



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON EMPLOYMENT AND
WORKPLACE RELATIONS

Reference: Employment: increasing participation in paid work

FRIDAY, 20 FEBRUARY 2004

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON EMPLOYMENT & WORKPLACE RELATIONS

Friday, 20 February 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 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

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Committee met at 9.15 a.m.**BLACKWOOD, Mr Alan McKenzie, Manager, Policy and Community Partnerships, MS Australia****WHITE, Mr Andrew Paul, Board Member, MS Society of Victoria****ZAHARIJEVSKI, Ms Jasmine, MS Ambassador, MS Society of Victoria**

CHAIR—I declare open the public hearing of inquiry into employment, increasing participation in paid work. I welcome Mr Alan Blackwood from the MS Society Australia, with Mr Andrew White and Ms Jasmine Zaharijevski, to the meeting today. Thank you for coming this morning and meeting with us. Do you have any comments on the capacity in which you appear?

Ms Zaharijevski—Yes. I am an MS ambassador and I work on a part-time basis. I have MS and I support a teenage son.

CHAIR—Thank you very much. The proceedings here today are formal proceedings of the parliament and, 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. The committee prefers that all evidence be given in public, but if at any stage you should wish to give evidence in private please ask to do so and the committee will consider your request.

Would you like to make some preliminary comments about the issues you think are important to this inquiry, before we move to questions and general discussion?

Mr Blackwood—I will start by summarising our submission. We were keen to submit to this inquiry because continuity of employment is a critical issue for people with MS and other chronic illnesses. It often strikes people between the ages of 20 and 40 who are clearly people of working age and often building careers. In many cases the social impacts of a chronic illness like MS are as profound as the health impacts. A lot of people, when they first think of a disease like MS, immediately think of somebody in a wheelchair or someone who cannot do things whereas, in fact, it has a very different character and sometimes the experience of discrimination that people face is more profound than the health impacts which can be managed over time.

Given that it is a disease without cure and with limited treatment, people have to manage their whole-of-life arrangements. Financial security is clearly one of the most critical elements in that. The earlier people have to leave the work force, the longer they are going to spend on the disability support pension, the less likelihood they have of returning to the work force and, in the light of recent decisions in trying to remove people from the disability support pension and back into work, we would contend that for our group and a lot of people with chronic illnesses it is more cost efficient and better socially to support people to maintain their jobs than to have them fall out of work and then put in a huge effort to come back into the workplace.

Most of the labour market industry is focused on finding new jobs for people, rather than supporting people in work. The Commonwealth Rehabilitation Service has a small Job in Jeopardy program that is national, but it is not well known and it is quite hard to access.

Sometimes bringing in an organisation like the Commonwealth Rehabilitation Service in a crisis exacerbates the problem; if someone is facing discrimination or a particular episode of MS symptoms, it is like bringing in a sledgehammer, and sometimes scares employers off. We need to find more sensitive ways of providing that support.

The Commonwealth funds nationally the Disability Employment Service network but, again, probably 99 per cent plus is finding new jobs for people, rather than supporting people in work. A lot of the work they tend to trade in is entry-level work, because it is often people with congenital disabilities that perhaps have never worked and are looking for their first job. They often target telemarketing and manufacturing and they are populating the security industry in great numbers, as are the workers compensation agencies.

People with MS will have been building careers, have professional qualifications, so the Disability Employment Network is not really relevant to them. We would say that the support needs to be more targeted. MS societies around Australia do provide those sorts of support but they are not targeted at employment services; they are variations on social work and occupational therapy that tend to get stretched into workplaces.

The stigma of MS in the workplace is still very strong. Community perceptions and misunderstanding about the disease certainly feed that. We provide examples in our submission of where people have disclosed that they have MS and suffer immediate effects. We know stories of people—and it happens regularly—where the whole issue of disclosure is very difficult, because it is common knowledge that as soon as you spill the beans you will be marginalised, you will be phased out; as soon as you run out of sick leave you will not be welcome back. We also have some very positive examples of people being supported in the workplace, where people have survived and prospered. Often they are people in professional situations or working in very small, family-run businesses, where the relationship is the key.

Trying to build on those sorts of examples and looking at the positive factors in maintaining work—a relationship with an employer, skills, value to the business; all those sorts of things—if employers are looking at those issues for all of their employees, then a person with MS is likely to survive much better. We would certainly agree with the Prime Minister's comments that we quote in our submission of September, saying that we need to be changing the culture of government and business—about people staying in work longer. One of the keys to that is on the same theme as the work-family balance or paid maternity leave—the debates that surround having a second look at this relentless pursuit of productivity in the workplace—that that is okay on the microeconomic level, but socially there are major costs to the community of fallout and refugees from productivity and competition and microeconomic reform.

We do not know what it costs in Australia per person for people diagnosed with MS. In the US they have done studies, and it is around \$2.2 million over a lifetime. The majority of that is for income support and lost productivity. Often when someone loses work in a situation like that there are issues for carers and family members who often have to give up work. In a lot of cases we see a two-income household suddenly become a no-income household because of the caring

duties, and sometimes the stress of leaving work exacerbates the condition so you end up with disability support pension, carers pension and, if someone goes through the Disability Employment Network or Job Network, it is anywhere between \$10,000 and \$17,000 annually to try to put them back into work. They are very significant costs.

There are some ways forward. We note that the 2003 federal budget increased the allowance for work based personal care, when people do need some physical assistance in the workplace. That has been a pilot program since 1991 and it is now confirmed in policy, which we are pleased to see. We also think that there is some work that could be done in linking the methodologies of workers compensation—and I think the education components of the schemes are trying to educate employers about their responsibilities to injured workers, and workplace safety.

Many of the tools and the processes to get injured workers back to work or keep them at work, changing and modifying jobs, is absolutely relevant for people with MS and other chronic illnesses. It is not something that is far out or difficult or completely unachievable, because they are doing it with injured workers. We really need to see those sorts of models extend into the workplace. I think they are probably more useful to groups like ours than perhaps to the Disability Employment Network or the Job Network, because the support is available in the workplace. If employers could realise that it is the welfare of employees which is the metaphor, not just work injury, then we could probably get somewhere.

I am not sure whether the Productivity Commission's current inquiry into national workers compensation covers this, but it is probably timely if there is going to be reform in that area; in particular, it is the education capacity of their mail-outs and their contact with employers.

I think it is the cultural change that we really need to work on, as well as looking at incentive packages for employers. It is very hard to measure when someone can retain a job; it is very easy to measure when someone gets a new job, and it is very easy to measure when someone leaves a job. But we need to look at incentives for employers to maintain work, because every year that someone stays at work it improves their retirement income and it also improves their family and their capacity to be part of the community.

This is not a document, but I want to use this as an example. This is an HR magazine and there is an article in here about when discrimination is okay. You can legislate around this sort of thing, but as soon as you set a benchmark the industry will work their way around it so they can discriminate to their heart's content. Currently the anti-discrimination legislation, at both state and federal level, is quite easy to get around; certainly the federal Disability Discrimination Act has an out clause in the form of unjustifiable hardship. If there is no funding or it can be shown that there is no capacity to make the changes, then the person with MS will miss out.

There is not a great case history of people making complaints to the Human Rights and Equal Opportunity Commission or the equal opportunity commissions around the states because people have enough to deal with at the time that their symptoms are showing. They are losing their jobs, they do not have the energy or the time to make a formal complaint. I think the statutory complaint systems are very clumsy and cumbersome, and unfriendly to people in stressful situations. You will not find a great number of complaints. It is not the best place to see the impact of discrimination in employment.

CHAIR—Mr White, would you like to make a comment?

Mr White—Thank you. I would like to give you a little of my own background. I am currently employed by Holden Ltd as a human resources director. I am also, as I have mentioned, a member of the MS Board of Victoria. I am a parent of two girls, 16 and 14 years old. This week I am celebrating 12 years of diagnosis with MS. I feel very fortunate in some ways about the opportunities that I have had to maintain my employment with my current employer and I am very grateful for the accommodations and support that they have given me over the last 12 years. It has given me a real insight into the mixed bag that people with MS will experience over time. Largely, that has been borne out of some degree of ignorance, both on the part of the employee that might be suffering MS and the effects of that, and also the employers as to what to do with that. There is often a good deal of goodwill but a general ignorance, as Alan has indicated, about what they might do with that worker in order to leverage the investment that the employer has made in that employee over a significant period of time, as well as the capability that the employee might have and be able to continue to offer on an ongoing basis. The report speaks to some of the strategies that might be possible, and I thank you for the opportunity to make this submission and for your consideration of the points that are made in the report.

CHAIR—Thank you, Andrew. Jasmine, do you want to make an opening comment?

Ms Zaharijevski—I would also like to thank you for allowing me to have a little bit of a say. I totally agree with Alan, in that a greater emphasis should be placed on maintaining people within the work force, because I myself left many years ago, early on, after severe exacerbation. I tried to regain employment by going through rehabilitation, undergoing many diploma courses, and it really ended up nowhere. It did not get me employment, which was what I really wanted to maintain so that I could remain part of an ordinary sort of lifestyle as long as I could. It is really important.

I have a son, I have myself, I have house repayments that I am trying to maintain and being part of the work force enables you to do that. Governments should really try to keep people working as long as possible and give them as much help as possible in that respect. I have now had MS for about 20 years.

As I am still working on a casual part-time basis, I am considered one of the luckier ones, but it is a never-ending uphill battle, and even though I am working, it is in a sales assistant position and years ago I used to manage my own business. But I have never been able to get past a certain level of progress, even after doing some retraining. The only job offer I was given was as a school crossing supervisor, which I did undertake for about eight months. That was quite gruelling because I was out in the morning sun and rain and in the afternoon heat or whatever, but I still undertook that because I felt it really important to try to continue partaking in some employment. But the opportunities are just not there.

I think appropriate employment is not offered to people with disabilities because we are considered not to have the skills. We are stigmatised and put in a particular box and patted on the head and discriminated against in many, many ways. That is generally what I would like to say.

CHAIR—Thank you, Jasmine. Thank you very much for coming in as well, and sharing your personal story with us. It helps us to assess the situation even better when we are able to meet with those who are going through the hardships that are described. We thank you for that: you, too, Andrew. Alan, the workers compensation model interests me. You are saying that perhaps we can use that model to have people with disabilities, particularly MS, in the workplace. Are there any organisations or industries that are doing that at the moment?

Mr Blackwood—The Commonwealth Rehabilitation Service is the only one that works in both sectors. I am not sure about all of Australia, but certainly in New South Wales and Victoria the workers compensation providers tend to be private sector providers who get funded on a fee-for-service basis to do work for employers. There is not a lot of cross-over between the private rehabilitation workers, compensation sector and government sector. But certainly the things that they do and the things that they manage very closely to do are workplace assessments, modifying jobs, modifying workplaces and providing workplace equipment. The imperative of every workers compensation scheme is to get people back to work and to keep them in work, which is exactly the same goal that we have. The processes are different in insurance than they are in the government sector; the incentives are in different places. There are, I suppose, incentives for the employee as well as the employer. In the government sector, most of the incentives are for the provider. Employers do get some small incentive but there is no incentive for the worker, other than to avoid losing the job. I suppose it is more of a process, where you can get someone in because they are already on contract, they are on standby, to do a quick assessment and make some recommendations to the insurer who will then fund the equipment and the counselling or the occupational therapy or whatever is required. Timing is one of the main enemies of people with MS in employment because it can be building but all of a sudden there will be a performance appraisal, there will be a crisis or an exacerbation. The disability employment sector and even the CRS are really not in a position to come in when required, whereas in workers compensation, if someone is injured you put in a claim. The insurers are very quick to get a response to try and save money over the long term.

Ms VAMVAKINO—I have a number of issues. I do not know whether we will have time to get through them all. In the course of this inquiry, the initial purpose was to find out why people are not getting employment. We have come across a series of reasons for that which we perhaps knew about, but there are groups of people—whether because of age or disability—who are not being employed at a time when we are going to have critical job shortages.

It is interesting that there are competing philosophies about the workplace. We will hear today from an organisation that will claim, or has claimed that, if it costs too much to employ somebody or if the cost is greater than the profit, small business will not employ people. That seems to contradict what a lot of organisations, such as yourself and others, have said to us about the need to create a workplace that will accommodate people with disabilities. That will require employers to perhaps spend money to create that environment. It is a question of work employee fodder or creating environments that allow everyone to participate. That is a critical contradiction for anyone in government. I know what your views would be, but really what would you say in a debate of that nature that determines to what extent we seriously address these issues?

Mr White—The issue that you raise is a really important one. You are absolutely correct, particularly with regard to small business. It is an impost on their infrastructure and their

capacity to support their workers who have suffered MS or some other disability. One of the key points for me in that is the investment that the employer has already made in that employee. If you look at MS as an example, sometimes the onset is very early in that person's career. It is often after an employer may have invested 10 years of training in career development and effort and, if the assumption at the point of diagnosis or relapse is that the employment relationship should be terminated, then that often very significant effort that has been put in, both by the employee and the employer is wasted in some way.

My feeling is that with some creative examination of options, the employee in many cases may be able to be leveraged by that business, maybe in a different way to the way that they have been leveraged before, but I think there is some opportunity to do that. Maybe it is expedient simply to say, 'We'll make a quick decision at that point,' at great cost, as Jasmine has pointed out, to both the employee and the employer. I am not sure that is always thought out as well as it might be.

CHAIR—You mentioned some figures before, Alan—a cost of \$10,000 to \$17,000—to get people back into the work force.

Mr Blackwood—That is what the Job Network range is for the provider.

CHAIR—Is that for someone with a disability?

Mr Blackwood—I am not sure. Disability employment is changing to a case based funding framework. I am not sure of the exact figures.

CHAIR—How does that compare with the general population, the able-bodied employees, who are unemployed? What is the comparison in cost?

Mr Blackwood—Of getting someone into work?

CHAIR—To get them back into work, yes.

Mr Blackwood—Someone without a disability may be able to do it on their own or the cost of recruitment is borne by the employer. If the employer uses a recruitment consultant, the consultant gets paid by the employer. But when someone needs to go to a government funded program to assist them to get back into the labour market when they cannot do it on their own because of disadvantage or disability or lack of experience, that is where the cost is.

Ms VAMVAKINO—You have referred to the fact that there are always ways of getting around the federal and state antidiscrimination acts and that employers in more cases than not will try to do that. Some may argue that the discrimination act itself, unfair dismissal, is a real problem with employment. You can argue about that, depending on which side of the fence you sit, I suppose. Do you think there is a role for government to tighten antidiscrimination acts in order to protect but also impose the idea that people need to readjust their attitudes towards the various types of employees that we have, for all sorts of reasons, not just whether you are good at reading or writing but right across the board? Do you think government should reaffirm antidiscrimination acts in the workplace?

Mr Blackwood—I think so. As well as strengthening them, integration should be improved. If you look at the framework of workers compensation, there are incentives as well as penalties. In antidiscrimination, there are no incentives. Employers often will work hard to try and find the loopholes to avoid the penalty. It is all about structuring a system to get the best outcome. I am convinced that penalties are not the best way and sanctions will not get the outcomes that you need. I do not think that more of the same will give us the outcome. We need to look at incentives and a cultural change, and at rewards for doing things differently. We have seen over the last generation that there are people learning English in the workplace, rather than doing it at night. Employers are hosting a wider range of social programs, and perhaps some of the issues around ageing and disability could be integrated. As you say, with the ageing of the population, people will experience disability and maybe a decline in physical function.

