

***Submission by the Employment Strategies Council (Brisbane North) to
the House of Representatives Standing Committee on Employment,
Education and Workplace Relations On***

***An Inquiry into Issues Specific to Workers over 45 years of Age
Seeking Employment or Establishing A Business Following
Unemployment***

Introduction

The House of Representatives Standing Committee on Employment, Education and Workplace Relations has advised its intention to consider this issue in response to a request from the Minister for Employment Workplace Relations and Small Business to inquire into and report on

“The social, economic and industrial issues specific to workers over 45 years of age seeking employment or establishing a business, following unemployment.”

In helping to define the issue, the Committee Chair, Dr Brendan Nelson focussed on “the plight of older workers facing redundancy and the prospect of unemployment or having to retrain to secure employment is a problem that is largely overlooked”. His comments highlight the issue of older workers facing longer periods of unemployment and the jeopardy in which this places their retirement security. Critically, Dr Nelson also raised the issue of the risk involved in choosing to enter the business world without appropriate skills or support and the potential of thereby placing redundancy payments or other personal wealth at risk.

Community and other representative groups have been invited to make submissions to the Standing Committee about the issues and the ramifications these have for employment (both in jobs and in other areas of opportunity).

Accordingly, the Employment Strategies Council (Brisbane North) Inc. is pleased to submit the following perspective for consideration by the Committee. We believe we are well placed to make such a submission. This ACC has, in the past year, commissioned research into issues germane to this subject as part of its role of investigating topical questions that relate to employment. This research has led to solutions that are especially relevant to providing for more effective businesses and more secure jobs- and these solutions are presently in the initial stages of development. This paper does not canvass all the issues relevant to the larger group covered by this study. Rather we have focussed on those people who are made redundant yet have useful skills that are at risk of being lost through the ravages of long term unemployment or who enter business with a minimal awareness of the risks for their place their wealth and well being.

Background

The subject issue has emerged as a concern in the relatively recent past as the era of corporate and government rationalisation (downsizing, rightsizing etc) and other similar factors has resulted in a flow of people into the employment market and business acquisition market. As this paper seeks to demonstrate, the issue is an important one as this sector of the unemployment problem generally receives little coverage, the issues involved are complex and the solutions required may lie outside of current and conventional approaches. The *downsizee* group is one that can readily be ignored as it does not enjoy the profile that youth, indigenous and other similar groups do.

Issues

Employability and Competition

The prospects for ready re-engagement in the workplace (as employees) are moderated by the (usually) negative views held by recruitment/human resource agencies and employers about the work capacity and learning flexibility of older workers. To be fair to such views, the employment market is currently dominated by younger, highly competitive job seekers armed with tertiary education, current technological skills, and a realistic appreciation of the job market and its vicissitudes (e.g. they have not been enculturated with an expectation of a life long job). Their readiness to accept the need for flexibility in responding to the needs and culture of an employer combines with the above to enhance their employability (even though often superficially).

On the other hand, those who have recently emerged from the arguably traumatic experience of ejection/rejection by their employer (for whom they may have worked for a considerable period), often do not appear to offer a similar “employability package”. While they can often offer a wealth of experience, knowledge and skill, these attributes may be bundled within a cultural, performance and operational perspective, developed over time in their previous employment, that may be perceived as quite inappropriate to the requirements of a new/different employer. At the same time, their experience level, “organisational qualifications”, seniority and earning experience places them in direct competition with the group described in the previous paragraph.

Categories

It is clear that these “*downsizees*” experience a variety of events and circumstances that result, in a sense, in the creation of a number of sub-groups. There is no “phalanx” of outplaced workers marching to a single destination (of either success or failure). Rather there is a range of experiences and outcomes.

For example, it must be recognised that many “*downsizees*” do in fact find employment consistent with their previous work level earnings and experience. In effect, for this lucky group, the issue under discussion here no longer pertains. Their career structure continues relatively undisturbed and can be considered as part of the normal flow of events in any career path- especially for those whose career evolved around an area of specialty, in contrast to one based on a vertical growth path with one employer.

