need to be brought in for those reasons. The government has reintroduced the work based personal assistance scheme, but that has not started yet, to my knowledge, and I do not think it will really meet the costs or the need that is out there.

Then you have the cost of the equipment that you would use. If you are going to work, you are perhaps going to have wear and tear on that equipment even more than you would have in a normal day, not working. There are also the costs of training and educating yourself to a standard whereby you become employable. With changes in university fees and the fees that are going up at the moment, these costs are increasing. There is the cost of additional food that people need. There is the cost of medication outside the Pharmaceutical Benefits Scheme.

Particularly if people go to work, they lose the benefit of having a health care card, which can often pay for items in the Pharmaceutical Benefits Scheme. For instance, for a diabetic, the medications required will be quite significantly expensive. I know this for a fact because I happen to be a diabetic. One lot of tablets that I take costs \$17 and they last me for two weeks, but in fact I take five lots of tablets and two lots of insulin, so the cost of these adds up over a period of time. I do realise that there is a safety net, but you need to meet the cost of the limit of that safety net first, before you get assistance. And we are talking about the day-to-day existence of people who have significant levels of disability in the first place.

Those are just some of the costs that were looked at in the research project that we undertook. The recommendation that came from that was that the government should look towards holding inquiries and should look quite significantly at having a disability allowance that is payable in addition to any type of pension. So a person may be on, for instance, unemployment benefit or Newstart, but if they have a disability they would be paid a disability allowance to cover some of the costs associated with their disability, otherwise the incentive to work would simply not be there, because it is not financially viable.

CHAIR—Thank you very much for that, Susan. One thing strikes me as we talk about the cost of disability. Just by way of background, we have met with a number of witnesses in this particular field—some in a generic sense on disability; others have been about very specific disabilities such as blindness, multiple sclerosis and deafness. Your modelling and your comments about the cost seem to indicate the severity of the disincentive as it applies to those

who are severely disabled. Have you done any modelling across the various degrees of disability? That is the first question.

Secondly, have you done any modelling about what possible increases we could expect in employment, from a quantifiable point of view, if we did address some of the issues about the cost of disability? You make a broad statement saying: if we look at the cost of disability allowance and we were able to increase that on top of the pension, we would have greater participation. But what modelling has been done to show that? What quantification can you give us?

Ms Egan—In the research documents that Dr Frisch produced, there are some examples of the benefits that would be reached by addressing the issue of the cost of disability. Going back a step or two, we started the research project by aiming only at people's physical disability, but we came to realise that, with some modifications, the way we addressed the research project could be effective for all people with disabilities, depending on the severity and type of disability. Looking at the main question that you are asking, it is a very difficult issue to quantify in the sense of the benefits because the benefits are that people would not only be able to work but they would be able to participate socially in their communities and in our society—and I think that cost is immeasurable to our society—whereas currently people—

CHAIR—But you are still making an assumption that that would happen. I guess my point is, if we did take those costs into account, would people actually go into work? That is the issue. And what are the numbers that we are looking at?

Ms Egan—I think it is a given that you will always have some people who will not work, because there are some people whose disability is very restrictive to their lifestyle. But the majority of people with a disability would be able to work and would be able to find work. It is not just as simple as paying out, say, an allowance of X number of dollars; it is also that you address the issues that Lou-Anne raised when she spoke about access to premises and the attitudes of employers. It is a bit of a chicken and egg situation: it is not there at the moment, so how can you project how many people are or are not going to work? From personal experience—and, once again, I am a person with a disability; I have a physical disability in that I use a wheelchair—I have worked for all of my working life, which is a period of 30 years, and with the support that I have had over those years I have been able to continue to work. Many of my friends and colleagues work because we have the opportunities to be able to work. What we are saying is: provide more opportunities in terms of changing the attitudes of employers—get them to think beyond the square and start looking at access to the employment places. Certainly legislative things can be addressed there, but also address the issue that it does cost to go to work.

CHAIR—I have one final question, before I hand over to my colleagues, on the cost of going to work. You mentioned that in your earlier comments about transport and the cost of getting from home to work and back again. Have you made any distinction between the cities and the regional and rural areas? Obviously, not only is work a lot more scarce in the rural and regional areas but also the transport modes are perhaps a little more infrequent or—

Ms Egan—Or non-existent.