CHAIR—Can you be more specific, Alan, in answer to Maria's question? You mention that there is an out clause at the moment in the federal legislation. In what way can it be tightened? What aspect of the legislation can be tightened? What is it about the legislation at the moment that gives people that out clause?

Mr Blackwood—It is the notion of unjustifiable hardship. An employer or a service provider can make a case for unjustifiable hardship. In Melbourne in the early days there was a case to replace the tram network because people with disabilities could not access it. The unjustifiable hardship clause was quite useful in that instance, because it was not feasible to suddenly scrap all the infrastructure. An employer might say that, based on their turnover, they cannot afford the accommodations or their productivity cannot sustain a worker. It is easier for the employer to make a case for unjustifiable hardship than it is for the claimant to make a case for discrimination—it is quite messy. You may need to have specific parts of the legislation dealing with employment and disability or employment and age, rather than having general terms like “reasonable” or “unjustifiable”. You define it and have a purpose. That might be useful.

CHAIR—Andrew, do you have something to say on that?

Mr White—Yes. Considering this issue of skill shortage that is confronting employers—and the Prime Minister's comments were on that issue; that employers are going to be confronted with the issue of retaining skills—I have examined in my own mind the issue of women and the accommodations that have been made to encourage women back into the work force and to stay. I look at my own employer and at a number of other employers who are looking at accommodations that might be made. The history of that for me, being with my current employer for over 18 years, is that it has taken a considerable amount of time to get a mind-set in that business to be willing to make accommodations. Disability is an area where employers have not necessarily been encouraged enough to consider the benefits of doing that. To answer your question to Alan, it may not go always to whether the legislation is adequate but to whether or not there is enough rigour in encouraging employers to consider their options and the upside of retaining those skill sets as they get shorter.

CHAIR—I am glad you raise that. You cannot legislate for people's attitudes. What programs are in place at the moment to break down some of the barriers? You mentioned the UK disability forum as perhaps a model that we could adopt here. We have heard that before as well. In Sydney, we also heard from an organisation called Employers Making a Difference. Ms Colbert gave us some information which I thought was very compelling in regard to US studies. I am not

sure whether there are any comparisons in Australia or whether the MS Society has, in fact, done their own surveys.

The US studies showed that 98 per cent of staff with a disability rated average or better in work safety; 90 per cent of people with a disability rated average or better on job performance; 86 per cent of people with a disability rated average or better on attendance. Staff retention, positive attitude, morale and communications were also studied and showed very high figures. These were organisational figures, not across the board, so those organisations were obviously doing something well. In this case, I think it was the Dupont organisation, but there were a lot of other companies mentioned. Have you done any studies on that? If those sorts of results were in Australia today, perhaps that would be one way of breaking down the barriers and letting employers know that this is good.

Mr Blackwood—You are right. Back in the late 1990s, Deakin University were funded by Family and Community Services to do a nationwide study of employers' experiences of people with disabilities. It was a three-year study. That sounds like one that that organisation perhaps did with one of their bigger employers. If you are interested, I will try and source the Deakin study. It measured employer perceptions across a whole range of dimensions: attendance; employee turnover; training costs and productivity. I think the results were very similar. You would expect a much bigger gap in productivity between a worker with a disability and one without, but the gap was not nearly as big as was predicted.

CHAIR—It would be great if you could do that, Alan.

Ms VAMVAKINO—Are you able to quantify the level of expected increases in the number of people who will get MS? Of that, what number would be able to remain in employment? Could you give us a general picture of the trend in the disease itself?

Mr Blackwood—There is not a lot of Australian data on that. There are four different types of MS, one of which, progressive MS, is one that will deteriorate fairly quickly, so it is not feasible for someone to continue working with that type of MS. The relapsing remitting type of MS, which is the most common—I am not sure of the percentage on that—is where people will have exacerbations and then come back, and then have an episode and then come back.

Mr White—Stepped.

Mr Blackwood—Trying to accommodate those episodes is the difficulty. Those sorts of numbers are very hard to get. The impact on the individual is also different. Some people might have physical symptoms, others might have sensory symptoms, and mobility is a problem. If somebody loses the ability to drive a car, that has a major impact on the capacity to maintain current arrangements.

Ms Zaharijevski—Alan is quite right. The symptoms are variable in each individual who has MS, and displayed in different ways. Some people are wheelchair bound but not memory affected, for example. It affects different people in different ways. That is the difficulty.

Mr Blackwood—We do not even know the exact number of people with MS in Victoria or in Australia, because it is not a notifiable disease. The MS Society of Victoria has about 4,500

clients, and common knowledge would be that we would have about 50 per cent of all people with MS.

CHAIR—What is the trend line in growth of people with MS? Is it proportional to a population increase?

Mr Blackwood—The trend is for people worldwide to get diagnosed earlier. Last year a four-year-old was diagnosed in Perth, and 2½ per cent of all diagnoses now are for people under 20, whereas previously that had not happened; it was people between 20 and 40. It could be that the diagnostic tools are getting better so that people are being diagnosed more accurately earlier, but we are noticing around a 10 per cent increase per year in people coming to us for assistance. The 50 per cent of people who do not come to us are probably working, living and managing their symptoms, and some people feel that if they come into organisations like ours it increases the stigma. It is almost an admission of the disease when they walk through the front door.

Although we do not know who they are, we often see people in the media who have had a story written about them. The old program manager at 3RRR was featured in last year's MS Week. He had MS for 15 years and had to crawl up and down the stairs at the studios of 3RRR. He has never been here, but he is clearly experiencing a level of disability. People will be out there trying their best and it is only, I suppose, when things get fairly grim that they will come to us. It is hard to gauge across the MS population because we do not see everybody.

CHAIR—Other evidence that we have heard consistently about disability employment from various witnesses is that the Job Network providers themselves do not have the skills to deal with people with disability. They just do not have it. What is your assessment of that? This evidence is even more damning: not only Job Network providers, but also human resource professionals do not have the skills.

Mr Blackwood—That market definitely do not, because they tend to be elitist. They are recruiting the best of the best and they can weed out people without fear of being labelled as discriminatory. It is their job.

Ms VAMVAKINO—The chances of people over the age of 40 getting a job decrease significantly, no matter what skills people have. There seems to be an attitude amongst HR people and Job Network, and even in Centrelink. I agree most strongly that people who are assessing others, for whatever reason, do not have the skills. That is very worrying because that in itself is an issue, and it will emerge as a great inhibitor to sorting out the employment situation.

Mr Blackwood—Job Network are working with people who are the long-term unemployed. They might have social issues—for example, people being released from prison. The most attractive clients for them are the ones with the highest amount of funding, who generally will not have a disability. They will have other barriers to employment. They do not see the people with disabilities; they will often refer them to the disability employment sector which, again, is not well equipped for acquired disability.

CHAIR—I am interested in that. Perhaps I threw in Job Network too hastily, because you do have the disability employment sector. In this area you have Groundwork. What are they doing to assist? Their specialisation is working with those who have disabilities.

Mr Blackwood—The expectation of their service agreements with FaCS is that they place and train. Their work force is made up of marketers who try to source new jobs, and trainers who might be graduates of the disability degree at Deakin or community workers. They will go into the workplace and teach the job to that person with a disability. They will stand beside the person. That model is not transferable to people with MS, because they already have a job. They have the skills; they do not need to be trained in the job. They need a professional input into social work or occupational therapy or physiotherapy to design and redesign the job.

The disability employment sector generally do not have that layer of health professionals on their staff. Their cost base is lower than Job Network and certainly lower than CRS per episode. We would need that specialist input to be on call—again, like workers comp. Workers comp use vocational psychologists, OTs and physios; they only use health professionals. In the disability arena they rarely use them because they cannot be built into the cost structure of what they get funded for. For most people with disabilities—whether it is intellectual disability or cerebral palsy—there is no need for that kind of health layer. They really need a pure labour market entry service, and that is not what we need.

Mr White—I would like to add a comment from an industry standpoint. This is in relation to your question particularly, Maria. The operational management is often focused on the things that are most important to them—the productivity of the organisation and so on. The HR professionals at times are very focused on engaging the highest level of capability in the organisation because that is what the organisation has charged them to do. My experience has often been that those dealing with rehabilitating injured workers are often well placed to work in this area as well.

I think it goes to your point, Alan, about the skill sets that they have. I have seen some interesting cases where sometimes, with the assistance of the MS Society, leveraging the rehabilitation services of the organisation or, indeed, outside—some of the government services and so on—along with the operational leadership and the HR people, you will get an outcome that you will not get to, but the lead clearly there has been from the rehabilitation professionals, not from the other sectors within industry. I think you make a very valid point: how do you open up the minds of the operational leadership and the HR professionals to the fact that those options might be there? It is often just an issue of, 'I'm unaware and I don't know that those possibilities are there.' I think the awareness issue is rife.

CHAIR—In the brief time we have left, I would like to try and concentrate on some positives, in particular what we as a committee can come up with in terms of recommendations. One of the things that you have identified is the jobs in jeopardy program. It is there at the moment, it is a good program, but perhaps it is limited in its scope and access. Can you elaborate on that, Alan, and tell us what needs to be done to make it a far more potent program to help you?

Mr Blackwood—It goes back to what we have said about workers comp. The MS Society is negotiating with Family and Community Services to convert a business service—a sheltered workshop type of arrangement we have with them—to a jobs in jeopardy program, where we can

go into workplaces and provide that dedicated support using health professionals. Our current state service agreement does not talk about employment. The split of responsibilities in the Commonwealth-State Disability Agreement means that the money we get from the state does not enable us to work in the employment arena. We are only talking about a very small amount of money—around \$30,000 a year—so we will not have a great case load.

CHAIR—Is no part of that Commonwealth-State Disability Agreement earmarked for employment services?

Mr Blackwood—No. The state funds accommodation services, respite, attendant care, recreation, therapy and equipment. The Commonwealth has responsibility for advocacy and employment. Our reporting to the state now, and the expectation, is to provide therapy and case management services to people in the community. That certainly takes us into workplaces, but it is not a routine or targeted program that we run. If somebody is experiencing MS symptoms, they experience them everywhere they go—in their home, their workplace, their car, and with their family. We try and cover all of that. We are trying to work with this program to get that dedicated kind of service going.

I think part of the answer is to leverage off the workers comp systems and also introduce some of the jobs in jeopardy element into the disability employment sector and equip them better. It is a national program. They are in all rural areas and perhaps there are more disability employment services than Commonwealth Rehabilitation Service officers in regional Australia. It is a skilling issue, I think.

CHAIR—Thank you all very much for coming in. We could spend a lot more time going through the issues. We have read through your submission, which is very good.

Mr Blackwood—I have another document. I am not sure whether we sent this in with our submission. The document talks about issues and has some recommended strategies. It is in more detail than we were able to go through.

CHAIR—The article in the HR magazine—which magazine is it?

Mr Blackwood—It is *HR Monthly*.

CHAIR—That is terrible!

Ms VAMVAKINO—Would you mind photocopying that and sending it to our committee?

Mr Blackwood—Sure.

Ms VAMVAKINO—I would like to read it.

Mr Blackwood—This is, I suppose, the difference between the responses. This is an employer targeted magazine, telling employers how to discriminate. In the Employers Forum on Disability in the UK employers tell other employers how to accommodate people. That is the difference in culture. Employers' groups in England have taken responsibility to push this stuff forward; the employer groups in Australia are still working out ways of avoiding it.

CHAIR—They are the HR professionals I was referring to. They do not have the skills.

Mr Blackwood—That is their brief from organisations. Organisations who engage HR professionals provide them with a brief which says, ‘Weed out all the rubbish and give us the best people.’ It is a cultural awareness sort of thing.

CHAIR—If we have any more questions, we will get back to you. Before we take a brief pause, I would like to thank you, Alan, and through you the MS Society and Lindsay, for allowing us to be here today and for the use of your premises for this public hearing. Thank you very much for that.

[10.08 a.m.]

EVANS, Mr Neville Raymond, President, H.R. Nicholls Society Inc.

CHAIR—I welcome Mr Ray Evans from the H.R. Nicholls Society. 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 the 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. We would prefer that all evidence be given in public, but if at any stage you should wish to give evidence in private please ask to do so and we will consider your request. I invite you to make some preliminary comments before we launch into questions and discussion.

Mr Evans—Thank you, Mr Chair. Firstly, we are grateful for the opportunity to write the submission, which took a considerable time, and to appear before you to answer questions and discuss some of the points arising from it. The first observation that has to be made is that, although Australia has had 10 years of what is, I think, unprecedented economic growth year on year, unemployment remains intractably high. We can contrast our situation with that of the United States, where in about 1999 or 2000—maybe a bit before then—unemployment was down to three per cent.

I used to have the privilege of visiting the US two to three times a year at that time, and it was noticeable that—in the hotels particularly—they had huge difficulty attracting staff who could read or write. What that demonstrated, of course, was that everybody in the United States who wanted a job, no matter how unskilled or underprivileged they might have been, had the opportunity to get a job. There was a scene of full employment in full bloom. It hit me at the time, and it is obviously true today, that that is not the case in Australia. If you are unskilled, underprivileged, uneducated, then you have great difficulty, particularly if you live in certain areas—a point I will come to later—in getting a job.

Our unemployment is concentrated amongst people who are primarily men, unskilled, uneducated and without a good employment record, and the society's submission, very briefly, is that these people are unemployed and cannot get a job because they have been locked out of the labour market by regulation. It is impossible under our system, and has been for a century, to give jobs to these people at wages that make it an attractive bargain for both parties. Until we somehow or other get rid of the Higgins legacy, which this year will be 100 years old, we will continue to have these concentrations of unemployment and social immiseration amongst people who are least able to do anything about it. It seems to me that if there was a concern for the poor—to use the current phrase—that really was evident around the place, you would find a great deal of argument and agitation for getting rid of our labour market regulation system which, as I said before, is responsible for depriving these people of the most fundamental thing that matters in our lives: the right to a job. I will rest my case there and answer questions.

CHAIR—Thank you very much, Mr Evans. Your whole argument is based on the fact that the current system is depriving people of a job. Yet we have seen record economic growth.

Mr Evans—Indeed.

CHAIR—And we have seen unemployment being driven down in the current climate. Where is the imperative that you see to make even further deregulations?

Mr Evans—The problem is that it has not done nearly enough. Six per cent official unemployment is in fact indicative of much higher levels of underemployment, and people who are dissatisfied drop out, so they do not get registered in the formal statistics. The point is that if we have had—as we have had—year on year for 10 years now something like four to 4½ per cent growth, we should be experiencing, as they did in America three to four years ago, unemployment levels of two and three per cent. There should be serious shortages of labour, but we do not find that. We find, for example, in regions like the Latrobe Valley very high unemployment. It is becoming intergenerational. We find the same thing in quite well defined geographical areas of the metropolitan area. Broadmeadows is an area, once again, of very high unemployment, and it is persistent; it is intractable. If you read the submission, which I confess is a long one, and pretty dense, you are driven inexorably to the conclusion that these people cannot get jobs because they have been locked out of the labour market. An employer cannot offer them a wage which is both profitable to the employer and profitable to the employee.