However many others are faced with the prospect of accepting employment that ignores their skills and/or experience and attracts a lower level of pay, offers lower levels of responsibility and reduced opportunity. Depending upon the individual's expectations, which in turn may be influenced by age, education, retirement intentions, seniority within their prior organisation and so on, such an outcome may sometimes be acceptable and offer personal rewards beyond career or job status.

There remains a third group. It consists of those who do not readily find a comparable or even reduced status job within the corporate or general employment environment or whose experience of that environment creates a desire to try another path. However, they may not yet be ready or be financially able to withdraw from income producing activity within the workforce or broader economic market.

Their reasons for this may vary. For example, they may desire to achieve personal/career goals or maintain career status or they may be motivated through economic necessity. At 45, many breadwinners still face the task of supporting families whose members may be in the latter stages of completing education, they may be paying mortgages or building resources for approaching retirement and so on.

This last group is in an unenviable position, as their prospects appear limited. Even in a growing economy, competition for jobs is intense, perhaps especially for those seeking jobs consistent with their prior employment status. Yet this group represents a reservoir of important skills and knowledge tempered with values such as loyalty, diligence, stamina and commitment.

The facts indicate that those mature age employees who find themselves out of work and who do not retire, or who do not obtain immediate alternative employment, whether at their previous status levels or lower, or who do not successfully undergo immediate retraining and job placement or who buy themselves a job in the form of a small business tend to become chronically unemployed.

Mature age unemployed

The following tables show the numbers of unemployed persons by duration of unemployment and by age groups as at February, 1999.

*DURATION OF UNEMPLOYMENT

MALES

Duration (weeks)	19.19	20-24	25-34	35.44	45.54	55-59	60-64	65+	Total
	Number								
Under 4	18695	31961	13899	9399	6832	2200	1484	458	64928
4 and under 13	33904	26651	26757	15217	11666	3100	2440	2851	20020
13 and under 26	8337	10887	17323	7205	6257	3724	1890	0	55623
26 and under 52	8058	8828	12401	9706	5225	2562	1835		48615
52 and over	12466	20261	34845	34421	31097	16597	5170	0	154857
Total	81460	78588	105225	75949	61077	28183	12819	743	444043
	% Total Unemployed								
Under 4	22.9	15.2	13.2	12.4	11.2	7.8	11.6	61.6	14.6
4 and under 13	41.6	33.9	25.4	20.0	19.1	11.0	19.0	38.4	27.0
13 and under 26	10.2	13.9	16.5	9.5	10.2	13.2	14.7	0.0	12.5
26 and under 52	9.9	11.2	11.8	12.8	8.6	9.1	14.3	0.0	10.9
52 and over	13.3	25.8	33.1	45.3	50.9	59.9	40.3	0.0	34.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

FEMALES

Duration	15-19	20-24	25-34	34-44	45-54	55-69	60-64	65+	Total
(Weeks)	Number								
Under 4	19674	12017	19926	18705	10704	2566	131	343	93066
4 and under 13	32373	20066	17245	17710	9245	837	503	0	97979
13 and under 26	8085	6232	7812	6741	3732	762	88	0	33452
26 and under 52	9235	6006	7382	4126	5736	976	88	0	33549
52 and over	9460	16328	18031	21059	18674	4715	498	0	88765
Total	78827	60649	69396	68341	48091	9856	1208	343	336811
% Total Unemployed									
Under 4	25.0	19.8	27.3	27.4	22.3	26.0	10.0	100.0	24.7
4 and under 13	41.1	33.1	24.9	25.9	19.2	8.5	39.5	0.0	29.1
13 and under 26	9.9	10.3	10.3	11.3	9.9	7.8	7.7	6.7	0.0
26 and under 52	11.7	9.9	10.6	6.0	11.9	9.9	6.7	0.0	10.0
52 and over	12.0	26.9	26.0	30.8	38.8	41.8	38.3	0.0	26.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