CHAIR—non-existent.

Ms Egan—We have probably not done the issue of remote and rural communities justice, I think it is fair to say. They are issues that are experienced by everyone who lives in those areas, not just people with disabilities. Yes, transport is a huge issue—getting to and from any place, whether it is to go shopping, to go and see the doctor or whatever—and I am not sure that there is a short-term remedy for that. But one of the things that we have been exploring for some time is the potential of people working from home. We believe that people with disabilities are able to work from home, because, in the main, they have their own set-up. They have accessible premises to work from, so there is no additional cost there, and they have the capacity to work the hours that they need to and therefore to fulfil any employment contract that they need to. For instance, I work from home and I have done so for about eight or nine years now, and my productivity can be verified by any employer. I think that says that you have ready-made, accessible premises and you have no issue of discrimination against an employee. The equipment would simply need to be provided for the job that people do. I think that the potential for people to work from home would be beneficial to any employer, because they do not have to meet the additional costs of having people on the premises.

CHAIR—Yes, that is fantastic. I agree with that.

Ms VAMVAKINO—I just want to explore the issue of the additional barriers confronted by people with disability from a non-English-speaking background. You have raised the issue that obviously they have a language problem and therefore in most cases they are not aware of the services that are available and do not know how to access them. I just wondered what your view was about what sorts of steps need to be taken in order to address that and what role government can play to ensure that everyone has knowledge of and access to the services.

Ms Lind—I think, as an essential first step, government has to increase the places available for people to go to class and learn how to speak English. The second thing is that those classes have to be accessible. At the moment, they are not. Taking physical disability aside, even if you have a cognitive impairment, an intellectual disability or a psych disability, these classes are not geared to meet those particular needs. So I guess it is a two-step process: (1) radically increase the number of places so that people can go to these classes; and (2) ensure that the classes are accessible to people with disability. It is one step in a whole series of steps that need to happen to make sure that NEDA's particular constituency can actually access these supports. Does that answer your question?

Ms VAMVAKINO—Yes.

Mr BRENDAN O'CONNOR—I am not sure who raised the point, but it was raised in submissions—and I think it is also incorporated in your formal submission—that there was a hope not only to increase employment opportunities but to ensure that, wherever possible, those opportunities would allow for proper award wages, if you like, or ordinary wages. Could you expand upon that? That is, are there occasions on which a person's disability, in your view, would diminish his or her capacity in some circumstances, which may mean that there may be an argument not to pay a particular wage? If so, how would you accommodate that? Is there an ignorance about the fact that, in many instances, people with disabilities can and should be employed under the award system?

Ms Egan—With respect to your first question, yes, there will be instances where people are not 100 per cent productive. If you have a couple of people working together and one is not as productive as the other but is receiving an award wage, that is often felt to be unfair and not equitable. But there is an existing system called the supported wage system that employers can use, and that is open to any employer in the hypothetical situation that we are talking about. If a person can work, say, up to 60 per cent of the capacity of a worker without a disability, it can be assessed by nationally accredited assessors that that person works to 60 per cent capacity, and that is then worked out with the employer and the relevant department. The government already has that. My feeling on that is that I do not think enough employers are aware of that system, which operates so that neither party is in fact out of pocket.

Ms Lind—Yes, I completely support what Sue is saying about the supported wage system. Another good example of that is the Workplace Modifications Scheme. Employers are just not aware that you can tap into some support systems so you do not have to foot the entire bill.

Ms Egan—I think that we have just highlighted that there is ignorance, but I would call it lack of information or awareness rather than ignorance. Ignorance assumes that people have not learnt, but how can you learn if you do not know it is there? That is the issue. I think that there is a responsibility in the community to create more awareness of disability issues—and that goes right across the board, not just for employment, although I know that is your brief at the moment. But I think the potential of hiring people with disability is simply unknown to employers until they get someone with a disability and then usually they will sing their praises.

Mr BRENDAN O'CONNOR—Can I just supplement that question. Thank you for those answers. I am not sure if I explained it clearly from my point of view, but one of the issues I was concerned about was that, in promoting opportunities for people with disabilities, there may be occasions on which they would be employed but their disability would not affect their productivity. I suppose I am asking whether there are any occasions on which we may inadvertently have people placed into employment and paid less because they are being promoted as people with disabilities, although their disability does not actually have an adverse impact upon their efficiency, productivity or ability to perform the work.