There is this business of locking doors at wage levels between zero—because volunteering is fine—and hundreds of different minimum wages. We have to recall it is not one minimum wage; there are hundreds and hundreds of them. It is enormously complex. It is forbidden to work for a wage between those two benchmarks. Why? Why does the state, through its instrumentalities—in this case, the arbitral tribunals—tell people, ‘You are not allowed to reach a contract, even though both parties may want to individually, because we won’t allow it’? Why? It is dumb.

Ms VAMVAKINO—I represent Broadmeadows and I do agree with you that we have a very high unemployment rate, usually amongst our young people. I find your submission interesting. It seems like a very simple proposition: we deregulate the workplace; we create more jobs. There are a number of difficulties that I have with that notion, admittedly, and as you were speaking, I was thinking. In addition to the high unemployment in Broadmeadows, I also have a lot of Vietnamese women who work in their backyards in what are known as sweatshops.

Mr Evans—Yes, I am familiar with that.

Ms VAMVAKINO—The basis of your submission would probably encourage that kind of employment because it would mean that employers could pay whatever they wanted—often minuscule wages—to people who do not have many skills but who are desperate for jobs. If they get employed, they are not unemployed, and employers do not have to worry about regulation. I would like you to comment on that. I also have an issue with the idea of young people who are unskilled. There is a responsibility that they become skilled, and education systems are important there, so I am not sure what deregulating the marketplace will achieve if we skill these young people and move them on to jobs where they earn money equivalent to their skills. And how does the idea of deregulating the workplace affect other submissions that we have heard, from people who have disabilities, and women, and people who are in a particular age group, who require a workplace to encourage them to stay at work? I think there is a contradiction there. I know there are a lot of points, and I am sorry, but I just thought I would mention them while they are in my head.

Mr Evans—Sure.

Ms VAMVAKINO—And that is the nature of our discussion anyway.

Mr Evans—These are issues which strike at the very heart of what we are about. Firstly, let me pick up the outworker situation. I was involved to some degree in the campaign that was waged by some unions—I forget which ones now—to, in effect, drive out of existence the outworker segment of the clothing industry. In particular, I met some of the people involved in that industry in Springvale, which has a very strong concentration of Vietnamese.

Ms VAMVAKINO—It would be the Textile Workers Union.

Mr Evans—The outworker industry there was pretty big. I found it infuriating that particularly church leaders, who had no idea what they were talking about, condemned these people and supported legislation which had the effect of shutting down the industry, which I think has largely happened. Here you have an example of people who were not employees, and that was the point: they did not come under the ambit of the arbitral tribunals. They were contracting. They were, in effect, doing piecework in their homes and they made pretty reasonable incomes, and certainly they were much better off doing this work than not being allowed to do it. It enabled them to mind their children, or grandchildren often, as well as contribute to the economic return to the household.

The idea that this sort of thing is somehow unconscionable or that they are ‘sweatshops’ I find offensive. It reminds me that Henry Bournes Higgins, who was the father of the arbitration system, made a speech in the Victorian parliament in about 1896 in which he attacked in the most ferocious terms women who were working exactly as these Vietnamese women were working: in their homes in Collingwood and Fitzroy for, as he said, a mere pittance—‘We must stop this. We must send inspectors into their homes. We must ensure that they observe the same conditions as in the factories.’ I find it a bit depressing that a century later you have exactly the same paternalistic, arrogant and indifferent attitude. Shutting down these places and driving these women out of work seems to me to be cruel in the extreme. Higgins was successful, I think, in getting some legislation through the Victorian parliament in 1896, and there is recent legislation that has gone through the Victorian parliament which I think has had the effect of closing down the industry. What benefit have you got? Who is better off? People are worse off. No-one is better off. That is outworker argument.

The fundamental premise and where the H.R. Nicholls Society comes from is this: people know their own interests better than any outside regulator can. If two parties enter into a deal, whether it is to paint a house or to run up garments or to enter into a more formal contract of employment, one has to assume that they know their interests better than anyone else could and that they would not enter into that contract if they were not better off as a result. That is the absolutely fundamental nexus of the idea of a contract: two parties, A and B, who come together to do a deal which makes both of them better off.

CHAIR—I guess what you are saying is that in the ideal world that would be the perfect situation, but they do come to that point with differing levels of power. Could you answer the particular criticism that there is a disproportionate power base associated with that?

Mr Evans—Yes. The imbalance of power argument is the basis on which the trade union movement is now resting its claim for legitimacy. Quite curiously, I heard Richard Marles defend the imbalance of power argument only a few months ago with the following example.

CHAIR—I am sorry, who is Richard Marles?

Mr Evans—Richard Marles is the Assistant Secretary of the ACTU. He said, ‘You take a worker in the Pilbara and BHP. BHP is one of the largest companies in the world, and this guy is all by himself. Of course there’s a huge imbalance of power. He can’t afford to lose his job.’ I could not help but smile, because the typical worker in the Pilbara has an apartment in Perth, a beach house somewhere down the coast, and he is probably investing in a block of flats somewhere else as well. These guys are rich.

CHAIR—That is an anomaly, though. That is a geographic scarcity of labour.

Mr Evans—But it illustrates the point that BHP may be a wealthy company, whatever that means, but they need the workers at least as much as the worker wants a job. To get a worker to go to the Pilbara to work for BHP at Tom Price or wherever, they have to pay heaps. The idea that somehow or other BHP can force people to go to the Pilbara and work for nothing is a fantasy.

CHAIR—But in Wollongong it would be a different situation.

Mr Evans—The reason why Wollongong is depressed is that industries have been shutting down and contracting because it does not make sense to invest in Wollongong where you have the present labour market regulatory system in play. Yallourn is much worse. The Latrobe Valley is a national scandal. You have social morbidity of a very high order. The electricity industry there has shrunk probably by a factor of four, and the reason why the Latrobe Valley cannot get up off its knees is that you cannot invest there and offer jobs at prices or wages which make it profitable to do so. There is this barrier, this idea that there is an imbalance of power which means that the worker is helpless and the employer has all power on his side, which is a fantasy. Until we can break that idea, we are going to run into it time and time again. The employer needs the employee just as much as the employee needs the employer. That is the fundamental nature of a contract. It is only when you have a situation of a monopoly employer and thousands of potential employees that you get the imbalance of power argument; this is the traditional monopoly issue. But we do not have monopoly employers, or anything like it. We have millions of employers, millions of small businesses.

CHAIR—You mention that if we had these changes in the labour market and employment regulations and pricing of jobs, there is scope to increase employment by 400,000 to 500,000 people. That is an incredible assertion to make, considering that all demographic evidence shows that by the year 2020 we are going to have around 500,000 jobs with no-one to fill them. Where are these people going to come from?

Mr Evans—This figure is not relating to 2020; it is relating to here and now. You have people who want to get work or get more work or whatever, of the order of nearly one million people, out of a work force of about 12 million. If we were, by waving a magic wand, able to repeal all

of the legislation which enables the arbitral tribunals to stop people getting jobs at mutually agreeable terms, we would see our employment figures go up by 400,000 to 500,000 people.

Ms VAMVAKINO—Are we to seriously believe that there are one million people out there wanting to get jobs but a system that exists at the moment prevents them from doing so?

Mr Evans—Yes, I think that is quite clear.

Ms VAMVAKINO—You did not answer my question. One of the questions I asked you was how the deregulation of the workplace affects the need to have intervention in the workplace to ensure that at least people with disabilities can (a) get employed and (b) remain in the workplace? How does an absence of any intervention ensure that women remain in the workplace when they go off to have children? How does it ensure that people who reach the age of 40 and over, who are deemed to be too old or just not suitable for employers to be employed, participate in the workplace? They all make up a large potential work force that we will need to address a projected job shortage.

Mr Evans—Can I address this in a general way. The idea that the state governments should interfere in the labour market and refuse to allow contracts to be lawful, or in other ways tell people in very great detail the precise nature of the contracts that they are going to enter into, the more they will reduce general prosperity, the more they will reduce opportunities, and the more they will, in effect, put sand in what is a naturally self-satisfying market system. For example, as soon as you require employers to pay more to fathers who are supporting families, as was a big issue in Higgins's time, then of course you disadvantage potential employees with families because employers do not want to have to add an extra 20 or 30 per cent because the worker has a family. As a government, if you insist on telling every factory proprietor that they have to install this, this, and this in order to cater for a potential physically disadvantaged worker or what have you, then you are imposing huge costs on every factory proprietor. All you are doing is loading up the economy with unnecessary costs, unnecessary supervision, and driving people nuts.

If you want to try and do something for a group of people who you think are disadvantaged, and your belief is that the labour market is not providing the opportunities that these people deserve, then rather than having across-the-board regulation you should try and work out some mechanism, on a case by case basis if you like, giving these people some sort of particular assistance that gives them a leg up the ladder, whether it be, for example, teaching them computer skills or something else that gives them a bit of an edge. But to use the labour market and to interfere with the contracts between private people in the labour market as a means of redressing what you regard as being social inequities is going to stuff up the economy. If you take it seriously, it becomes quite a serious burden.

The society argues very strongly that, for example, anti-discrimination laws in the labour market are counterproductive. When you have an economy in which there are many employers and many employees and they all want to improve their condition, provided you have fundamental contractual rights such as prohibitions of contracts which involve fraud, undue influence, deceit, coercion, duress—I think that is the main standard list of causes why contracts are invalidated—then you get back to the basic premise that people know their own interests better than anybody else can, and people only enter into contracts if both of them are better off.

By allowing people to exert their freedom and employ their skills and do what they want to do to get on in life, you are going to get a much better result for the nation as a whole than if you start interfering in all sorts of ways, in innumerable ways, which provide a burden to everybody and make economic life much less productive than it otherwise would be.

CHAIR—Let me get back to the power argument.

Mr Evans—The imbalance of power argument.

CHAIR—One of the central differences that is associated with power is knowledge—knowledge, information, and education. We are talking about low-skilled people, perhaps even people from culturally diverse communities. That knowledge of contracts, what should be and should not be in a contract, is not going to be there. How do we overcome that? The reason why I say that is that we have also been told that Britain has a Low Pay Commission which determines the minimum wage at a level that should not deter job creation. I am not sure whether you are aware of it, and I do not know too much about it myself, but I am wondering whether perhaps that is an alternative to protecting some of those who have a very low education and knowledge base.

Mr Evans—I would contest the argument that these people are unable to know their own interests. I go back to that phrase. Even though a person may not be well educated, may not speak English well, may be disadvantaged in all sorts of ways, when push comes to shove you have to accept, in my view, that these people do know where their interest lies and how they want to pursue it. We have seen this in the outworker situation, where the Vietnamese women down in Springvale knew what they wanted to do, set out to do it, were very successful in doing it, and then they were shut down by legislation. It is paternalism which drives a great deal of this argument.

It is true that your employer, who may be well educated and well off and all the rest of it, is in one sense in a superior bargaining position to a person who does not speak English, who has just arrived in Australia and all that stuff, but the fact remains that the would-be employer needs an employee and the would-be employee knows he wants to get a job. It may not be the best job in the world in the first instance, but once he gets his foot into the labour market he will very quickly learn what is going on. If he is not happy where he is, he is in a better position to go for another job than if he had no job at all. The immigrant story in this country is one of extraordinary success. Now we have second and even third generations, and you see a story of people who came without English, often with very few skills, and certainly without recognised qualifications.

CHAIR—But during a time when Australia had a lot of low-skilled and semi-skilled employment opportunities.

Mr Evans—That is true, but the reason why Australia, as opposed to the United States, does not have opportunities for low-skilled people is that the wages that you can pay them are not allowed.

CHAIR—I have trouble with that, because all the evidence so far shows that the whole nature and structure of the employment market has changed dramatically, that jobs are becoming a lot

more technical, a lot more skilled and that those low-paid jobs are just not there. It is nothing to do with wages. It is just that the structure of the workplace has changed dramatically.

Mr Evans—Can I contest that point, Mr Chairman. The reason they are not there is that they are not allowed to be there. If you go to the United States—again because I have had a lot of experience there—you will find jobs that are paying typically \$5 to \$6 an hour, which by American standards is very low. They have a minimum hourly rate set by congress and there is a big debate every time they raise or lower it. The fact is that people will generate employment opportunities in the United States at low wages because it is legal to pay them. If it is not legal to pay low wages in Australia, why would you try and set up an enterprise that will employ people at low wages? It is a chicken and egg situation. You would not bother.

Ms VAMVAKINO—What jobs do you think would appear should there be no minimum standard of wage? I am thinking of the cleaning profession at the moment. I know a lot of people who are involved in it and I know that there is a minimum rate, but I also know that you can find someone to do it at a cheaper price, so those things are happening in Australia. It is not as if people cannot offer their labour for cleaning someone's house for five bucks an hour if they want to. They do it, and they choose to do it. What are these jobs that will appear if we deregulated? You are only talking about low skills. We are talking about an entire work force. We are talking about deregulation of the work force, which will impact not just on low-skilled people. Although you keep talking about low-skilled people, your solution will have an effect right across the board. It will affect teachers; it will affect all sorts of people. Where are we going? How do you foresee the workplace responding to that?

Mr Evans—It would affect it, I would say, dramatically and very positively.

Ms VAMVAKINO—Positively?

Mr Evans—Very positively. The reason I am focused on the bottom end of the labour market is that that is where unemployment is concentrated, which is what you would predict. Going back to the United States again: one of the things that impresses one when you come to Tullamarine and get out of the plane is that you put your card into the machine, you get a ticket out and you put your ticket in and out you drive. In the United States it is very rare to find that stuff. You will find, often, a black person—usually a black lady—at a booth taking your money and letting you through the boom. The same is true of tolls in the United States. In Melbourne here you have this marvellous system where you just drive through. In the US it is all people in tollbooths.

CHAIR—Oh, good—traffic congestion!

Mr Evans—The thing is that they make an economic calculation and they say, 'It's cheaper for us to have people manning the tollbooths, taking the money and letting you through than having very sophisticated automated equipment.' That is an example which the casual visitor immediately observes and it demonstrates my argument that where there is a legal opportunity to pay low wages people will take advantage of it. In the United States you have far more people in low-paid jobs than you have here, and you have, particularly in buoyant times, much less unemployment, although—and this is the extraordinary thing—in the United States their pool of what you would call unskilled labour is huge compared to ours. My understanding is that

illiteracy in the United States is of the order of 20 per cent, which is huge. Their labour market rules are not perfect by any means, but they certainly allow employment of people at wages that are obviously affordable and they pick up a large number of people who cannot read and write, so they have got something going for them. It is opportunity at the low end of the labour market, which is what I have been concentrating on, because that is where the tragedy lies.

CHAIR—You refer to free labour market zones. We have heard the alternative of perhaps having some tax-free zones rather than free labour market zones as a way of generating economic growth in a particular area. What is your thought on that? Secondly, which free labour market zones? Have you actually identified labour market zones? I imagine the Latrobe Valley is one that you are referring to.