PERSONS

Duration	15-19	20-24	25-34	35-44	45-54	55-59	60-64	65+	Total
(weeks)	Number								
Under 4	38369	23978	32825	28104	17336	4766	1615	801	147994
4 and under 13	66277	46717	44002	32927	20911	3937	2943	285	217999
13 and under 26	16422	17119	25135	13946	9989	4486	1978	0	89075
26 and under 52	17293	14834	19783	13832	10961	3538	1923	0	52164
52 and over	21926	36599	52876	55480	49771	21312	5668	0	243622
Total	160287	139237	174621	144289	109108	38039	14127	1086	780854
% Total Unemployed									
Under 4	23.9	17.2	18.8	19.5	16.1	12.5	11.4	73.8	19.0
4 and under 13	41.3	33.6	25.2	22.8	19.2	10.3	20.8	26.2	27.9
13 and under 26	10.2	12.3	14.4	9.7	9.2	11.8	14.0	0.0	11.4
26 and under 52	10.8	10.7	11.3	9.6	10.0	9.3	13.6	0.0	10.5
52 and over	13.7	26.3	30.3	38.5	45.6	56.0	40.1	0.0	31.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ABS Labour Force Survey

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It is alarming to observe that nearly 50% of all unemployed people over 45 years of age have been out of work for over a year. Some 51% of men looking for work between the ages of 45 and 54, and 60% of men in the 55-60 age group, have been unemployed for more than a year. Amongst persons unemployed for longer than a year, the actual numbers over 45 at 76,751 is 31% higher than the 58,515 young people between 15 and 25.

We hear very little outcry on behalf of this group who are the real victims of economic rationalism, apparently unemployable outcasts for whom little thought has hitherto been spared.

The Loss of Potential

Our economic and social community suffers from the loss of such capabilities and attributes. At the individual level, such skills and knowledge can be lost or soon become outdated when unused for any lengthy period. Experience with those who face long periods of unemployment or economic activity suggests that such loss is inevitable unless someone acts to prevent it. That someone may be the individual affected or it may be a program designed to ameliorate or modify the negative circumstances (skill retention or development programs or others such as work for the dole) and maintain or improve skills and knowledge.

In not acting quickly to address the loss of this reservoir of capacity, our economy and our society can lose twice.

Firstly, there is the loss of the productive contribution that people in this group can offer. Secondly there is the cost of maintaining them and their families.

An argument can be made that market competition is at work in this context and that supply and demand forces will resolve such problems (through the market place). However, such commodification of human worth and the value of their actual and potential contribution is being questioned by policy makers and commentators across the political and economic spectrum, with the cost to society (only partly measurable in economic terms) being a subject for consideration.

The market place is not a perfect mechanism. While its processes have undeniably delivered great wealth to our society as a whole, many have shared less than equitably in this wealth. Worse, some have disproportionately borne the brunt of such change with little compensation or consideration. Some amelioration of these negative consequences, for example by providing specialist support and assistance to this group, may provide real benefit for the whole economy as well as at an individual level.

There are already mechanisms in place to support and assist people in seeking work such as unemployment benefits through Centrelink and job-finding assistance through Job Network. However, publicly provided employment assistance is focused on supporting those who have been unemployed for long periods or who can be categorised in terms of disadvantage that has been targeted by public policy. The outworking of such an approach is to delay assistance until “heroic” efforts are required to achieve employment goals (personal or social).

Other programs provide some support for those seeking to enter the arena of self-employment such as NEIS. There are also developments that have become increasingly important within the business arena in the past decade or so, that have positively influenced the entry of people into businesses, such as franchising and licencing arrangements.

Nevertheless, it is a fact that many new business entrants from the *downsizee* group, while capable in the context of their prior employment, are less than competent in the running of a business. It is fair to say that to operate a small business effectively requires an ability to recreate all or most of the operations associated with running a large business. Usually there are few people (probably one or two) to carry out the roles and tasks necessary to achieve this and while the depth of expertise available is always likely to be less than adequate, the sheer breadth of knowledge and skill that’s necessary is daunting. The result very often is that these things are not done well, or typically not done at all. The next section examines some of the essential aspects of running a business.