Ms Egan—I would say yes, wholeheartedly, that is the case, particularly in larger firms where it can happen and it is simply overlooked. People with disabilities are often overlooked for promotion or for receiving additional tasks or training, and often a person with a disability will work in the same position for 20 years and be paid the lowest of low wages and sometimes not even up to an award. Yes, that does happen, and that is simply exploitation—particularly in sheltered workshops, where people are doing meaningful tasks. If you or I did it, we would be paid a full award wage, whereas a person with an intellectual disability is paid a pittance in a workshop for doing the same task.

Ms Lind—Just to add to the point that Sue has made, it is about understanding the difference between a disability and an impairment. For example, if you look at the data produced by the Australian Bureau of Statistics, it says that 3.6 million people in Australia have a disability, but 1.5 million are recorded as having what is called a core restriction—communication, mobility and self-care—and 1.3 million have both core and non-core restrictions, so that is not the 3.6 million in total. So it is about understanding where that impairment comes in—and not a perceived impairment, but an actual impairment in terms of productivity.

Ms HALL—I have a few questions I would like to ask you. First, I will link in to the question that was asked by Brendan. In your presentation, you mentioned that larger companies should be required to employ a percentage of people with disabilities. What sort of framework would you see put in place to ensure that (a) people with disability who were achieving at the same level as other employees were paid at that level and (b) companies did not just circumvent their obligation by creaming—employing people with a minimum level of disability to meet that requirement?

Ms Lind—We made reference to that. We have looked at international models of how this can work, and the US model struck us because their disability discrimination act is actually very strong. It is a lot stronger than what we have in Australia. They have a system—and I was going to say ‘Don’t quote me,’ but I am being quoted—where, I think, if you hire either 12 or 15 workers in your company you then have an obligation to hire a person with a disability. I do not have the exact figures on that. Obviously, yes, there would be the two issues that you have raised. One would be companies selecting the cream, if you like—selecting people with perhaps a lesser degree of impairment, because it is just easier—and that is an issue that you would need to look at. I do not have all the answers now. I think it is a model that really needs some research into how we can do that. The second issue that you raised was about the productivity of somebody who is hired by the larger company: how we ensure that their productivity is at the same level.

Ms HALL—No, that was not it.

Ms Lind—Is that what you said?

Ms HALL—No, not at all. It links into the question that Brendan asked previously about people who were paid at a lower level, yet their productivity was at the same level. So would you envisage having something in place in the framework that covered that?

Ms Lind—I think you would need to. Sorry, I misunderstood your question before. This comes around to the fact that, if we were to put a legislative framework around this, all of these issues desperately need to be thrashed out, because, as much as we can look at models from overseas, the bottom line is that it has to be appropriate in the Australian context.

Ms HALL—Thank you. My next question relates once again to your submission. In your submission you mentioned that there had been a decline in the number of people with disabilities employed in the Commonwealth Public Service, and I think you would probably find that that may be so across all jurisdictions in Australia. Firstly, why is that? Secondly, what strategies would you like to see the government implement to address this decline in employing people with disabilities?

Ms Egan—I think I put that item in.

Ms Lind—Yes, you did.

Ms Egan—It comes from statistics provided by the Australian Bureau of Statistics, so it can be borne out by their figures. It has been shown that there has been a decline. When challenged on those figures, the Public Service—certainly the Commonwealth Public Service—have said

that it is because there are no lower task jobs any more. They quoted clerical work, because of the computers and so on. If we look at their response, we look once again at the fact that people are not aware of the capabilities and the potential of people with disabilities. With technology today, many people do not have to do the clerical jobs that were done before. Many people with disabilities can in fact use computers and can use their minds—take Dr Stephen Hawking, for instance, who has one of the highest support need disabilities there are. It is just a narrow way of thinking and a narrow way of looking at things.