Mr Evans—Yes. It is a while since I have looked at the figures, but my understanding, if you look at where unemployment is in Australia, is that it is geographically concentrated. The Latrobe Valley stands out, but there are other areas as well. It would not be possible to draw a line around these places and say—I think constitutionally you might be able to do it, but that is another story—‘In those particular areas the arbitral tribunals have no authority; it’s going to be freedom of contract,’ and off you go. That would revolutionise life in those regions—the Latrobe Valley, for example—and it would provide, from our point of view, a magnificent experiment of how freedom in the marketplace can generate prosperity. We would much prefer to have a zone where the labour market is free than some sort of tax deal, for the reasons I have just outlined.

CHAIR—You mention that perhaps wage subsidies and earned income tax credits could be used to supplement situations where the minimum wage was abolished.

Mr Evans—This is the American system, yes.

CHAIR—Therefore, the taxpayer is picking up where the employer has very low wage rates.

Mr Evans—This is similar to the argument that Ms Vamvakinou raised. It focuses not on interfering with the labour market but on picking up people who are disadvantaged for one reason or another, and the same argument applies to people with physical disabilities as applies in this case. I think the American experience is, on the whole, positive and requires further study, and certainly it is far more relevant to the issues that you raised about how to get people who really do have disabilities into a position where they can participate, without interfering in the general contractual nature of the labour market.

CHAIR—Thank you very much. We thank you for your submission and we thank you for coming in to see us today. If we have any more questions, we would like to get back to you.

Mr Evans—Thank you very much.

Proceedings suspended from 10.42 a.m. to 10.53 a.m.

SCHOFIELD, Mrs Isabel, State President, Victoria, Women's Action Alliance (Australia) Inc.

SMIT, Mrs Pauline Mary, National Secretary, Women's Action Alliance (Australia) Inc.

CHAIR—I welcome Mrs Pauline Smit and Mrs Isabel Schofield from the Women's Action Alliance. 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 proceedings 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. The committee prefers that all evidence be given in public, but if at any stage you should wish to give evidence in private please ask to do so and the committee will consider your request. I invite you to make some preliminary comments about the issues you think are important to this inquiry before we move to questions and discussions.

Mrs Smit—Thank you, Mr Barresi. When I looked back at the terms of reference of the inquiry, I wondered what the committee thought about us not addressing them very well. We do sum up the reason why we made a submission in our first two sentences. We have identified this new push out there—it is not necessarily a government push, it is more an academic push—to view what are called prime-aged women, women in their 25 to 45 sorts of years, as prospective work force fodder. We would be saying to you, 'Eyes off.' These women are working women. They are involved in parenting and other caring roles.

The main reason why we accepted your invitation to come again today was that there is a bit of new evidence that has come to our attention that we want to make sure does not miss your attention. I have put it in that little pile we gave you. It is from this document which was put out by the Australian Institute of Family Studies in October last year. It is called *Measuring the value of unpaid household, caring and voluntary work of older Australians*. The authors are David de Vaus, Matthew Gray and David Stanton. Although that focused on older people, it does include some information about various age cohorts. The one that we would like to draw your attention to is on page 11. You have it there. It is the chart on page 11 headed 'Figure 1' and the one on page 12 headed 'Figure 2'. You can see a remarkable, outstanding bar in the bar graph there, so your eye is immediately drawn to that. It represents women in their prime age, 25 to 44 years of age. They are doing more unpaid work than any other age cohort and certainly more than men. Why? Why at that age? Because that is when their children are young and they are at home and they are caring for them. Do we need to say much more? Women are working.

Two academic departments have made this statement. One is the Women's Economics Policy Analysis Unit at Curtin University of Technology in Western Australia, which describes women in the prime of life—those women—as the key to Australia's looming labour shortage and retirement income crisis. It went on to say that women in the 25 to 54 age group are the biggest source of underutilised labour, with large numbers not working, or at least working relatively few hours. That is not what this document says.

The authors of this report only regard paid work as work. What a limited view of the world to only regard paid work as work. They are saying, 'They are not working.' A form of discrimination bordering on abuse these days is if you say to mothers of young children, 'You're not working.' They are working. They work damn hard. They work 24 hours a day. With little babies, and even when the children are young, they have very demanding work. There is a bit of an attitude abroad that, once the children go off to school, women no longer have any work to do so they should be in paid work. The dishes are no fewer when the children go to school. There is no less shopping. There is no less gardening. There is no less laundry. In fact, more responsibilities fall upon parents when their children go to school because they have to turn up to school meetings and purchase uniforms and they often do the voluntary work—reading programs or tuckshop or what have you—at the school. We also pointed out an interesting study by Heinz Wattie which showed that half of all mothers with children under four years of age are lucky to find 20 minutes a day to themselves, and 52 per cent had about five hours a week to themselves. That is less than an hour a day. That was about one-third of the time enjoyed by the typical Australian adult male, who has eight hours of free time. That sums it up fairly well: please do not swallow this line. Another academic produced something similar.

CHAIR—Sorry, Pauline, I understand that the academic you are referring to is Siobhan Austen.

Mrs Smit—Yes, that is right.

CHAIR—Dr Austen has made a submission to this inquiry.

Mrs Smit—Good.

CHAIR—I understand we will be meeting with her. She does not know it yet, but we intend to meet with her as well so that we can discuss some of those issues. I will ask you some questions regarding some of those statements later on. You finish your introductory comments.

Mrs Smit—I might just refer to Dr Iain Campbell. I have never met him myself, but he is from RMIT University. I do not have his article with me. I looked for it this morning. I know you can find it because guess where it was published? In *About the House*, the parliamentary magazine which I receive and thoroughly enjoy. It keeps me well informed. If you get the opportunity, please pass on our compliments to the progenitors of that publication. I find it very useful and I scan the back for when submissions are due in so I do not miss things. The web site is good too, but this turns up on my lap, so it is excellent.

Dr Campbell wrote an article in there: 'More and better jobs'. In the letter that I have given you a copy of that we sent to him, we have taken him to task for the same attitude: that prime-aged women should be the ones that should be attracted back into paid work. Women are going back into paid work at much higher rates than our mothers and our grandmothers did, and all power to them. That is a good thing. It resources women financially. It gives them some self-esteem and a whole lot of other things, but they should go when they feel ready, not when the government beckons. That is probably the main thing we came here today to say to you.

The other thing I would like to read to you—and I have not given you a copy of this—is about our first recommendation, which is about restoring the Time Use Survey to a five-yearly cycle.

The Time Use Survey is the only measure done by the Bureau of Statistics that measures unpaid household work. Some of their other studies study unpaid work in the community but, even then, only if you do it for an organisation such as the MS Society. It does not measure the work that you do for your neighbour if she is sick and you drive her to hospital or cook her a meal and take it in to her, and it does not measure the child care you do for your neighbour or your sister or any of that, whereas the Time Use Survey does.

That means if we do not have a regular measure of this, of some kind, we are missing out or leaving invisible a massive amount of work done in the community in an unpaid capacity, and most of it is done by women. It was actually the Hawke government that started the Time Use Survey. It has gone on, but under the Howard government it has been wound down. They did two, five years apart, and said: 'We don't need to do that five-yearly. We'll do it after eight years, then it may go to a 12-year cycle.' If I wrote a submission to you and I quoted 12-year-old statistics in it, wouldn't you be saying to me, 'Haven't you got anything more recent? They're a bit irrelevant'?

Ms VAMVAKINO—Yes, we would.

Mrs Smit—We almost see this as bit of a ploy by the ABS. If people will stop using those statistics, then they will say, 'Oh, they're not used. We can ditch that.' This is critical stuff for women. You might have noticed I quoted Marilyn Waring in there, the high profile New Zealand feminist, who said, 'If women's unpaid contribution remains invisible, those women will be invisible when the goodies are given out, when the policies are formed,'—policies and benefits. I have in front of me a letter from the Minister Assisting the Prime Minister for the Status of Women, who is also the Minister for Family and Community Services, Senator Patterson. She says this:

The rich set of data provided by the Australian Bureau of Statistics Time Use Survey provides a valuable resource, particularly highlighting the unpaid caring and household work performed by so many Australian mothers.

Hopefully, if such a senior minister believes what she says there, we will see the Time Use Survey restored to a five-yearly one. I would love to see that recommendation come out of this committee. That is probably nearly all we have to say.

Mrs Schofield—We do not see the necessity of trying to coopt women, who already have a role in life, to rejoin the work force when unemployment is very high. We realise that the official unemployment figures are not a true representation of numbers. They are merely a mechanism to show trends. Most people in the community recognise that unemployment is much higher than it is projected in those figures. We feel that there are people in the community, particularly our younger people, who are in need of jobs. Why would we be attempting to push women out of the home, where they already have an important role, into seeking jobs when there are not enough jobs in the community to go around?

Mrs Smit—We have not made reference to the needs of sole parents but that was in the submission and we particularly resent the implication that sole parents should be enticed back to work or leant on by threats to withdraw their support, their pension, if they do not turn up for interviews or they do not participate in training. We would say that is all very well, it should be offered to them. We are not in favour of long-term dependency if it can be avoided and it is

better for those women to be earning if possible. The pension is not enough to live on, let us face it.

Last September, the regulations were changed and now they are putting pressure on sole parents that was not there before. Meanwhile ACOSS have provided a submission which points out that 15 per cent of 15- to 19-year-olds are in neither full-time employment nor full-time education. Why are we looking at mothers who are at least doing something positive for the community in rearing their children, when young people need work? They need it not only for money so they can build a future, but they also need it for self-esteem and to get a work history so that they can climb Mr Latham's ladder. That is all we had to say.

CHAIR—Pauline, I have one fundamental concern about your submission. It seems it is predicated on the notion that governments are forcing women to come back into the work force. Surely it is an issue of choice? There has been a growth not only in the number but also in the demand of women wanting to come back to part-time employment as a transition measure. That should be available to them if that is what they want to do. I would have thought that in the graph shown here at figure 1, with the per capita value of unpaid work by gender, in the female level a lot of those women also would be engaged in part-time employment.

Mrs Smit—I agree that they may well be.

CHAIR—What is wrong with the choice argument?

Mrs Smit—Nothing. I am totally in favour of choice, but we can build into policy, almost by the salami method, structures which entice women back to work and make it harder for them to stay at home. As we said to you in this submission, there is enough pressure on women from housing costs and HECS debts and general poverty—the ordinary living costs of life—to make families have two incomes in today's world, especially with housing costs—look what has happened in Melbourne, we are getting closer to Sydney's situation. I fear for my own children. I just cannot see how they will be able to get into the housing market, even if they do move out to the outer suburbs, which I did when we were first married.

I think there are enormous pressures on families to have two incomes. There certainly are new arrangements that apply to sole parent mothers: that they now have to turn up for an interview, which they did not before, to discuss with them their return to work and their training and preparation for that when their children are, I think it is, 12 years of age. We think that is too young.

Ms VAMVAKINO—Pauline, my view on that particular aspect of sole parents is that the philosophy behind that has less to do with enticing women back into the work force because there is a shortage and more to do with the fact there are preconceived ideas or beliefs that these sole parents are bludging off the welfare system and therefore they need to be forced to do their bit and to maintain their own keep. It is a different philosophical focus.

This inquiry is not really about forcing women back. We do not want to identify a situation where we think, 'Ha—the answer to our work shortage problem is women, especially women with children, so therefore we've got to develop programs to force them back.' I would not

support something like that and I do not think Phil would. That is definitely not the focus of this inquiry.

It is more about trying to come up with solutions and recommendations that create a workplace that allows all those people who wish to return to work—whether they be women with children, whether they be people with disabilities, whether they be aged people—to do that, because there seems to be a problem with getting those people back in; not because they do not want to, but because employers or situations are working against or not in favour. That is what we are trying to do.

Mrs Smit—But those people who want to return to work are registered as unemployed, aren't they, normally? They are seeking work.

Ms VAMVAKINO—Yes, many of them would be seeking work. Yes, they would be registered.

Mrs Smit—I know we have a figure in there of how many sole parents are unemployed. They are the ones we should be targeting. The JET program is an excellent program. It has been there for a very long time and has helped many women return to work.

CHAIR—Your focus is not with sole parents?

Mrs Smit—It is with all women.

CHAIR—But your concern about the government policies is women in a marriage or de facto relationship going back to work when there is already a member of that family earning an income?

Mrs Smit—No. We support women being in paid work if that is their choice. It is the implication. We are anxiously awaiting the announcement of the Labor Party's paid maternity leave policy. I notice Mr Latham yesterday committed to that again, but he also, in the news last night, praised stay-at-home parents as heroes. He wants to be even-handed, I would say. But we fear that if paid maternity leave is introduced—and it is going to be a government payment; no-one is discussing an employer payment at this stage—it will only be for those who were in paid employment prior to having the baby and who return after their 12 months unpaid maternity leave.

That will build a new standard. Fourteen weeks is what you get. Fourteen weeks is what you can expect to stay out of the work force. It is more an environment that we are creating, an expectation that this is now the standard expectation for mothers. Our policy is that any government-funded paid maternity benefit should be for all mothers, and if anyone is excluded it should be only on the basis of a means test, no other basis, so the woman's choice to be back in paid work or not is respected.

Ms VAMVAKINO—So it should be for mothers who are currently working at the time of having children or not?

Mrs Smit—No, all mothers.

Ms VAMVAKINO—Irrespective? So all women should get—

Mrs Smit—A maternity payment. They do now. They get the maternity allowance. We would like to see that increased to the level of 14 weeks of the minimum wage and paid to everyone but probably with the means test remaining.

Ms VAMVAKINO—Do you think that one way of alleviating some of the concerns that you are raising about, ‘Fourteen weeks it is. That’s it. Make arrangements,’ would be to build in a situation where women can then go on extended leave. I know the ACTU is running a lot of these cases, where you can stay out of the work force much longer and then rightfully expect that when you return your job will be there, or some form of it would be there. Our previous submitter to this inquiry would say that that is interventionists and should be got rid of because that is interfering—these are the differences of view—if you have a package like that. I have been there. I have kids and I know. I think we understand the flexibility better than anybody else and you do not need academics to tell you just how you can organise things.

Mrs Smit—We have adopted as policy for our own organisation the extension of the unpaid maternity leave period from 12 to 24 months. I should not speak out of line here, this has not gone before a national conference of Women’s Action Alliance, but we are very interested in the ACTU’s claim for employers having to provide a woman returning from paid leave with part-time work. They did not nail that down as absolute. They did say that there would be exemptions given fairly freely where it was not practical, so that is important. The ACTU knows enough about the work force to realise that that would be so, particularly in small business. We are always interested in, and probably likely to support, anything that will give kids back their parents, not keep them apart.

The other article that I included in that parcel I gave you appeared in the *Age* just last Monday, 16 February. This was very cheering stuff. There were high school kids, from two schools, being interviewed by Barbara Pocock, whose name you will possibly know. She is a South Australian academic. They are saying, ‘We would rather have our parents’ time than the material things their employment can buy us.’ They do understand their parents have to go to work and that that does produce nice holidays and extras; but at the same time, young people not as materialistic as we sometimes think they are. I find that very cheering. They would rather see more of their parents than have another holiday in some exotic place.

CHAIR—I am not surprised by that.