Small Business is a Tough Environment

The reality is that few small businesses operate effectively. In common with any profit oriented enterprise, a small business is an activity that meets the costs of sales, pays its taxes, pays its employees their entitlements, sets aside funds for new or updated equipment or software, pays the proprietor a salary or equivalent, provides for a “reserve fund” for emergency/contingency situations and provides a return on investment at least equivalent to the return that can be reliably received from a secure investment (say around 20% before tax). Otherwise it is not a business, it is a “self-employment” job and one for which the incumbent may have paid a substantial price. Furthermore businesses that fail to provide for all of the operational factors face the risk of failure to a varying degree consistent with the number of factors so neglected.

In the context of the above, research shows that only about 3% of small businesses are truly successful, with 17% providing a reasonable result for their owners where they are at least maintaining the value of their assets, 40% are vulnerable in that their equity is steadily devaluing, 25% are at risk with their asset base rapidly eroding and 15% are at a critical stage in terms of survivability as their equity runs out or their positions become insolvent. These figures provide some insight into the reason why the rate of small business failure remains so high. Another factor in this failure rate is both a reluctance and an inability of small business operators to seek appropriate advice and /or skilled inputs related to the key range of critical areas in managing their business. While some are more important than others, all contribute to a well run and profitable business.

Ignoring these key areas places the business at risk. The essential areas are:

- | | | |
|-----------------------|----|---|
| 1. Finance | a) | Setting financial budgets and planning ahead |
| | b) | Controlling cashflow and funding |
| 2. Marketing | a) | Identifying the customers and ensuring they are satisfied |
| | b) | Promoting Effectively |
| 3. Productivity | a) | Ensuring the business's "front end" operates effectively |
| | b) | Keeping resources fully productive and eliminating waste |
| 4. Information system | a) | Maintaining a planning, performance recording and reporting |
| | b) | Obtaining and following expert advice |
| 5. People | a) | Providing dynamic leadership |
| | b) | Inspiring staff commitment |

Every one of these issues needs to be addressed with a high degree of effectiveness to ensure that a small business functions as it should - to meet all of its customer, staff and statutory obligations and to produce a livelihood for its owner and a sound return on investment. This knowledge can be acquired in a variety of ways, for example, through attendance at courses sponsored by a franchisor, TAFE or government small business agency , through reading or through some active approach such as business mentoring.

Our research showed that many people in business do not have a sound grasp on many of these key areas of expertise but until an active program of raising their awareness about these issues takes place, their knowledge of the shortfall is best characterised by the statement, "they don't know what they don't know". This applies to many who have been in business for some time as well as those seeking to enter and invest/risk their wealth in business acquisition.

Fifty-one small business firms were asked to indicate whether they employed people with special skills, or accessed outside service providers or sought any form of assistance to address the range of professional business service functions that corporate enterprises take for granted.

SMALL BUSINESS APPLICATION OF CORPORATE MANAGEMENT PROCESSES

	type of expert function		% take up by survey firms
	FINANCE		
1	ACCOUNTING SYSTEM ADVICE		5.88%
2	ASSET MANAGEMENT ADVICE		0.00%
3	AUDIT SERVICES		0.00%
4	BUDGETING & PLANNING		0.00%
5	CAPITAL ACQUISITION FEASIBILITY		0.00%
6	COSTING SYSTEMS		0.00%
7	CREDIT MANAGEMENT		0.00%
8	FINANCIAL CONTROL		9.80%
9	FISCAL SECURITY & CONTROL		0.00%
10	INSURANCE/RISK MANAGEMENT		0.00%
	INFORMATION		
11	DATA PROCESSING		11.76%
12	DATA SYSTEM MANAGEMENT		0.00%
13	RECORD KEEPING		1.96%
14	RECORDS MANAGEMENT		0.00%
15	REPORT GENERATION		0.00%
	OPERATIONAL PRODUCTIVITY		
16	INDUSTRY ADVICE		7.84%
17	METHODS ANALYSIS ADVICE		0.00%
18	OPERATIONAL PROCESSES/SYSTEMS		0.00%
19	PREMISES LAYOUT & UTILISATION		0.00%
20	QUALITY SYSTEMS		0.00%
21	TECHNICAL ADVICE		27.45%
	MARKETING		
22	ADVERTISING ADVICE		0.00%
23	COMPETITIVE ANALYSIS		0.00%
24	CUSTOMER SATISFACTION REVIEW		0.00%
25	DELIVERY SYSTEMS		0.00%
26	MARKET ANALYSIS		5.88%
27	PRICING SYSTEMS		0.00%
28	PRODUCT BENEFIT ASSESSMENT		0.00%
29	PROMOTION/MERCHANDISING ADVICE		3.92%
30	TREND ANALYSIS		0.00%
31	SALES MANAGEMENT		0.00%
	PEOPLE		
32	INDUSTRIAL RELATIONS ADVICE	Awards	56.86%
33	PERSONNEL MANAGEMENT		0.00%
34	STAFF MOTIVATION ADVICE		0.00%
35	STAFF RECRUITMENT ADVICE		0.00%
36	STAFF TRAINING ADVICE		1.96%
	GENERAL		
37	LEGAL ADVICE	Leases/contracts	31.37%
38	REGULATION COMPLIANCE	Safety/permits	21.57%
39	TAXATION	Tax returns	78.43%
	Average		6.79%
	FRANCHISING ADVICE		1.00
	TOTAL		6.83%