You could legislate to fix it, and I think that to some degree that needs to happen. However, one of the things that is already in place in terms of legislation is the Commonwealth Disability Strategy, which I understand, as recently as last Friday, is about to be reviewed in terms of its potential, its capacity and what it has achieved to date. I would say wholeheartedly that in the area of employment it has achieved very little except a lot of rhetoric. What it needs to do is create the awareness within government departments that people with disabilities are not just useful for clerical work but for any type of work. I had a conversation with the head of the department of meteorology, who said to me, ‘But there are no jobs in our organisation that people with disabilities can do,’ and I thought, ‘Of all the departments, that is one where they could work.’ I spoke to this person about contacting the universities to find out about the graduates with disabilities who are coming through university and how those graduates can be linked in to the Public Service.

Once again, I do not think that people are thinking outside the square. We are paid to think outside the square, so it is all right for us to sit here and say that we know the potential of our members and constituents, but we need to teach others in the decision-making areas how to think outside the square and to look at people with disabilities with the same eyes that they would look at someone without a disability, and ask questions such as ‘How can you do this?’ rather than saying, ‘You can’t do this.’ It comes down to educating people about the potentials.

Ms HALL—I had better make this my final question or the chair will be anything but happy with me. It relates to employing mature age people with disabilities. All the information that has been presented to this committee shows that that particular group is most disadvantaged in the labour market. What would you like to see put in place? Have you any ideas about addressing the issue of mature age unemployed people with disabilities?

Ms Egan—I believe that mature age people with disabilities have life experiences—as do those without disabilities—that they can bring to any workplace. For years we have overlooked that sector of our community and now we are asking people to look at people with disabilities in that age group. We need to address this on its own merits, look at people in particular age groups and put programs in place in much the same way that people from non-English-speaking backgrounds need to be addressed in their own right. I do not think you can have one program that meets all needs. You have to start having multicultural programs and programs for people in mature age groups that address their needs specifically rather than just being more generic and open.

Ms Lind—I can add to what Sue was saying. There is no argument that people of a mature age have additional barriers, but when we are looking at disability we need to look across the entire generation as well. If you have had a disability since you were a child, then you are denied the same access to basic and essential opportunities in life: for example, education, workplace

training, getting your first job and all those sorts of things. If that has not happened, by the time you become a mature age person you are in a worse position because, yes, you have life experiences—there is no question about that; and that should not be undervalued—but you have not had the opportunity to have as much employment experience as perhaps your non-disabled peers, because of all the other things that you have had to face during your lifetime. Whilst I can see the argument about why we should work on the issues of mature age discrimination in employment, for people with disabilities we need to start looking at younger people coming out of high schools and making sure that they are getting all the opportunities that they need, so that they are not facing the same issues as people who are now in their 50s, 60s or whatever.

CHAIR—Lou-Anne, there is a comment in the submission about the myth of extended family support and that perhaps this has been used as some sort of justification by service providers to provide fewer services. I am mystified by that. I come from a cultural background in which the extended family is very prominent. I find it pretty poor to use that as an excuse, particularly if it is going to come from anything that is funded by Commonwealth or state governments.

Ms Lind—That has been a really common experience of my state based advocacy agencies. You have all heard the saying, ‘Ethnics—they all look after their own.’ Let us be really up front about this. It is around, people have that assumption and it is quite false. What you get is almost a shrug of the shoulders that says, ‘Well, they’ll be okay because this mob, they all look after each other. Someone in the community will sort them out, you know. It’s not really our problem.’ The problem is that that does not actually happen.

CHAIR—This is an informal sort of approach; it is not formal?

Ms Lind—I am sorry. What do you mean?

CHAIR—That kind of attitude is a stereotype and a matter of bias rather than anything that is formally entrenched in their operational procedures.

Ms Lind—You are never going to have that because that would constitute racial discrimination. It is the same with disability discrimination. Nobody will formally have in their policies something which says, ‘Don’t hire anyone like that,’ or whatever. That is the problem you have. When you work in the area of discrimination it is all assumptions, beliefs and attitudes. If anybody were to quantify it, they would be before HREOC.

CHAIR—On employer attitudes, do you have any partnerships with employers or industries which you can point to as being models to be adopted, particularly with disabled people from a non-English-speaking background?

Ms Lind—There is nothing that jumps into my mind. If there was, I would receive advice about that. We find that a way to look at this is to work with groups like ACROD and to do some stuff with their services. Our state based agencies do a lot of training and modelling with employment services on the ground. We find that if that continues to be supported by government it makes a significant difference. That is the sort of stuff we push for. At this stage I do not have a service that I can wave at you and say, ‘This is working really well.’ In some areas there are and in others there are not. But, if you like, I am happy to get some advice about that

and say, 'Here are a couple of groups that maybe you should look at. We have worked with them; it seems to be working.'