Mrs Smit—I am not either. Family time is precious time for all of us. Kids do not even want to be entertained. They just want to lie around the house with their parents, very often, or just have a barbecue in the backyard or something.

CHAIR—On the issue of the 14 weeks paid maternity leave, what is the current evidence of how soon women are coming back into the work force?

Mrs Smit—I can get you those figures but I have not brought them with me. They might as well be accurate. Can I send them to you, Mr Barresi?

CHAIR—What do you envisage will be the case if we did have 14 weeks paid maternity leave? Will they be coming back after 14 weeks, or will they still be taking extra time; another period of time without payment?

Mrs Schofield—Yes, if they have that option.

CHAIR—So that extends the time out of the work force even longer.

Mrs Smit—If we gave them 14 weeks pay when they have their baby—we give them six weeks now, roughly—that would be just over doubling it. When we put in our submission about paid maternity leave several years ago, we asked for 12 because that is what Commonwealth public servants get. We say ‘If the taxpayer can fund Commonwealth public servants to have 12 weeks leave, why can’t the rest of us have it, please?’ Interestingly enough, we did quote in this submission the fact that, even though Commonwealth public servants have had paid maternity leave ever since Mr Whitlam’s time, Canberra has the lowest birth rate in Australia. So it does not do anything to help the birth rate—if that is what our motive is, which it is not usually.

Ms VAMVAKINOU—I would agree with you. The reasons why paid maternity leave would not necessarily encourage the birth of more children have a lot to do with perceptions of how children—

Mrs Smit—I do not think it would.

CHAIR—You still have not answered that. If you have that information, please send that through.

Mrs Smit—I am sorry. Yes, I will get it. I know where it is. It is easy for you, it is in Pru Goward’s report.

CHAIR—Is it?

Mrs Smit—Yes. That is a very thorough report. We disagree with the Sex Discrimination Commissioner’s eventual stance on paid maternity leave because it is exclusive. It excludes too many women. If you only give paid maternity leave to women returning to work after doing 30 or 40 weeks, whatever you set it at, in the previous year, what about the unemployed women? What about women who would love to have 30 weeks work a year but cannot get it? They are casuals and they are just not getting the amount of work they want. Women at home would be excluded, too.

Ms VAMVAKINOU—There is another group, and this bugs me about maternity leave. What about the women who work in low-skilled jobs in factories? I believe they should be getting 14 weeks maternity leave also, whether they are sewing shirts or sticking shoes or whatever it is that they are doing.

Mrs Smit—Those who get paid maternity leave at the moment would be the high achievers, unless it is public service.

Ms VAMVAKINO—White collar women and professional women are very good at defending their own work rights, but those women are not. So we would want a paid maternity scheme and the option of returning to work or maintaining a job. Would it work, realistically speaking, in the nature of those employments? Do you think you could get employers to accept that? A factory worker goes up for 15 weeks and the employer is going to be benevolent and understanding enough to keep her job available for her for the next two years and she can go back to sewing shirts and things? We hope that it will.

Mrs Smit—Ms Vamvakinou, I am a factory owner. We have a small manufacturing business out in Bayswater.

Ms VAMVAKINO—I have asked the right person, then.

Mrs Smit—Our young women do not come back to work after their paid maternity leave; any who have had babies do not. The evidence is—and I might need to get you this too, because Kerry Flanagan who is the head of the Office for the Status of Women also asked for this recently and I must get it out for her—that high achieving, high paid, highly educated women go back to work much sooner than low ones do, for fairly obvious reasons, I suppose. They are giving up more and perhaps they have far more interesting jobs.

Ms VAMVAKINO—What about the ones that have to go back?

CHAIR—I guess I am throwing in a hypothesis here: it could be that those at the higher end of the employment market have a lot more flexibility with the way they come back, whereas someone in the low-paid job finds they are going back to a job which is seven to four, and that does not suit the family.

Mrs Smit—It is seven to three in our factory. This is another issue with the whole matter of who can work and who cannot. Whatever happened to the eight-hour day? My mother spoke strongly about the eight-hour day as a balanced way of life: eight hours work, eight hours play and eight hours sleep. 'Play' really means family time. She said, 'If you don't stick to that generally, your life gets out of balance. Something will suffer. If you don't go to work enough, you won't get enough money to support your family. If you don't sleep enough, you won't be well enough to do everything else, and if you don't spent time with your family, your relationships will suffer.' What a wise woman she was.

When we got the eight-hour day, through the striving of my forbears and all those other people in the union movement, it was such an industrial win we built a monument to it outside the Trades Hall. We declared a public holiday. Till the day she died, my mother called that public holiday Eight Hours Day. Everyone else started calling it Labour Day and lots of people started calling it the Moomba weekend here in Melbourne. My mother would say, 'Not Moomba. Eight Hours Day.' We have frittered it away. It barely exists any more. It exists in my factory, though, and will continue to do so.

CHAIR—Is there an argument to say that, if we had paid maternity leave, that would have a negative effect upon employment participation and the opportunities that may be presented?

Mrs Smit—If we had paid maternity leave it would have a negative effect?

CHAIR—I am looking at industries, small enterprises who perhaps cannot afford to pay the 14 weeks.

Mrs Smit—But, Mr Barresi, no-one is suggesting we ask employers to pay it now.

CHAIR—Who is going to pay for it?

Mrs Smit—The taxpayer.

CHAIR—Which will come from what? A levy? An industry levy?

Mrs Smit—It will come from Mr Howard's big surplus.

CHAIR—That surplus has been spent about 10 times over at the moment.

Ms VAMVAKINO—Maybe it should be spent on maternity leave, government funded.

CHAIR—Everyone so far has spent that surplus on their areas.

Mrs Smit—Mr Howard has made this big statement, it is the barbecue-stopper: 'We are interested in this. We will do something.' We want him to do something. A payment to families at the time of the birth of a new baby is a highly appropriate payment. Number one, it affirms parenting. Number two, it is a time when you are doing without one income for some period of time. Even if you give women 14 weeks, what will they live on after the 14 weeks are over? The baby is only 3½ months old. Are you going to say, 'Wean it. In the creche. Back to work?' I hope not. What a dismal prospect for women in their lives.

CHAIR—Pauline, we are going to be running out of time. There are other aspects of your submission which are worth looking at, if we can move on. Can we chat about the HECS debt? I have not seen that one before. Just go through that with us again.

Mrs Smit—At our last national conference, we adopted as firm policy that a woman's HECS debt should not inflate while she is out of paid work caring for dependents. They may be little children, they may be her aged parents, et cetera. It is still mainly women who undertake the caring roles and women actually like doing it as long as they have the support and underpinning of a caring male with them—their partner, their husband—and they can depend on an income to do so.

I look after my aged mother-in-law who is 90 and has Alzheimer's disease, who has had a remarkably good response to the new Alzheimer's drugs and, eight years after diagnosis, is still living alone, which I am sure without the drugs she would not be. That is another whole health issue, but that drug is not properly subsidised by the government.

Ms VAMVAKINO—That is another point.

CHAIR—Isn't a HECS debt repaid when you achieve a certain income level?

Mrs Smit—Yes, and if you never achieve that level because you only go back to part-time work, your debt grows and grows until you do achieve the \$30,000 or whatever.

CHAIR—So it is the growth in that debt that you are saying should be frozen?

Mrs Schofield—Yes, that is right.

CHAIR—Not the eventual liability?

Mrs Smit—It should be frozen while you are out of paid work caring for others and it should be frozen until you get back up to the repayment level, because many women will not get back to that level ever, or some will do part-time work while their children are little and then return to full-time, get up to the \$30,000 and then have this huge debt which, I was relieved to hear, does not actually come off your estate.

CHAIR—How much of a disincentive is it to returning to paid work? Or is this just a ‘nice to have’? I am just looking at it in terms of priority of issues.

Mrs Smit—We would see it more as a disincentive to parenting. When two young people come out of university both carrying HECS debts both may be carrying substantial debt. They can be as high as \$30,000 a year for medicine and those sorts of things. I am not quite up to date with the figures, but I am going to get up to date because we are doing a little media campaign on this for International Women’s Day very shortly. A lot of young couples would like to reduce that debt before taking on more debt to buy a house. Then they are into the housing market. That is pretty frightening these days.

So it becomes, ‘Okay, we’ll pay off the HECS. Then we’ll get the mortgage up and running and then we’ll see about children.’ If you have stayed in university till you are 24, 25, 26 these days, you can be 35 or 36 before you are starting to think about children. For many couples, it is getting too late, especially—this is another health issue too—when the woman has taken oral contraceptives for nine or 10 years, or sometimes from the age of 17 years to 34. It is just possible that their ovaries, having been told not to work for the last 17 years, will not remember how to work. There is no evidence out there about that. I keep looking for it and it is not there, because no-one wants to know. Drug companies do not.

Ms VAMVAKINO—They do not want to know because it is not suitable.

Mrs Smit—It would be bad news for women, too, because the pill has changed women’s lives so dramatically. In fact, it is what has allowed women to control the size of their families and be in paid work. So I do not want to get rid of the pill, but I do want women to take it fully informed as to what the side effects may be if they take it over extended periods of time. How did we get onto that?

Ms VAMVAKINO—I do not know.

CHAIR—You have so many thoughts floating in that mind, Pauline. It is hard to keep it all together sometimes.

Mrs Smit—Just to finish off HECS, there are two other parts of that. When your HECS repayment threshold hits \$30,000, another policy we have adopted is that there should be a step-up on that threshold for the number of dependents, because if you are earning \$30,000 and you have a wife and three little kids, \$30,000 a year for five of you to live on is \$6,000 a year each. Can you afford to be paying the government back? Try this for a policy we have not adopted but would like to float the idea with the government: what about if a couple decide to have a third child, we forgive them their HECS? Just say, ‘Okay, if you’re prepared to have a third child, we’ll forgive you your HECS.’ Or a fourth, set it where you wish; if you made it a fourth, you would not lose much money because not many people have four children any more. I have four, you see, so it is a number in my brain; but even a third when our birth rate is 1.7—

CHAIR—What about the parent who does not go to university, who does not have a HECS debt? We are discriminating against them?

Mrs Smit—That is why we have not adopted it as policy, because in our own national forum we had quite a debate about this. They said, ‘You’re giving a benefit to couples who are in a better position to earn than those who are not.’ But then, you pointed out to me that an apprentice plumber at the end of his apprenticeship can do very well. He has not accumulated a HECS debt.

Ms VAMVAKINO—There is some merit in encouraging people through the tax system to have more children. I know they do it in other countries and often there are substantial tax credits or cuts, whatever you want to call them, if you have more than four children I think. They even have a special term for it—I can tell you the Greek word—and it is a cultural thing. People who have four kids affectionately refer to themselves as that, until you become this multichild family that has these benefits. I have often thought that maybe with our problem here we may need to explore a creative way of encouraging people to have children because it is financially beneficial to them. So I support that.

Mrs Smit—I sometimes think there are financial barriers, which are disincentives to parenthood, some of which we have just discussed: housing and HECS debts and all sorts of things; but generally speaking, the old saying, ‘The rich get richer and the poor get children,’ is as true today as it ever was. Mr Ruddock said—I remember seeing him on TV one night—‘You can’t buy children.’ I think generally he is right. However, housing affordability is a huge factor. What needs to happen, and Women’s Action Alliance has just been given a little bit of money from the Office of the Status of Women to start on a project about this, is to rebuild the status of mothering. Last Mother’s Day we ran a campaign. We had a yellow sticker that just said, ‘Say Mother.’ We sent it to every politician in the federal parliament. Just say the word.

Ms VAMVAKINO—I didn’t get it.

Mrs Smit—I don’t know why. I will send you one. I will also send you the press release we put out with it, because when the OSW, the Victorian women’s bureaucracy and the other states put out a book about women and their interests, welfare, policies and all the rest of it, do you know you can word-search that document and never find the word ‘mother’ in there, or mothering or motherhood? It is not being spoken of. Say our job. Speak it, give it some status, affirm it. I really think forgiving people the HECS debt would be more about affirming parenthood and their choice to parent than it would be about money. I think if the government would say, ‘We’re going to help you have children. We think it’s a good thing. You’re doing

something valuable by doing so,' that is almost as much what it would be about, as helping them with their debt. We are trying to be creative thinkers.

CHAIR—In your submission you also comment that sole parent mothers are at greater risk of suffering mental and physical illness.

Mrs Smit—So the Institute of Family Studies told us.

CHAIR—We also know that participating in the work force helps to alleviate social isolation. It is good for self-esteem. Your self-worth increases. You have that ability to interact. I just do not understand where it comes from.

Mrs Schofield—It is part of the workload, isn't it? They have no support at home. They are doing the job of a father and a mother. They have a great burden on them. Not everybody's capacity is the same. Some people are completely overwhelmed in a way that other people are not. We are not happy to have a huge extra burden, or coercion, put onto sole parents. It is a very individual thing. You cannot have a blanket policy on sole parents. You really have to be able to look at the individual.

Mrs Smit—We have spoken at length about that in our submission, the need to review individual circumstances, because when that sole parent's youngest child turns 16 and they are taken off the pension, they might have five kids living at home. It is possible. It is not as common today. Large families are not as common as they used to be, but they could. A couple of those kids could be playing up because they would all be teenagers and young—in their 20s to 30s—and they may have an aged mother by then.

By the time a woman who starts parenting today at 30-plus has a 16-year-old—she is then 46 if she started at 30—her mother is then getting into the aged area. Often she is taking her to the doctor and helping her with her broken ankle or something too. We talk about the sandwich generation, how often women are caring for grandchildren. We commented in here about the number of children you see in major shopping centres in cities these days in school holidays with women who are far too old to be their mother, so it has to be grandma usually. School holidays you will see them. Go for a walk around the big shopping centres in school holidays and you will see women in their 50s with little children.

So they are caring for grandchildren, they are caring for their own children by doing the child care and helping them financially, they are running their own household for themselves and for their husbands, and they are looking after grandma or grandpa or auntie so-and-so as well. These women are often servicing four generations in their family.

Mrs Schofield—The thing is to give them opportunities. For those who feel ready to take the opportunities that is good, but I do not think you can lay down hard and fast rules and I do not think you can help them if they feel they are being coerced.

Mrs Smit—Don't coerce them. By all means make the opportunities available visible to them. Post them stuff about JET. I suppose you can invite them in for an interview, but do not coerce them in, that is our view.

CHAIR—Is there coercion by taking part in that interview?

Mrs Smit—It is certainly saying to them, ‘It’s time you thought about going back to work.’

CHAIR—And ‘Let us go through your circumstances and your skills’?

Mrs Smit—And please, as we have said in our submission, call dad in too, because dad is often not paying his child support as much as he should. I have quoted you some figures in there. They are a little bit old, but it is well known that many parents who pay their child support via ATO, the Child Support Agency, pay \$5 a week.

Ms VAMVAKINO—Five dollars is the minimum. It is now, hopefully, about to be increased to \$10 on a recommendation.

Mrs Smit—That will do a lot for the family budget, won’t it?

CHAIR—Did you make a submission to the child support inquiry?

Mrs Smit—No.

Ms VAMVAKINO—There are some recommendations that might address some of those problems of maintenance.