Considering normal corporate practice as an indicator of reporting bench-marking, only 2 out of 51 businesses (3.92%) could be described as having adequate planning and reporting systems in place.

Only two firms (3.9%) stated that they had formal business plans which were used regularly to evaluate their progress, interestingly those firms between them made a significant component of the cohort’s total profit.

Only 6 (11.76%) enterprises altogether worked to formal financial budgets.

Of the other businesses 24 (47.07%) used regular reports to handle specific, narrow operational applications while 19 (37.25%) had no reporting at all.

In all 43 enterprises (84.3%) had grave to serious deficiencies in the scope and relevance of feedback information on how they were performing

SMALL BUSINESS REPORTING c.f. STANDARD CORPORATE REPORTING

Type of Report	No of Businesses obtaining reports	Status
System reports embracing a suite of general ledger debtors, creditors, financial and sales report formats	4	Satisfactory
Financial reports including general ledger and debtors formats	6	Acceptable
Debtors ledger formats	15	Very limited
Sales Performance formats	5	Very limited
Asset Inventory Control format	1	Very limited
Detailed Costing report format	1	Very limited
No reports at all	19	At grave risk
TOTAL	51	

Twenty-five firms (less than half) stated that they worked to any form of budgets. When questioned further, these turned out to be mainly vague and general estimates of sales expected and rule of thumb gross profit ratios.

Finding a job can be tough too

Our knowledge of employment issues comes from input from the Job Network and from anecdotal evidence experience gained from ACC members and from other marketplace informants. This suggests that once over 45 (some suggest at even younger ages) opportunities for employment shrink unless the individual has an array of skills in current demand or the individual is willing and able to accept and undertake work that may differ greatly from prior jobs with concomitant adjustment in reward. Sometimes it may be necessary to relocate or travel some distance to secure another position. This may result in disruption to family life and related arrangements.

Understandably such issues are foremost in the mind of such job seekers and they in turn impact upon the nature of their job search. Most job finding/placement agencies are staffed by people whose focus is (reasonably) upon the needs of the employer as the key market place determinant. Often such staff are comparatively young and may not appreciate or empathise with the

perspective of a 45+ year old. While sensitivity training may provide them with some understanding of the issues involved, the circumstances contain certain subtleties that are not apparent at a surface level of understanding. While other “special” groups with distinct needs in the employment market have been highlighted over the last decade or so as being worthy of specialist intensive and funded initiatives, the 45+ group, while recognised as a “problem” worthy of some attention, has not attracted quite the same support as has youth unemployment, women, NESB and so on.

Furthermore it can be reasonably conjectured that this group’s self view would not be one of being in need of special attention. As a group their history and expectation of themselves would suggest a degree of self-reliance, resilience (in terms of personal and other resources) and ability that would not call for an interventionist approach. Therefore there is less likely to be calls for support from this group as may emerge from those groups more willing to see themselves as victims of “the system”. Compounding this is the fact that such an age group is representative of the whole community in terms of gender, ethnicity etc and so on, no one representative organisation readily emerges to support or identify the need for an interventionist approach. However such intervention may be necessary if job placement is to be effected before the problem of skill loss commences.