CHAIR—That would be good.

Ms Lind—We could do that.

CHAIR—My last question goes back to the opening comments by Susan. You mentioned that, in working from home, your productivity levels are as high as anybody else's.

Ms Egan—Yes.

CHAIR—We have heard evidence that those who are disabled rate very highly across a whole lot of performance criteria. This is the evidence coming out of large organisations in the United States. Surely that kind of evidence, as well as your anecdotal evidence, should be what we need to promote in order to break down the stereotypes. That would have a greater impact on an employer's willingness to employ rather than the recommendation in your submission, which has been disputed by other witnesses, that we provide incentives for employers.

Ms Egan—I am not a supporter of incentives for employers because I think incentives ask employers to do what they should be doing legally anyway.

CHAIR—It is in the submission, I am sorry. Maybe it is Lou-Anne's recommendation.

Ms Lind—I think it needs to be taken hand in hand. NEDA takes a very realistic position with this stuff. The reality is that legislative reform is a long way off. In the meantime there has to be something. Unfortunately, incentives, education and all the softer approaches need to happen. We cannot have nothing. Like PDCA, our preference is for legislative requirements but, in the absence of those, this is what we have.

CHAIR—My concern with that is that I do not believe that the disability sector has done enough to promote, convince, persuade—whatever you like—employers about the advantages and benefits of employing people with disabilities. That is not a criticism of you but of the sector as a whole. The same thing could be said about mature age people. Yet the other day we heard from Westpac, who have gone out there in a conscientious effort to employ people of mature age because they recognise that it is good for business. So they are not doing it because of some altruistic feeling that they must employ older people; they recognise that it is a good business decision. There is evidence from American companies as well as what you said, Susan, about your productivity levels. Surely we should be saying to companies: 'Hey, this is good for you. This is going to benefit you. You are going to get happier people, lower absenteeism, high levels of retention, less sick leave and all those sorts of things.'

Ms Egan—With due respect, I would ask: how do we do that? We work as disability organisations already addressing the immediate needs of people with disability. I am not sure that we have the resources to now go out and promote people with disabilities in a positive role model way beyond what we are doing.

CHAIR—But you recognise that it could be a good strategy?

Ms Egan—Absolutely.

Ms Lind—Yes. I cannot argue with what you are saying, but I disagree with your criticism of the sector. The sector is not funded to have the capacity to do that. It is deliberately underfunded for that reason. We need to address that, so it is a partnership approach, I think.

CHAIR—Ms Hall has one other question.

Ms HALL—I just wanted to place on record that I have actually worked with people with disabilities and I know just how hard it is to change that culture—the perception, the stereotyping that exists in the community. Even when you go along with the person who is possibly by far the outstanding candidate for a position, if that person has a disability they are often put at the bottom of the pack.

Ms Egan—Absolutely.

Ms Lind—Absolutely.

Ms HALL—I think it is a lot more difficult, and I know that there has been a lot of money spent on promoting people with disabilities—in the Year of the Disabled there was an enormous campaign—but it is still an issue all the time of trying to address those perceptions that are held within the community. I have to say I agree with you that there is a role for government. Even the workplace modification, to a degree, is an incentive for employers.

Ms Egan—It is. So too is the supported wage system.

Ms Lind—Yes.

CHAIR—Ladies, thank you very much. Mr Wilkie, do you have a question, or will you just accept that we have covered everything?

Mr WILKIE—I am sorry I was late. I have unfortunately been tied up in another meeting. I thank you for your submission. I was heavily involved with the WA disability services agencies and was actually part of the Adopt a Politician program, where the families of people with disabilities would actually be involved with members of parliament and show them exactly what it was like looking after and working with people with a disability. I just want to say thank you for your submission—it made a lot of very interesting points—and I am sorry I was not here earlier.

Ms Egan—Thank you.

Ms Lind—Thank you.

CHAIR—Lou-Anne and Susan, thank you very much. One of you is in Sydney and one of you is in Brisbane—is that right?

Ms Lind—That is right.

Ms Egan—Yes, that is right.