Mrs Smit—Yes, but meanwhile, why are those men on such low incomes? Either they are unemployed or underemployed or they are hiding their money.

Ms VAMVAKINO—They will be netted.

CHAIR—I think that is quite simplistic, Pauline. I do not want to get into that argument, because I think there are a lot of issues involved there.

Mrs Smit—There are. Separated families have complex issues, as do the sole parent mothers. The best thing this or any government can do to build a good social structure is to promote enduring marriages and if you want to call them relationships, do, but that is another word governments will not say any more. Women’s bureaucracies will not say the word ‘marriage’ and they will not say ‘mother’. Why won’t we say the word ‘marriage’? Why don’t we affirm marriage?

Mrs Schofield—They won’t say ‘husband and wife’, either.

CHAIR—Aren’t we encouraging sole parenting if we are making it easy for them to opt out of the work force? I am being provocative here. Give me an answer to that. You are saying, ‘The JET perhaps is putting pressure on them to get back into the work force; ease back.’

Mrs Smit—We are all in favour of JET. JET has done a good job for sole parent mothers. Most sole parent families are not formed by a single girl getting pregnant and having a baby, they are formed by a marriage or a partnership breaking up. That is well established in government statistics. We do not have to argue that one, so no, we are not encouraging sole

parent mothers by allowing them to stay out of the work force. If we can help people to maintain their marriages—most people who get up and take their marriage vows mean them and they are extremely frustrated and disappointed when their marriage breaks down—anything that governments can do to help them to create enduring, happy marriages is not only to the individual couple's good but it is to their children's good and it is good for all of us, I think.

CHAIR—You cannot be too much of an interventionist in marriages, though.

Mrs Smit—No, not too much.

CHAIR—You can provide counselling services. Relationships Australia provides all that. How far does a government go into someone's bedroom?

Mrs Smit—No, you do not, but you do help people. We have some creative little policies about this, too. Couples approaching marriage must give the government a month's notice. We have asked that that be made three months, which is not a long time, so that when they write to the government—usually the celebrant organises it—saying, 'This couple is getting married,' the government should write back and say: 'Congratulations. We're delighted you're getting married. Now, here are your tickets to go to you premarriage course.' If someone gives me theatre tickets, I usually go. I do not go to the pictures often but I will go if someone gives me tickets. If the government gives you tickets, and that would be a voucher of some kind—

CHAIR—I thought that already existed.

Ms VAMVAKINO—No.

Mrs Smit—They trialled it.

Mrs Schofield—There is a premarriage kit, which is excellent.

Mrs Smit—The premarriage kit is not being promoted. It is called Two Equals One. It is a video and a booklet. I went to a marriage recently conducted by a civil celebrant. I spoke to the lady after the ceremony and asked, 'Do you use Two Equals One?' and she said, 'What's that?' So I sent her a copy.

Ms VAMVAKINO—I wonder what my colleague Lindsay Tanner will be thinking when he reads this.

Mrs Smit—What would he be thinking?

Ms VAMVAKINO—I don't know, but he is going to be doing a lot of thinking on community relations.

Mrs Smit—Is he getting married?

CHAIR—He has been married three times.

Ms VAMVAKINO—He also has a portfolio called community relations, which is right across the board.

Mrs Smit—Better luck to him this time. Interestingly enough, people do not lose their faith in marriage.

Ms VAMVAKINO—He might think what we are going to be thinking about is a good idea.

Mrs Smit—I would like to know what he thinks of Two Equals One.

CHAIR—Can I draw the inquiry to an end? We are starting to get into everyone else's portfolios.

Mrs Smit—We wish you well. It is important.

CHAIR—Thank you for coming in. Thank you for your evidence today and for your submission. If we need to get back to you, we will do so.

Mrs Smit—And do not forget our central message: eyes off women who are mothering when you are trying to get people back to work.

CHAIR—Thank you very much.

Proceedings suspended from 11.37 a.m. to 11.49 a.m.

MOORE, Mr John Desmond, Director, Institute for Private Enterprise

CHAIR—Welcome, Mr Moore. 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. The committee prefers that all evidence be given in public but if at any stage you should wish to give evidence in private, please ask to do so and we will consider your request. You might have had a chance already to meet the member for Calwell and our Deputy Chair, Ms Maria Vamvakinou, here in Victoria. Cheryl Scarlet is the inquiry secretary and I am the government member for the seat of Deakin, which is where we are today. I invite you to make some preliminary comments about the issues you think are important to this inquiry and then we will move to a general discussion.

Mr Moore—Thank you for inviting me to your deliberations. I have a short opening statement. I just mention at the outset that I am getting a little deaf and I find that even hearing you across the table is a trifle difficult, so would you mind speaking up when you are asking any questions.

CHAIR—Sure.

Mr Moore—Thank you very much. You have a copy of this, I think.

Ms VAMVAKINO—Yes.

Mr Moore—I start from the position that the existing labour market and social security tax arrangements and policies have extensive adverse effects on employment. There is considerable misunderstanding of these adverse effects, both in aggregate and individually; that increasing paid employment is of growing importance in circumstances where Australia faces an increasingly ageing population and that there is considerable potential for improving employment through reform.

The reforms I have in mind would improve both efficiency and fairness. If this committee can correct some of the misunderstandings it will perform a valuable service. Because of the limited time, I will focus primarily on changes to workplace relations arrangements that would likely add to paid employment. I want to draw your attention in the first instance to data that is relevant to considering the grossly inadequate levels of Australian employment. Some of these figures you may find difficult to follow, but nevertheless I will go through them.

The first data point I would make is that the latest OECD annual employment outlook published last year shows that for Australia in 2002, 69.4 per cent of the working age population were employed. This was a higher rate of employment than for all OECD countries combined, but significantly lower than for countries with economic, welfare and political systems that are broadly similar to ours, such as the United States, the United Kingdom and New Zealand.

If Australia had had a similar proportion in employment as the UK, for example, our employment would have been around 400,000 higher in 2002. These higher proportions were not one-offs in that year, but have existed for some time. It might be noted that 2002 was a cyclical low for the United States. In most recent years it has had higher employment proportions than in the UK and New Zealand. It is also arguable that with our higher rates of literacy and numeracy than these countries, Australia should have a higher not a lower proportion of working age people in employment than they have.

The second data point relates to Australia's employment and the high proportion of part-timers. In 2002, 27 per cent of those in employment were part time, compared with 13 per cent in the US and 23 per cent in the UK and New Zealand. Only the Netherlands had a higher proportion of part-timers in 2002. This increasing proportion of part-timers is reflected in the reduction in average annual hours worked by Australians—that is, an effective reduction in employment. OECD data shows that our average hours in 2002 were about the same as in the US and New Zealand but about seven per cent higher than in the UK. Of course, some people prefer to work part time. ABS surveys suggest however that most part-timers want to work more.

This brings me to my third point relating to data, namely the extent of unemployment. Most Australians and their politicians are accustomed to focusing on the so-called official unemployment rate that is compiled on an internationally comparable basis. However, the ABS now also publishes two labour underutilisation rates which in September 2002 were 11.9 per cent and 13 per cent of the labour force. These rates were calculated by adding to the unemployment rate those who were working but would like to work more and those who were either actively looking for work or discouraged job seekers. In short, the effective level of unemployment was much higher than the official rate. However, even this ABS analysis does not provide the full picture of underutilisation of labour because it does not include all potential employees. Those who are not actively looking for work but who say they are available to start work within four weeks comprised another 742,000. Accordingly we can say that in September 2002, over two million were unemployed in one form or another.

Another way of looking at the unemployment situation in September 2002 is to say that there were then about two million people who would have liked more or at least some employment. That was about 13 per cent of the working age population as defined by the ABS. Note that of those two million, some 1½ million were not employed at all, but would like to be. That was about nine per cent of the working age population. It seems likely that while the rate of unemployment has declined slightly since September 2002, the numbers still seeking more or some paid work would be broadly similar today. Of course, no labour market could succeed in employing all those who say they would like to work, or work more, but what is clear is that there is enormous potential to increase those in paid work.

The fourth piece of data I want to mention concerns the growth in income support provided by governments. Between the end of the economic expansion in the 1980s and the end of the 1990s, the proportion of the working age population receiving income support of one kind or another increased from 15 per cent to 22 per cent, covering 3.2 million people. This extension by both political parties of eligibility to receive such support in combination with the maintenance of relatively high marginal income tax rates has undoubtedly operated and continues to operate as a disincentive to work. The ABS household expenditure survey for 1998-99, for example, showed that those in the bottom quintile of household incomes received per head an average of over

\$9,000 per annum in direct and certain selected indirect benefits. But the disincentive effect is not confined to the bottom of the household income scale. The survey also showed that those in the top two quintiles received over \$3,000 per head, or a total of over \$30 billion a year. The final point on relevant data relates to the comparative unimportance of wages as an income source for households on low incomes.

As implied by the figures I have just quoted, for households with incomes in the bottom quintile, nearly seven per cent of gross incomes come from government pensions and allowances, and wages and salaries contribute only about eight per cent. It is also relevant that as more than half of low wage earners are located in the top half of household incomes, it is not efficient to use wages as a means of providing welfare.

I also want to say something briefly about how participation in paid work might be increased. The current year is the centenary of the Australian Industrial Relations Commission and the compulsory conciliation and arbitration system established in 1904, the main rationale for which was to prevent strikes and lockouts. In fact, the arrangements that developed failed dismally on this score and, in practice, almost certainly encouraged disputation. It is true, of course, that since the 1970s Australia has experienced a continued decline in the rate of working days lost, but this cannot be attributed to the activities of the commission, as it has been part of a worldwide trend that has included increasing community acceptance of economies based on private enterprise, the increased role played by services, the widening spread of shareholders and a greater acceptance that employers and employees have a mutual interest in establishing a cooperative workplace and making enterprises profitable.

Associated with these developments has been the large reduction in union membership and an increase in the capacity of individual employees to negotiate on their own behalf. In modern economies that operate mainly on a basis where private enterprises compete with each other internally and internationally it is difficult to see the justification for special tribunals, such as the AIRC and associated state industrial tribunals, which intervene in and regulate employer-employee relations in detail. Australia is now almost certainly unique amongst developed countries in the extent to which such relations are regulated both legislatively and through tribunals and courts that have mistakenly assumed the need to ensure comparative wage justice that they have not delivered in practice.

Even international economic organisations such as the OECD and the IMF, which are normally hesitant about recommending specific policy changes, have increasingly proposed reduced regulation of employer and employee relations and the provision of greater freedom for employers and employees to negotiate the terms and conditions of employment. It is little short of astonishing that the Labor Party appears recently to have decided to adopt a Canute-like approach to employer-employee relations that can only inhibit employment. One can only wonder if the ALP has realised that those whose employment opportunities would be worst affected would be the lesser skilled, who already constitute the majority of the two million effective unemployed already referred to. In short, increased regulation would increase the unfairness of existing arrangements.

A major objection usually raised to the reduction or elimination of specific regulation of employer-employee relations is that it would result in an imbalance of bargaining power between employers and employees, with employees being seriously disadvantaged. This is fallacious. The

labour market operates in an environment where labour demand and supply are equated by competition for the labour services of over 10 million workers, between over a million businesses. There is no evidence that employers would be able to dictate conditions to their own benefit and contrary to the reasoning in the current submission by the ACTU on the safety net wage case, the moderation in regulation in recent years has not resulted in any upward trend in the profit share, if it is properly calculated.

A major reason why international economic organisations and other analysts are increasingly recommending much reduced regulation of employer-employee relations is that their analysis indicates that the resultant reduction in costs and risks to employers would increase their capacity and preparedness to employ additional staff. For my part I have, for some time, argued that it would be both more efficient and fairer if the federal legislation governing workplace relations was replaced by legislation that specifically allows individual contracts between employers and employees and that converts the AIRC into a voluntary mediation service, similar to ACAS in the UK. Any disputes between employers and employees that require judicial decisions should be left to the normal courts of law. Over time, such a course would, I suggest, significantly increase paid employment. Thank you very much for listening to me.

CHAIR—Thank you very much, Mr Moore. Certainly there is good background there in terms of how you see the issues and you have also come to us with some recommendations. Can I start by just picking up on those last few points you made, because it is certainly a theme that was presented earlier on today as well.

Mr Moore—I see.

CHAIR—That theme is the power balance between employer and employee which you claim is a fallacious argument. You present your reasons for that and one of them is the labour demand and supply. That is all well and good in looking at it on a national basis, but there are regional considerations that take place and there are also industry considerations. It is not an equal competition that takes place for the 10 million workers and the one million businesses. There are also varying degrees of skill level of the employees; some are highly skilled, some less skilled; a lot of them are highly educated, others less educated. Is there not an argument to say that those who are better educated and who perhaps live in cities and have a lot of information and good access perhaps to advocates—whether it be formal or informal advocates—could bargain in their own right? However, there are other locations where that just would not be the case, where the demographics would not allow it and where the employer is very much in the power seat.

Mr Moore—I think there is something in what you say. As I implied in my statement there has been an increase in the capacity of people to negotiate on their own behalf as a result of various changes in the economy and education. But there will still be some people who find it difficult to undertake negotiation and there is a role for advisory services to provide advice. The organisation I mentioned and which I visited in London, ACAS, has been extremely successful in providing that advice both to employers and employees. That is a voluntary organisation; there is no compulsion at all. It has a very considerable number of clients and it works extremely satisfactorily. That is the first point I make.

The second point I make is that the Industrial Relations Commission and the state industrial relations commissions and, to some extent, the Federal Court, have taken the view over the

years—and still take the view particularly in relation to the minimum wage—that they have a job in protecting the people for the sorts of reasons that you mentioned. In fact, what has happened is that they have pushed a lot of people out of the work force because they have raised the wages, particularly the minimum wage, at the bottom end to a ridiculously high level. Australia has one of the highest minimum wages, relative to the average, of any country in the world.

There is no doubt, although there has been some questioning at the margin, that if we had a lower minimum wage we would have many more people employed at the bottom end. So my argument is that the sort of case you are putting has resulted in unfairness and inefficiency which is particularly true in places like Tasmania. The reason Tasmania has such high rates of unemployment—and to an extent, the same applies to South Australia—is because we have uniformity in wages. If they were able to offer lower wages, we would have more employment in Tasmania.

You can argue that the minimum wage is not very high but, on the other hand, look at the difference between the minimum wage, which is about \$22,000 a year and it keeps on going up, compared with the unemployment benefit, which is about \$10,000 a year. There is an enormous gap and there is an enormous potential for striking wages—and wages are not the only thing; there are other conditions—in between the unemployment benefit and the minimum wage and allowing that to happen. But we have set up a system that stops that happening and which is keeping people at the bottom—and that is why I say this is a very unfair system—out of work.

CHAIR—Let us take that example of Tasmania—or maybe the Latrobe Valley or a number of areas which are very depressed. If we removed the minimum wage requirements and it was a full open market and I am setting up a business I can really call the shots, because my supply is very high, particularly if it is a low skilled job.

Mr Moore—In the area?

CHAIR—Yes.

Mr Moore—And in a state like Tasmania you still have a large number of employers. They are competing with each other. Sure, you can find a country town or a relatively isolated country town where you may have a monopoly by the employer, but people do not have to stay in that country town if they do not want to. They can move. If the employer is not offering competitive conditions they will move.