A further barrier affecting the employment of people over 45 is that many awards contain provisions that, in the event of redundancies, require employees over 45 to be paid higher amounts of severance pay than those people under 45. This creates an incentive for employers to actively avoid employing people who might, or who soon would, fall into this group.

The issues briefly explored above may also combine to create an expectation that the solution lies with the individual. This is a notion that, in many cases, the individuals concerned respond well to. One consequence of this is a readiness to see self-employment as a viable alternative to attaining paid employment. Especially for those with a redundancy package, self employment (often through purchase of a going concern, or franchise) can be seen as a means of securing a livelihood, surety of independence and a way of avoiding the experience of redundancy. Such individuals have often carried out complex and responsible jobs with previous employers and are open to the erroneous assumption that engaging in self-employment (or running a small business) is an extension of this experience.

As indicated above this can be a serious mistake and can lead to disastrous consequences.

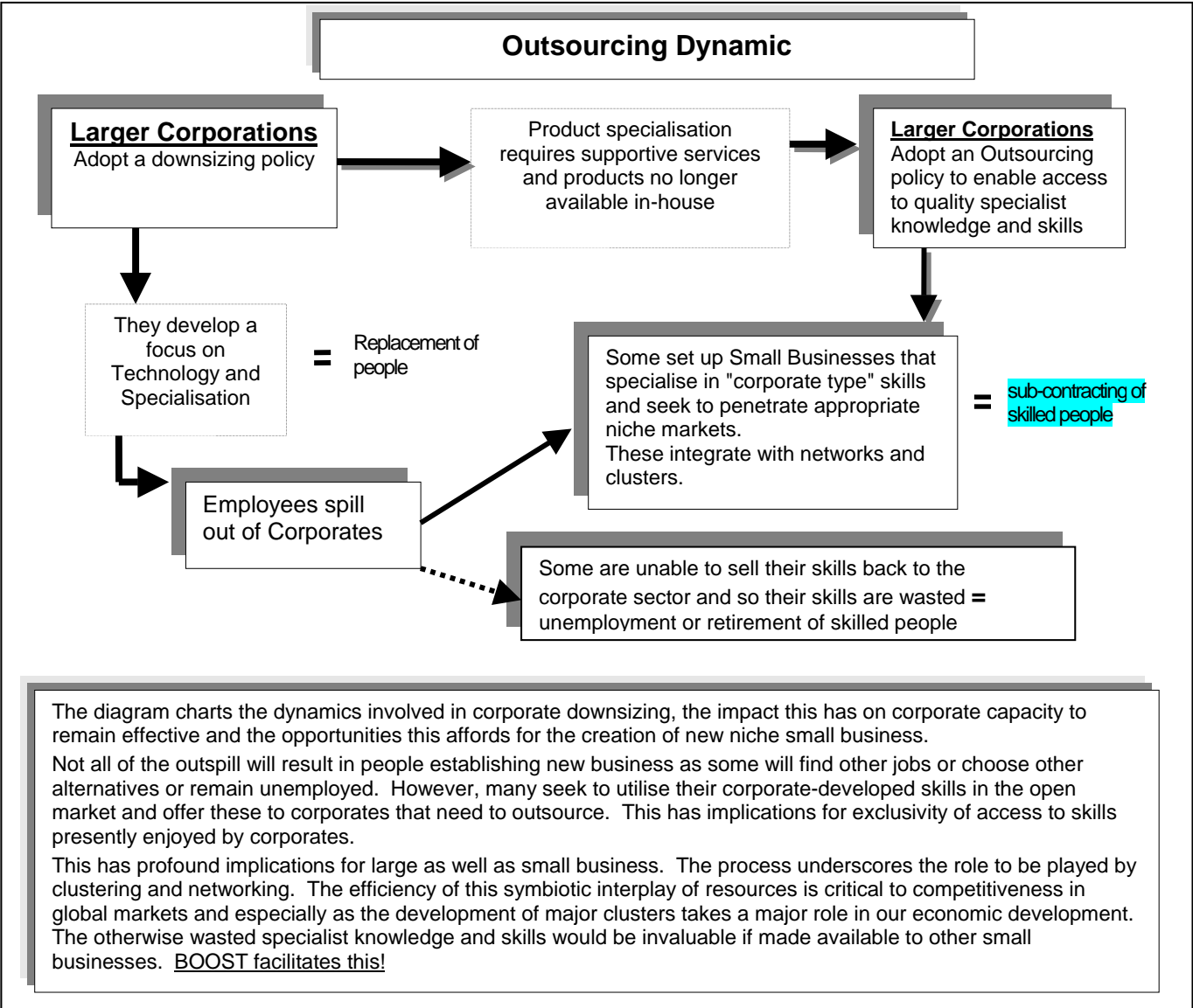
Potential Responses

What is required for this group is a policy that takes account of the need to retain skills within the employment marketplace, either in jobs or in their own businesses, that provide the equivalent skills and intellectual input required to service those corporate areas that now need to outsource their production and service requirements. For those who wish to move into new fields of endeavour in the small business arena (not necessarily limited to the subject age group), a service is required that supports them to achieve this aim, akin to the kind of head office support that well-organised franchise arrangements provide.

This ACC has already taken up the challenge of developing a mentoring service that aims to assist those in small business to deal with the management demands placed on small businesses. The service envisaged is called BOOST (Business Owner Operators Support Team). The proposed service is planned to deliver *small business friendly* mentoring and service provision tailored to individual business needs. BOOST involves an active program of outreach to small

business and provides an initial business diagnostic to raise the owner/operator's awareness of his/her business's performance and of potential room for improvement. Thus receptiveness to provision of the support services from BOOST is enhanced, creating a marketing opportunity for an uptake of the skills and knowledge from those with corporate sector backgrounds.

This uptake will be facilitated by providing suitable people (with this background), with training and support to create their own consultancy within the framework and support network of a professional and organized operation. In this way BOOST provide to small business the skill/knowledge span that can assist the small business person to function more effectively and profitably and at the same time helps the 45+ group to secure a livelihood. The diagram below charts the relevant flow of events.