CHAIR—And we are in Canberra. This is fantastic. This is modern technology.

Ms Egan—Exactly.

CHAIR—It just goes to show that you can work from different locations.

Ms Egan—I run a national organisation from Brisbane, so there you go.

CHAIR—That is fantastic. We do thank you for your submission. It is very comprehensive. It is in sync with some of the other submissions that we have received from the disability sector.

Ms Egan—Thank you.

CHAIR—We may need to come back to you. If so, we will let you know. Thank you very much.

Ms Lind—Great, thank you.

Ms Egan—Thank you for the opportunity.

[12.06 p.m.]

McDONALD, Professor Ian Martin, (Private capacity)

CHAIR—We thank you for your submission and welcome you today via teleconference from Melbourne. Before we start, I apologise that I have to leave in 15 minutes, but the deputy chair will take over. The other point to make is that, as this is a teleconference, we may have members coming in or leaving at various times, and we will let you know if that happens. In what capacity do you appear before us today?

Prof. McDonald—I work at the University of Melbourne, but I am not here to represent any organisation. I made my submission to the committee because of my duty as an academic economist to contribute to questions of economic wellbeing and government policy.

CHAIR—I have just a couple of formalities to go through. Proceedings here 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. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament.

Prof. McDonald—I understand.

CHAIR—I invite you to make some preliminary comments about the issues you think are important to this inquiry and then we will move to general questions and discussion.

Prof. McDonald—The preamble of the committee's terms of reference asks it to inquire into ways that would increase employment participation in order to maintain our economic growth rate in the context of the impact of the ageing of the population. I have done quite a bit of research on the implications of the ageing population in Australia, and also for some other economies, and from that research I advocate to the committee that there are two fundamental points which the committee should not lose sight of in its considerations and deliberations on this issue.

The first of these is that it is important to remember that, in the future, living standards will be much higher than they are today. It is reasonable to expect labour productivity to continue its growth rate of the last century, which is a little over one per cent per year. If this continues, it means that living standards in the future will be much higher than today. For example, calculations that I have done suggest that living standards in 25 years time will be 35 per cent higher than they are today, and in 50 years time they will be 84 per cent higher. Obviously these are projections and calculations—they are not to be taken as exact figures—but they give the order of magnitude of living standards almost doubling in 50 years time.

These calculations take into account the ageing population and the fact that there is going to be a lower aggregate employment participation ratio because of the higher proportion of aged people in the population, but they also take into account the fact that old people receive large health expenditures, especially from government, compared with the rest of the population. So

the first point is that future growth in living standards should be taken into account. This means that, in asking people to make sacrifices in their living standards today for the benefit of people in the future, one should not forget that people in the future are going to be, in fact, much better off, and therefore the sacrifices that one might call upon people to make today should be lower than they would otherwise be.

The second point is that the impact of ageing on government finances is not large. Although government is a very important institution in supporting old people, especially through government pensions and health care, the effect on ageing is fairly small. For example, as the *Intergenerational Report* showed, the government pension bill by 2041-42 is projected to increase by only 1.7 percentage points of GDP, which is not a large amount given the amount of ageing that is occurring. When you think about that in relation to the increase in living standards everyone will be able to enjoy, it is a rather small amount. The IGR projected a rather large increase in health expenditure but in my view that was due to a deficiency in their method in projecting the outlays on the Pharmaceutical Benefits Scheme.

From those two points, employment participation should be encouraged insofar as it is efficient—that is, insofar as the gain in wages and outputs compensate for the loss of utility from working, but that has nothing to do with ageing; that should occur in any event. There is no separate reason given by ageing to encourage increased employment participation. Similarly, health expenditure is a big item for government. At the moment I guess there is a revolution going on in health, with various new developments in ways of treating people, and so on, leading to tremendous productivity increases and a great demand for health expenditure.

Health expenditure could be controlled by measures aimed at ensuring an efficient level of expenditure by taking into account the costs and the benefits of health expenditure. So one needs efficient schemes to ration health expenditures to their best usage, which is of course what governments, both federal and state, are attempting to do. What one should not do is put Australian people on some treadmill of increasing employment participation to finance additional health expenditures which are poorly organised and poorly allocated. That would not be a good outcome. Rather, one should focus on the immediate problem with health, which is the allocation of scarce resources to health care. Those are my opening comments.