Ms VAMVAKINO—Do you think that reduction of the minimum wage would be of greater use to small business in employing people than the abolition of unfair dismissal laws?

Mr Moore—I do not know how to distribute the weight of that, but I would do away with—

Ms VAMVAKINO—One of the arguments put forward is that small businesses will not employ people because they fear the processes of unfair dismissal laws. If they are abolished, then 77,000 new jobs will be created. That is a figure which has been put around. You have referred to both abolition and reduction, but which one has more currency? If I am a small

business operator, would I be more inclined, if I had to choose, to choose reduction of the minimum wage or would I be more inclined to say, 'Get rid of unfair dismissal'?

Mr Moore—I do not see why it should be a choice, but I agree with you about unfair dismissal. That is a significant inhibition on employment by particularly small business. You only have to talk to small business men and solicitors who operate in suburbs and they will tell you it is an inhibitor. The defenders of it say, 'Look, unfair dismissal cases in the AIRC and the courts have not gone up.' The reason they have not gone up is that employers know they would lose nine times out of 10 if they took it to the courts. I was speaking to a solicitor last weekend and he said \$5,000 is the going rate—you just pay \$5,000 and you do not have to go to court. It is a significant inhibitor, but I would say that the minimum wage is an even more important inhibitor.

I do not think that small businesses are particularly cognisant of the debate about the minimum wage, whereas they are about the debate about unfair dismissals. If we had a freeing up of the minimum wage and even if it stayed where it is now, over time it would be reduced. Even if you froze it—and that is one of the proposals being put forward by the so-called five economists—then over time it would be reduced in real terms.

Ms VAMVAKINO—The reason I ask it as in 'one or the other' is that, in the debate about unfair dismissal in small business, unfair dismissal laws are always the inhibitor and very rarely is it the issue of the minimum wage. You have just said that small businesses are not necessarily aware or cognisant of the reduction. Why aren't they? To me, it seems more obvious and more realistic that you will get more jobs if the minimum wage—presuming you agreed with all this—was reduced as opposed to this idea of getting rid of unfair dismissal laws, because they are not exactly the bane of everyone's life.

Mr Moore—The answer to that I think is that, firstly, the debate about the minimum wage has been largely conducted between academics and other people, such as me, who have been involved in the labour market debate. There has been no significant circulation of proposals to employers that I am aware of. Maybe the ACCI has done it for reducing the minimum wage. In fact, for political reasons, most of the employer associations actually support an increase in the minimum wage and the federal government does in Canberra—which it should not be doing, in my view. It is not something that is in the—

Ms VAMVAKINO—It is not just the ALP that supports the minimum wage but also the government.

Mr Moore—Both do, yes. It is politically bipartisan. It is only an argument about the extent of it.

CHAIR—The concern I have with all the arguments on deregulation is that it only tackles one side of the question that we are confronted with, which is the incentive to business to employ. You have presented some statistics on underemployment and people who would like to get employment in four weeks time. Would deregulation actually severely alter the potential supply side, not the demand side?

Mr Moore—I also presented statistics of what happens in overseas countries where there is less regulation, and what that shows very clearly is that they have higher proportions employed.

CHAIR—But that is a like there you are making. Are there other factors that are causing that?

Mr Moore—Of course. I would not disagree with that. But that is prima facie evidence to start with. The second point is that it is a matter of commonsense. If employers face fewer costs and fewer risks in employment, they will offer jobs because it is profitable to do so. There are two things: the experience of overseas, including the recommendations of international organisations and so on, and commonsense. If you reduce the price of something—I am not simply talking about wages now; I am talking about other terms and conditions that add to costs—including things such as unfair dismissals et cetera, all the economic analysis suggests that, if you reduce minimum wages, there will be a significant increase in employment. I retract that. Most of it does; not all of it.

Ms VAMVAKINO—Just on that, often we resort to overseas experiences and studies and relate them to the Australian reality. Do we not have an issue with population? We have a much smaller population, so how realistic is the idea that deregulating the marketplace and reducing or abolishing the minimum wage would suddenly create a situation where the underutilised labour will be able to go forward and prosper?

Mr Moore—I think very realistic. We are not all that small a country and New Zealand is doing better than us, partly as a result of the deregulation that occurred under the previous government. Although the present Labor government in New Zealand has, to some extent, tightened the regulation, a lot of that deregulation which occurred in New Zealand has stayed. The other point about the comparisons with New Zealand in particular, but also with the UK and the US, is that we have much higher literacy and numeracy—not ‘much’ higher, but higher literacy and numeracy on average in Australia and better education. We ought to have a higher proportion of people employed than those countries. Literacy is an important test of employment and it is much more difficult for poor Maoris, poor blacks in the United States and poor immigrants in the UK to get jobs.

Ms VAMVAKINO—Perhaps because we do have a higher level of literacy we also have higher expectations and a different definition of what we consider to be acceptable wage conditions. By virtue of being a more educated society we are more empowered and therefore, as employees, we are likely to be more demanding. You talk about Maoris and blacks and so on—

CHAIR—That, in a sense, supports his argument of duplication.

Ms VAMVAKINO—Not necessarily. Maybe in one way you can.

Mr Moore—I think that is true. I think we do have higher expectations because of that, but we also have a lot of people in Australia who are at the bottom end of literacy levels. There are arguments about the extent of illiteracy, but some people say it is as high as 20 per cent in Australia. I doubt it is that, but it may well be 10 per cent. Let us suppose it is 10 per cent. You have 10 per cent of the people in this bottom group of people who are finding it extremely difficult to get jobs.

Ms VAMVAKINO—That is the group I have a problem with in relation to this principle, the imbalance of bargaining power, not the other group—the lower skilled, lower end group, the idea that it is a perfect workplace and the employer and employee will all protect their own interests because the market dictates it. I think employees are less empowered in that situation. Employers do have a greater choice, so they can pick and choose. People are in greater need and therefore will cop whatever they get, whatever crumb they get because they do not have another choice. I think exploitation is more likely to take place at that end—

Mr Moore—Hang on a second: how are they greater empowered when they are unemployed?

Ms VAMVAKINO—No, I am talking about them being less empowered because they do not have any choice.

Mr Moore—But how are they less—

Ms VAMVAKINO—Sorry, yes.

Mr Moore—If they are not employed they have no power. My point is that maybe they have to be employed at a lower wage or under more flexible conditions, but at least they are employed and I am sure you have talked about, in this committee, the importance of getting a job in society and that sort of thing. I do not want to elaborate on that. I think the opposite of what you are putting is the case.

CHAIR—Can I change the focus to the unemployed person for a moment, or from their perspective rather than from the business perspective. What do you recommend we should be doing at their end in order to increase participation levels, rather than at the business end? At the moment, as I said before, your argument is about increasing the availability of jobs, but what about attracting people to go for the jobs to begin with? Is our tax system a disincentive? Is our welfare system a disincentive to participation?

Mr Moore—Yes, I have touched on this.

CHAIR—Yes, you have.

Mr Moore—But I have not gone into it in detail. I have not explored it in detail for the purposes of this meeting, but there is no doubt in my mind that the easing of eligibility for getting various social benefits has added to the disincentive to these people to become employed. The obvious example is the disability pension which has increased the number of disability pensioners. I would argue that a proportion of the disability pensioners really should be on unemployment benefit, or the unemployment allowance.

CHAIR—Why do you come to that conclusion?

Mr Moore—Because, in an unjustified way, they have increased the eligibility and raised the disability pension above the unemployment allowances, so there is an incentive for people to go to a disability pension rather than unemployment allowance and they get an okay from the doctor or whatever test they have to get through.

CHAIR—I understand the terms of the relationship between the pension and the unemployment benefit. We have had a number of witnesses say to us that we should be tackling unemployed disability—

Mr Moore—Through training and that sort of thing.

CHAIR—To get back into the work force, not shifting them to another category, but getting them back into the work force.

Mr Moore—Of course. We should be helping these people as far as training is concerned but there is no point in doing all that unless you have a labour market that is going to take these people on. A lot of these people, as I said, are the lower skilled category and they are not going to be employed in circumstances where, first, the wages the employer has to pay are too high and, second, the conditions that are imposed on employers, such as unfair dismissal, are too stringent or add too much to the employers' costs. So we can train all these people at the bottom end for all we like and I am not opposed to that, but you have to accompany it by making a more flexible labour market.

Ms VAMVAKINO—How does that accommodate those people, though—and we have had a number of them from the MS Society, from Hearing Loss Society—who have skills but, because they have a particular disability, employers will not employ them no matter what the wage levels are? How do we accommodate the return and retention of people with special disabilities in the workplace? I do not think that lowering the wage is the answer, because a lot of people just will not employ them, full stop. It does not matter how much they give them.

Mr Moore—I do not know the answer to that.

Ms VAMVAKINO—That is a significant problem which is emerging.

Mr Moore—It may be a significant problem but in terms of the overall level of paid employment it is not.

Ms VAMVAKINO—It is in terms of the fact that we may have a shortage in the next 15 years.

Mr Moore—In terms of the individuals concerned, of course it is.

Ms VAMVAKINO—Yes, but we are projected to have a shortage of 500,000 jobs by 2020 and we need to find the work force to fill these jobs. We have sections of the work force that are willing, ready and able to work and are not being given a go because they have a disability, or now it emerges because they have an age problem, from the age of 40 onwards. There are some problems there, are there not? How do you address those? How does a deregulated workplace address those?

Mr Moore—I think, as far as ageing is concerned, the deregulated workplace would help considerably, because it would enable older people to take up employment at lower wages. I just go back a step to a remark you made earlier. I am not suggesting that if we had deregulation there would be a sudden magic wand and another two million would be employed. You have to

change the culture. That would take time. Australia has been brought up in a culture of regulation over a century. It would take quite a bit of time—who knows how long—to educate both employers and employees and unions and so on, to adapt to a new system. We have started on that, but it has been a very modest deregulation.

CHAIR—Can you comment about wage subsidies and tax credits and their role in driving up participation?

Mr Moore—I am not an expert on that, but I have spoken to people in the United States about the tax credits scheme. That does seem to have increased participation at the bottom end. It is an option that might be seriously considered, but in my view the preference, the strong preference is to do away with the regulatory system. That is the most inhibiting thing. If we introduce a tax credit scheme, as has been advocated by some economists, to increase participation, the danger is that that will be seen as the solution to the problem, which it will not be, because we will continue to have the highly regulated commission and courts and legislation.

I think that also, to come back to what I said earlier, the tax credit scheme operates in the UK and seems to operate quite well partly because it is dealing with people with low literacy and numeracy levels. It is dealing with people right at the bottom and we do not have that problem to the same extent in Australia as the Americans and the British do. That is all I want to say about it.

CHAIR—You referred to an organisation in the United Kingdom called ACAS.

Mr Moore—Yes.

CHAIR—Can you give us more information about that? Do you have something you can send to us about the role of ACAS? What do you know about the Low Pay Commission in the UK? Does it have a role? Perhaps we should be introducing that in Australia as a way of determining minimum wages.

Mr Moore—To take up your last point first, I have a limited knowledge of the Low Pay Commission. That has only been going a couple of years because the Blair government decided to introduce a minimum wage. My understanding, from talking to people in the UK, including from the British Treasury, is that the initial setting of the minimum wage on the basis of the Low Pay Commission's recommendations has been at what was the market wage or very close to the market wage before the minimum wage was decided on. That has meant that it has had very few apparent adverse affects. As I said, I visited ACAS in London twice and there is a lot of information available on ACAS. It is an extremely successful organisation and it has been promoted by the Blair government.

CHAIR—Is it a consultancy organisation?

Mr Moore—It is a government organisation. I think they spend about £30 million a year, which is their budget. It is an advisory organisation for both employers and employees. It produces a lot of documents. If you are worried about your employer you can go in and get a document to tell you how to handle it. Similarly, if the employer is worried about a dispute within his organisation, he can go in. It is completely bipartisan. It is totally regarded as not

being one-sided, unlike the way the Industrial Relations Commission has become regarded in Australia.

CHAIR—Would the Office of the Employment Advocate be able to do the same sort of job?

Mr Moore—It could do, if it was converted, yes. That is not its role now, as I understand it.

CHAIR—No, I understand that.

Mr Moore—We still need an advisory service. Even if you accept my argument that we do away with the compulsory arbitration and compulsory setting, we would still need an advisory service, particularly for people at the bottom end. I would convert the Industrial Relations Commission into an advisory service along similar lines to ACAS. I can certainly send you something.

CHAIR—Yes, that would be useful, thank you. Des, thank you very much for coming in. We appreciate your substantial submission—there is a lot there to go on with—and your opening comments. The paper you presented is a great background paper. We appreciate your time and we may get back to you.

Mr Moore—Sure. All the best.

CHAIR—Thank you.

[12.38 p.m.]

ALDRED, Mr Ken, President, Society for Australian Industry and Employment

RODECK, Mr Ernest, AM, Honorary Chairman, Society for Australian Industry and Employment

CHAIR—I would like to welcome Mr Ken Aldred and Mr Ernest Rodeck from the Society for Australian Industry and Employment. Thank you, gentlemen, for coming in today and meeting with us. 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. The committee prefers that all evidence be given in public, but if at any stage you should wish to give evidence in private please ask to do so and we will consider your request. I invite you to make some preliminary comments about the issues that you believe are pertinent to this inquiry and then we will move to questions in general discussion.

Mr Aldred—Thank you, Mr Chairman, for your welcome. We do wish to make an opening statement, and there will be no need for us to deal with anything in camera. Everything we wish to say is completely on the record. To increase participation in paid work, you must have jobs. By ‘jobs’ we mean real jobs, not make work schemes that simply take people out of the unemployment statistics for a few months. The reality is that the real jobs in industry have not been there. Over the last 20 years, total unemployment has ranged between six per cent and 10 per cent. Probably another six per cent—or even more, though this is difficult to estimate—are employed in some limited part-time or casual capacity but below their full potential as work force participants. Youth unemployment has been even more disturbing, rising to 30.8 per cent in the recession we had to have, and sitting at 22.1 per cent in 2002-03.

Mr Chairman, much of this is attributable to the contraction of Australia’s manufacturing base. In 1981-82, 19.4 per cent or 1.25 million people out of a work force of 6.4 million were employed in manufacturing. By 2002-03, only 12 per cent or 1.1 million people out of 9.4 million workers were so employed. Over the last two to three decades Australian industry, including manufacturing, has become more efficient. Plant and equipment have been upgraded, though the challenge to have state-of-the-art technology is always there. Office work has been highly mechanised through computers and software developments. There has been a distinct trend towards larger and more efficient business and production units.

Despite all of these initiatives, manufacturers in low-wage countries such as China and India have successfully undercut the costs of many locally made goods. Tens of thousands of jobs have gone offshore. The Melbourne *Herald Sun* reported only last Tuesday that a recent survey by the Australian Industry Group found that one in five Australian manufacturers were presently considering moving even more jobs offshore. The blunt statistic underlying this joblessness is the chasm in wages. For instance, a day’s wage of an Australian production worker of around \$100 per day buys a month’s work of his or her Chinese counterpart.