Specialist Employment Service

An area that needs to be explored further is the development of specialist employment assistance to ensure those who wish to return to employment, are assisted to do so before the degradation of their skills and knowledge background reaches an irretrievable point. A parallel service that lies outside the current Job Network arrangements is provided to disabled people through a network

of Competitive Employment Training and Placement Agencies (funded by Health and family Services). There may need to be consideration given to such a specialist service either within the Job Network service arena or separately funded arrangements put in place that provide both specialist business support and employment placement.

Combined Assistance Centre

This last statement suggests a strategic relationship/alliance between services with two (superficially) disparate goals- one of finding a job for for the individual, the other of developing a job (and perhaps a business) by utilising personal resources of the individual with appropriate assistance.

Summary

In summary this ACC believes that there is a significant task to be undertaken to ensure that members of this group receive equivalent assistance to realise their employment (including self-employment goals) to other more readily definable groups within the job seeking community.

Clearly further study would illustrate these points more thoroughly and is recommended. However the self-employment/small business component of the employment market cannot be ignored as it is likely to increasingly represent a factor in the overall employment mosaic of Australia.

The core point to bear in mind here is that people will usually end up faced with one of five options.

1. Get a job either at or below their level of skill and experience
2. Launch out on a business enterprise in a similar or totally new field.
3. Drift in or out of whatever work they can get while on an ongoing and relentless downhill slide
4. Join the ranks of the chronically unemployed as they simply give up.
5. Opt out of the system totally.

If such people get a job the chances are that their experience will make them good long term employees. If however they launch out on a business of their own, financed through their own redundancy packages, a disturbingly large number will fail, lose all, and in consequence join the ranks of Options 3,4,or 5, or if they are lucky, Option 1.

Yet this group of potential self starters is the one that offers the best possibility for long term successful. Self-employment, and if they are even moderately successful, the best source for employing others. Given the right support and resourcing, this cohort offers real potential for not only creating jobs for themselves, but also for others.

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