CHAIR—Thank you very much. We thank you for your submission. I am still a little bit confused by some of the comments you make, particularly when you talk about the state of the growth in Commonwealth government social outlays. You have recognised the growth that is going to take place in the PBS and in the health budget. Surely those two things alone are going to put quite a lot of pressure on Commonwealth government social outlays.

Prof. McDonald—I think the PBS projection is based on a poor method. What the Treasury did was take the growth over recent years in the PBS, which has been fairly rapid because of developments in drugs and so on, and project that forward. The trouble with that is that you get this massive growth of the PBS from only 0.6 per cent of GDP to 3.4 per cent of GDP in 2041. If you follow this methodology and project on further, you find that by 2100 the PBS would account for one-third of GDP and, by 2126, for 100 per cent of GDP. Once you project it out in that way, you see that this is not a very good methodology. You can also see that 2041-42 is rather an arbitrarily chosen year on this massive, growing path. It is not the right way to think about it.

The right way to think about it is that health expenditures need to be rationed efficiently. That is true now for current health expenditures and will be true in the future. Whether that is going to be a bigger problem in the future is problematic. On the one hand, there will be more aged people—so that, I suppose, increases the demand for health expenditures—but, on the other hand, there is enormous productivity going on in health which lowers the costs of supplying health expenditures. There will also be a much richer society, with much higher living standards, which will be prepared to and wish to pay—in order to get health expenditures—for more health expenditures.

CHAIR—Thank you.

Ms VAMVAKINO—There are just two issues I would like to raise with you. The first one is on the question of the improvement of living standards in the future and whether the current generation of workers needs to make any sacrifices. The committee has been told that by the year 2020 there will be 500,000 jobs with effectively no-one to fill them. If this is the case, what will be the impact on your predicted increase in living standards, and what are the implications for Australia's future economic management?

Prof. McDonald—I do not know the basis for this prediction about 500,000 jobs, so I cannot comment on it.

CHAIR—It was some research done by the Boston Consulting Group for the ACI, I think.

Prof. McDonald—Okay. The projections that I have made, on which this projected growth in living standards is based, assume that employment continues to evolve according to current employment participation ratios by age group and by gender. What that means is that it probably understates the true growth in employment in the future. In other words, my calculation of future growth in living standards is a slight underestimate—so it is a conservative estimate of growth. With respect to the idea that there are 500,000 empty jobs, it is hard to imagine what exactly that could mean.

CHAIR—We are told that even in the next couple of years alone—forget 2020—we are going to see a dramatic increase in job vacancies. There are some projections over the next five years, 10 years and 15 years. I do not have those figures in front of me at the moment. I apologise for that.

Ms HALL—We could also relate it to the fact that there are identified skill shortages already existing in certain areas, and these skill shortages are creating challenges within those industries. One of the areas where there is a skill shortage is within the area of health.

Prof. McDonald—Yes. It is the role of the labour market to address skill shortages. There are always skill shortages, and that leads to people training in the appropriate skills to resolve those shortages.

CHAIR—One of the submissions we have had in the area of migration says that migration is not having a significant impact. The Department of Immigration and Multicultural and Indigenous Affairs annual report for 2001-02 says:

A migrant program that delivers a significant number of young, educated and skilled workers every year will play a key role in enhancing both the size and the productivity of Australia's future labour force in the years of demographic transition ...

Do you have any comments to make about that assertion?

Prof. McDonald—I have two comments. One is that in these projections of future living standards—the ones I was just talking about, the ones I have done—I have also looked at various demographic futures. One is varying the fertility rate and another one is varying the migration rate. These outcomes are not very sensitive to such variations. The growth in living standards is affected only by a very small amount by very large changes in immigration rates and very large changes in the fertility rate. From that point of view, I do not think that immigration is a very important issue in terms of living standards. Of course, more immigration leads to a higher rate of growth of GDP, but it also leads to more mouths to feed. The bottom line that one should focus on is living standards—that is, just how well off people are.

CHAIR—Thank you. I apologise, but I now have to leave you in the capable hands of the deputy chair.