To redress this situation urgent policy measures are required. They are urgent because our shrinking industry base and job losses have contributed significantly to our current account deficit problem. In 2002-03, the current account deficit was \$42.5 billion or 5.6 per cent of GDP. Such measures must include a major strengthening of our antidumping regime, which is remarkably weak, especially when compared with that of our trading partners such as the United States.

The society has suggested an imports revenue duty to curb imports and also replace payroll tax. We have also suggested testing the credentials of imports to ensure that they are not produced by child labour or in subhuman working conditions. With some industries and products, even quotas may be necessary to turn the situation around. All such measures are within World Trade Organisation rules, especially where a nation is endeavouring to redress an ongoing current account deficit problem.

They are certainly measures our trading partners have no hesitation in applying to protect their own national self-interest. Increased work participation in paid work is good. However, Mr Chairman and members, you had better keep the jobs to provide it. Thank you.

CHAIR—Mr Rodeck, do you have any opening comments?

Mr Rodeck—No, I have no comments.

CHAIR—Ken, how does the import revenue duty relate to general tariffs that may already be applicable? Does it run in conjunction with it, or not?

Mr Aldred—I will deal with part of it. First of all, it is separate from the general tariff regime at the moment which is, for all practical purposes, very low anyway. The general tariff in Australian industry now in terms of imports is round about three per cent. We in fact suggested in our publication a couple of years ago—*Rekindling the Flame: A Blueprint for Australia*—an import duty of 10 per cent, and suggested that the revenue from that could go to the abolition of payroll tax. Under the WTO rules currently applying, if you have a current account deficit problem you can in fact apply an import duty, I think, of up to 12 per cent, without any difficulty with the WTO. We would see that as being separate from the current tariff regime, but bearing in mind, with the current tariffs across the board, you are talking about a general tariff of less than three per cent anyway.

Mr Rodeck—The problem we have is the current account deficit. It is not visible to the average person, but what is happening is, if you drew up a balance sheet of Australia as a business, you would find that every year we own a little less. That means that eventually we will have more and more debt and fewer and fewer assets in comparison. Of course, that is just untenable. What do we do about it? In the past, countries have overcome this by introducing controls on imports. That is no longer fashionable, but eventually we will have to find some way of balancing trade, because trade does not work unless it goes both ways. Ultimately, trade is a swap, and trade must not be compared with capital. Like any business, you must have trade and you must have capital, and capital is something you do not sell; you hang onto it.

CHAIR—With regard to the current account deficit, you say there are provisions in a current regime to get dispensation if you have a current account problem.

Mr Rodeck—Yes.

CHAIR—What is the level that the WTO determines to be a current account problem?

Mr Aldred—On the matter of import duty, they will allow you to go up to 12 per cent under the current rules.

CHAIR—That is as a duty. What is the definition of a current account problem in the WTO's mind?

Mr Rodeck—I think it is a continuous current account deficit. A current account deficit over one or two years—

CHAIR—So it is not a level; it is a trend line.

Mr Rodeck—There is a definite level. That is not to say you reach it. But it is obviously a continuous current account deficit that is making a country poorer. In Australia it is not meant to make our country poorer. Trade is meant to make a country richer.

CHAIR—Yes, I understand.

Mr Aldred—Mr Chairman, it is quite disturbing because, essentially, if you look at it as a business entity, Australia has been trading at a loss, with the country being in the red, for something like—if you go back to 1981-82—a quarter of a century. In 1981-82, the current account deficit was 5.4 per cent of GDP. In 1994-95 it went up to six per cent; it dropped back a bit in 2001-02 to 3.1 per cent of GDP; it is now up to 5.6 per cent. We really do have an ongoing problem. As Mr Rodeck has correctly said, if you keep trading at a loss, accumulatively over time your debt keeps mounting.

At the end of 2002-03 Australia ended up with a net foreign debt—I am not talking gross foreign debt—of \$359 billion. At the time of the 2002-03 figures, that was 47.8 per cent of GDP. I have seen somewhere that once your level of net foreign debt passes 50 per cent of your GDP, that is one of the triggers that the WTO then become extremely concerned about. We are getting perilously close to that figure. From the eighties through the nineties to the present day we have been trading at a loss, and that is because, particularly the domestic situation and also to a degree in the external export situation, we do not have a trade balance in our favour. We are trading in the red.

Ms VAMVAKINO—I want to raise the issue of the minimum wage, because it has featured in a number of submissions today. A case has been put very strongly—whether I agree personally or not with it—that a reduction of the minimum wage and deregulation of the workplace will allow for greater job creation and make use of this underemployed resource that seems to be emerging. How do you determine a minimum wage level that does not deter job creation, allows Australian companies to compete internationally, and is applicable to Australia's industrial and political system? By that I mean not completely undermining the work force, to the point where they have to put up with ridiculously low, pittance wages.

Mr Aldred—Ernest has done a lot of work in this area.

Ms VAMVAKINO—Good.

Mr Rodeck—The answer to that is undoubtedly: Yes, the cheaper the wages, the more competitive you are as a country. However, the chasm between our wages and the countries with which we are primarily competing is such that anything reasonable is not acceptable; in other words, if by saying ‘a reduction in wages’ you mean, ‘Let us reduce wages by 90 per cent,’ then I would say, ‘Yes, that would be an answer.’ But if you say ‘by nine per cent’, that is not an answer. If you take, for example, an Australian wage per day of \$100, the going wage in China—and I have regular contact with people in that country—for a youngster of about 16 to 18 years, perfectly capable of doing any production job, that would be approximately equivalent to \$4 or \$5 per day. If you reduced it from \$100 to \$90, it would have absolutely no impact. Maybe it would make a difference of half of one per cent or something like that, but it would not be valuable. Obviously, trade tends to level standards of living. If we have free trade with China and China’s trade is \$5 or \$4 per day and our trade is \$100 per day, you can work out what is going to happen—the average of the two.

Ms VAMVAKINO—Is it feasible for a reduction of the minimum wage in Australia then, as it affects the standard of living?

Mr Rodeck—Sure. It must.

Ms VAMVAKINO—Is it feasible? Are we discussing something that is feasible? You say 90 per cent would be good for business.

Mr Rodeck—I think it is a stillborn idea. The problem is not that our wages are too high; the problem is that we are, in a very short period from a trading point of view—over 10, 20 or 30 years, trying to overcome the difference that we have built up over the last 200 to 300 years. That difference is a ratio of perhaps 20 to one.

Ms VAMVAKINO—So it isn’t feasible?

Mr Rodeck—It is not a practical solution. Eventually, if we continue what we are doing, we will average the wages, for example, between Australia and Japan, with Australia having a population of 20 million and Japan having a population of 1.3 billion, and you can work out what the average is going to be.

CHAIR—I would like to turn to another part of your letter to us which was making a comparison with the United States. You said:

... they continue to subsidise local produce and production. They throttle imports by using very effective “anti-dumping” provisions.

Isn’t that exactly what the free trade agreement at the moment is trying to overcome—the barriers that the United States has had in the past? What is your assessment of the effect that the FTA will have on employment or unemployment in this country?

Mr Aldred—That is a very interesting question, because you have covered a whole range of things there, and I think Ernest will probably want to comment on it as well. Regarding the

matter of the antidumping regime, that in a sense is part of the protective barriers that exist in the United States in relation to imports, which is separate from the FTA. That is something they apply across the board to all imports from all countries. We, of course, have our own antidumping regime.

There are a lot of differences between the two regimes. The essential difference is that, in the United States system, it is the importer who has the onus placed on them to prove that they are not dumping. It is almost guilty until proven innocent; some people say it is rather severe. That is the way it is slanted in the United States.

CHAIR—It is the reverse in Australia.

Mr Aldred—It is the complete reverse here. It is the person who has been dumped against who has to prove that they are being dumped against. The procedures for handling it now are not very efficient. The onus is very much one way, and it is very hard to have matters remedied. In earlier years, the situation of dumping was a matter that could be dealt with very quickly under a reference from the minister to the then Industries Commission, now the Productivity Commission. The reference would have a 30-day or 45-day cap and would have to be investigated very quickly. Now, unfortunately, it can be a very long and drawn-out process and in that time a lot of damage can be done. That is the question of the antidumping regime, which is separate to the FTA.

With respect to the FTA itself, there seem to be a lot of benefits for dairy products, horticultural products, seafood—those sorts of things—and, generally, there seems to be free access both ways across the Pacific with manufactured goods. But there are potentially a lot of problems. We all know sugar has been frozen out and we know that the situation with beef is equivocal, to say the least. It is very hard to know what the situation with beef really means over the longer term. The great unknown, of course, is the service industries: what does it mean in respect of all the services? We certainly have not yet seen the fine detail with respect to banks, insurance and what have you, although you may have. It may mean, depending on what is in the fine detail, that we do face, over a longer period of time, the acquisition of a number of major Australian assets by American companies. I think Ernest will want to comment on this in some detail.

The FTA will remove some problems, and it does give access to certain of our products—certain agricultural products and manufactured goods generally—to the United States markets but it also works the other way. The big question mark, the big intangible, is what is the effect going to be on services, intellectual property and things like that? We do not know. I know Ernest has given a lot of thought to what the effect might be in terms of acquisition and service industries.

Mr Rodeck—I have not given it a lot of thought.

Mr Aldred—You have given it some thought.

Mr Rodeck—It is obvious that if you can borrow money at a low interest rate, then you can afford to pay a higher price for assets in a takeover. In other words, if you can borrow money at one per cent per annum or 1½ per cent per annum you can afford to pay a much higher price

because the cost of your money is so much cheaper. In Australia money is borrowed now at five per cent or 5¼ per cent per annum, with a risk premium on top of that. Australian assets, such as the National Bank of Australia, have a share price of around \$30 and show a return to owners of about four per cent.

That is apart from the fact that, from a business point of view, in a takeover—and I am speaking from personal experience—if you are on a board, you can work out that you can maintain your dividend rate by paying a fairly high price for an acquisition because you know you can borrow the money for the takeover at a lower interest rate than other people. This will apply very much to the United States businesses that are already operating in Australia—for instance, a bank. Citibank has been here for a long time, the biggest bank in the world—and I would predict that, unless there is some provision in this agreement which we do not know about, Australian companies will very willingly be taken over because the price offered will be such that it will be difficult for industry to argue against it.

CHAIR—I do not want to be misrepresenting you, so I would like to check something with you. I sense from what you have been saying in your submission—if I can capture it in a few words—that you are very much in favour of deregulation of the industrial system, which will drive the wages further down—the minimum wage—making it far more affordable, but you also want protection for Australian industry against imports.

Mr Rodeck—I do not know about the first part.

Mr Aldred—I do not know that I would agree with that, but you handle the minimum wage part, Ernest.

Mr Rodeck—I would have thought that the objective of international trade is to improve the standard of living. Therefore, a reduction in local wages, in my opinion, is a counterproductive move. Protection, unfortunately, although it has been a dirty word, is becoming more used these days. Protection of the Australian standard of living can be obtained without reducing wages.

CHAIR—Thank you.

Ms VAMVAKINO—That is what I thought you meant initially as well. I am glad you have clarified that. On the issue of increasing employment, your submission suggests there are opportunities through innovation, specialised niche products, consultancies and the export of more education. Could you elaborate on these options. To what extent do you think they will provide additional employment opportunities in Australia?

Mr Aldred—There are a lot of niche opportunities for Australia in the export area which are not being fully taken advantage of at the moment. I will give you one example. About 18 months ago, we had the new European Union Ambassador to Australia Piergiorgio Mazzocchi address our society. We have major speakers on a range of topics from time to time. He spoke on a number of things in terms of the EU-Australia relationship. One point that he made very strongly was that there was a substantial opportunity existing with the export of—I use this as an example of a niche market; it is a perfect example—fresh food produce to Europe during the European winter. He said, ‘Europeans and the Brits are so sick of the rubbish that comes out of the freezers and the cool stores and is put on their supermarket shelves during the European winter. All you

have to do is organise yourselves to get it there.’ He said, ‘You wouldn’t even have to worry much about marketing, and it really is essentially a question of you people getting organised back here.’

There is the question of fast transport of fresh food produce to Europe, and also substantial opportunities in Asia, and the way we are developing our internal rail system is helping that. Hopefully, one day we can get a situation where we can move produce from the southern part and eastern part of the continent very quickly to the north to get it into Asia. There is a major opportunity there.

Different markets for Australia have different trade balances at the moment. The situation with the United States is that we are in substantial deficit, and the real test of the FTA over the longer period will be whether or not that trade deficit with the United States is pulled back somewhat. We have a trade deficit with the EU, we have a trade surplus with much of Asia and Japan, but there are opportunities which we are not taking up. Mazzocchi in his address—and I am using this almost as a case study of a niche market—said that unfortunately, when the UK went into the old European Economic Community, Australia and New Zealand reacted quite differently in terms of negotiations and also psychologically. The New Zealanders worked the Brits to secure a preference deal into Europe and that worked quite well. That is why you find today, if you go into any western European supermarket, New Zealand dairy produce and other New Zealand agricultural produce all over the supermarket shelves. Some European supermarkets will often have a whole showcase devoted to New Zealand produce.

Australia reacted quite differently. Australia said, ‘Oh, they’ve gone. That’s it,’ and as Mazzocchi said, ‘You turned your back on Europe.’ He said the potential is there for developing these sorts of niche markets—in particular fresh food which the Europeans desperately want—and, ‘You people just have to get organised to do it.’ I use that as a classic case study of a niche market which, at this stage, has not been exploited. That is one area, I must say, where the New Zealanders generally have been a lot smarter than us. They run a smaller trade service than we do, but they seem to be fleet of foot, nimbler and quicker, more lateral thinking. They seem to be able to get into places where we do not. We seem to be too cumbersome and slow, whereas the New Zealanders hop in and do it, while we are still fooling around doing feasibility studies and that sort of thing.

Mr Rodeck—This comment is based on my engineering background. I find it inequitable that Australian universities—which are heavily subsidised by government—and their staff are able to sell inventions overseas for cash, with development money that has been supplied by the Australian government. Australians are very inventive. We could get a much bigger return if that were handled or backed by the government. I am suggesting some legislation that will keep patents backed by Australian money in the face of offers from overseas.

CHAIR—I would have thought that Australia is currently moving down the path on everything that you are saying. One of the things about overseas nations having greater open access into Australia is that it has forced quite a lot of rationalisation to take place, as you mentioned in your opening comments about manufacturing. There has been specialisation and niche product manufacturing and exporting taking place. You mentioned education: it is happening. Business financial consultancy: it is happening. We can recall Jeff Kennett’s comments about being ‘the food bowl to Asia’. The process has started, but it has been very

much regionally focused, rather than the European focus that you have mentioned. The path has commenced, surely.

Mr Aldred—Yes, there are certainly some good signs. We are saying that there are some opportunities that are not being taken up. If we go back to our earlier comments: something has to be done about the trade balance situation, because that is potentially in the longer term quite serious in terms of both debt and jobs.

CHAIR—Thank you very much for coming in and for your submission. If we need to get back to you before the end of this inquiry, we certainly will.

Resolved (on motion of **Ms Vamvakinou**):

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

Committee adjourned at 1.09 p.m.