Prof. McDonald—I have a second point with regard to immigration. The idea that we need skilled immigration is, I think, very much overstated. Sure, if people come here with skills, they have higher marginal products and they produce more and consume more. I do not quite see what the welfare benefit of that is, or the benefit to economic wellbeing. They are just transferring from other countries where they also had high levels of wages, incomes and living standards. So this focus on skill, from the point of view of wellbeing, does not seem to be a very sensible focus. The other thing is that, once you make these long-term projections for 20, 30 or 40 years, I think it becomes pretty difficult to move to a disaggregated level, even one as broad as skilled versus unskilled. Lots of changes go on, and at the disaggregated level projections become very uncertain and should not be taken very seriously.

Mr WILKIE—A number of submissions have suggested that there should be greater deregulation of the labour market. One aspect of this is that it has been suggested that employers would be able to pay lower wages for some work. Firstly, what do you think would be the impact on future living standards, given that pensions are tied to average weekly earnings, if greater deregulation were to occur? Secondly, what would be the impact of deregulation on living standards in regions which currently have high levels of unemployment?

Prof. McDonald—With regard to the impact of average weekly earnings on pensions, presumably if freeing up the labour market led to a greater dispersion of wages that would mean that the average would not be affected. Therefore, I suppose that would make the pension somewhat more attractive for someone with low skills.

Mr WILKIE—I suppose the point is not that the income would be spread out in that regard but more that there would be less income because people would be getting paid lower wages.

Prof. McDonald—But, as you said, only some of them would be getting paid lower wages. It was thought that perhaps it was going to be unskilled people—although, again, it is not clear that

that is going to be the case. Deregulation of the labour market in general, if it is effective, leads to higher productivity and higher general wage levels, so it would be good for pensions.

Ms HALL—I would like to go back to the social outlays we were talking about a little bit earlier. We were talking about the PBS. While there may be an increase in PBS spending, wouldn't that be counteracted in other areas of health outlays?

Prof. McDonald—I think it is true that there would be substitution across the areas. Yes, that is right. Drug treatments are a substitute for other treatments.

Ms HALL—Yes. Once again on health costs, looking at an ageing population and increased living standards, it has been put to us quite often that a person at the age of 80 now is probably the equivalent of a person at the age of 60 many years ago, and that the costs are associated more with the last two years of a person's life than with people living longer. Would you like to comment on that?

Prof. McDonald—Yes. This is the idea that most health costs are incurred in the last two years of one's life. Our calculations do not take full advantage of that, so in that sense our calculations on the living standards actually overstate the increase in health expenditures. That is another reason why the figures are conservative. Living standards will increase a little bit more, one would imagine, than we project. I doubt that will make a lot of difference but there would be a slight difference.

Ms HALL—My final question looks to the ageing population—the impact of the increased living standards and how the ageing population could actually create employment opportunities across various sectors within the community. Do you see this adding to the prosperity of the nation? Do you think that we should be embracing this and looking at ways to capitalise on it?

Prof. McDonald—I see it as a shift in demand. As the population gets older, the structure of demand for goods and services will change—that is, less babies rattles and more old people's goods and services. I think one will see those changes. The way the market works is that people will step forward to supply those goods and services. Structural change will occur.

Mr BRENDAN O'CONNOR—I just have one question. Firstly, I hope you are right. It is a very, I suppose, optimistic assessment of one's future and I am sure we would all love to believe that you are correct. You do indicate that there will be real growth and effectively an improvement in living standards over the next 50 years.

Prof. McDonald—Yes.

Mr BRENDAN O'CONNOR—Did you in any way examine whether there will be a widening of the gap between, say, the top 20 per cent of the country and the remaining 80 per cent? In other words, have you looked at inequity?

Prof. McDonald—In terms of the distribution of income between people at a point in time, no, we did not look at that at all. With regard to ageing, we assumed that the distribution would remain unchanged. So the growth in the living standards keeps old people at relatively the same level as the rest of the population. So, as young people's living standards go up by one per cent,

old people's living standards go up by one per cent as well. But we did not look at the distribution of income, as it is usually called, at all.

ACTING CHAIR (Ms Vamvakinou)—Thank you, Professor McDonald. There are no more questions from the committee. I thank you for your submission and also for your participation today. At this point, if the committee has any further questions we will be in touch with you. I thank you on behalf of everyone.

Prof. McDonald—I thank you and the members of the committee for your questions.

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

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

Committee adjourned at 12.30 p.m.