

Hast thou forgot me then, and do I seem  
New in thine eye so foul, once deemed fair?  
(John Milton, *Paradise Lost II*, 1665?)

## Causes of mature-age unemployment

### Introduction

- 3.1 The Australian economy has undergone major change since the Second World War. The immediate post-war reconstruction boom heralded a long period of sustained economic growth. Unemployment remained at very low levels until the 1970s. Large numbers of immigrants found employment in projects such as the Snowy Mountains Scheme and in manufacturing industries that remained sheltered behind tariff barriers. Primary produce, mainly unprocessed, continued to dominate our exports, although manufactured goods' share of exports rose rapidly through the 1960s and 1970s.
- 3.2 Since the 1970s the relative decline of manufacturing, and of agriculture, forestry, and fishing, in comparison with the services sector, has been quite pronounced.<sup>1</sup> Manufacturing, which used to produce 19 per cent of Australia's GDP in 1975, accounted for only 12.5 per cent in 1999. During the same period, the share of GDP provided by agriculture, forestry and fishing shifted from 3.8 to 3.2 per cent. The mining industry's contribution to GDP grew from 3.2 to 4 per cent, which kept the primary sector's share,

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1 It must be noted that this is a relative decline, rather than an absolute one. It reflects the fact that output from the services sector has grown more rapidly than output from the other sectors.

as a whole, relatively steady. A whole range of service industries, however, has grown in terms of share of GDP since the mid-1970s. The fastest growing were communications services, finance and insurance, and property and business services. The share of the property and business services sector, for example, grew from 7.1 per cent to 10.1 per cent.<sup>2</sup>

- 3.3 The changes in share of GDP have been reflected in terms of employment contribution. In 1985, manufacturing provided 16.5 per cent of employment. This had shrunk to 12.1 per cent by 1999. This was not just a relative decline in terms of employment. Employment in manufacturing declined in absolute terms at an average annual rate of 0.3 per cent between 1985 and 1999. Employment in mining declined at an even faster annual average rate (2.3%). Employment in agriculture, forestry and fishing grew at only 0.3 per cent per year, reducing its share of total employment from 6.3 per cent to 5 per cent.<sup>3</sup>
- 3.4 In the same period, the share of employment provided by the retail industry rose from 13.7 per cent to 15.3 per cent, and employment in the property and business services industry increased from 6.6 per cent to over 11 per cent. Among the other service sector industries which have contributed to employment growth are 'education, accommodation, cafes and restaurants, cultural and recreational services, and personal services.'<sup>4</sup>
- 3.5 The dramatic nature of the change in employment patterns is demonstrated by comparing the property and business services industry—where employment grew between 1985 and 1999 at an annual average rate of 5.7 per cent, with the electricity, gas and water industries—where employment declined at an annual average rate of 5.3 per cent.<sup>5</sup>
- 3.6 This process of structural change in the economy has resulted in substantial shifts in the type of labour in demand. New skills are required for new industries. For example, the last twenty years have seen a rapid growth in demand for computer-related skills. Technological changes have made some skills obsolete, and the need to be internationally competitive has contributed to the demise of many low-skilled, manual labour jobs. Unfortunately, many mature-age workers have been displaced as part of this process of change. Once unemployed, mature-age job seekers can

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2 G. Woods, *Australia 1975 to 2000—Part A: Industrial Change*, Parliamentary Research Note 33 1999–2000, 6 June 2000, p. 2.

3 Woods, *Australia 1975 to 2000*, p. 2.

4 Woods, *Australia 1975 to 2000*, p. 1.

5 Woods, *Australia 1975 to 2000*, p. 2.

experience long periods of unemployment if they fail to secure a job quickly.

- 3.7 Unemployment has varied in the last decade from a high of 11 per cent (August 1993) to a low of 6.8 per cent (April 2000).<sup>6</sup> Unemployment at higher than desired levels, however, is not unique to Australia: it is prevalent in most developed nations.
- 3.8 By definition, unemployment results when there is an excess of supply over demand in the market for labour. At a simplistic level, in the labour market as in any other market, an excess of supply over demand may indicate either that:
- what is being offered for sale, in terms of the nature of the goods or services, does not sufficiently match what buyers are seeking to purchase; or
  - the price being sought/offered, is not acceptable to a sufficient number of buyers/sellers.
- 3.9 The labour market, however, is not a simple one. In fact, it may be more accurately described as consisting of many partially overlapping markets, differentiated by the nature of the skills being offered and sought, as well as by geographical location. While it is possible to some extent for labour to move between the various labour markets—for example, as a result of re-skilling or physical re-location—such movement cannot always be achieved quickly or easily.
- 3.10 Some level of unemployment will always be present in the labour market. It takes time:
- for those seeking work to find a job;
  - for those seeking labour to find suitable applicants;
  - for workers to relocate to areas where jobs are available; and
  - for job seekers to re-train to match labour market needs.
- These factors are not sufficient, however, to explain the level of unemployment among the workforce generally or the average length of unemployment of some mature-age job seekers.
- 3.11 Among the factors often put forward as contributing to the mismatch between supply and demand in the labour market are:
- The effects of increased international competition and technological change;
  - Inadequate skill levels of the unemployed;
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6 ABS, *Labour Force April 2000* Cat. No. 6202.0, 11 May 2000, p. 3.

- Insufficient flexibility in wages and conditions;
  - The effects of certain government and private sector policies (such as downsizing, corporatisation and privatisation); and
  - Insufficient mobility of labour and capital. (Insufficient mobility of labour is often referred to as one of the main factors behind high regional unemployment.)
- 3.12 This chapter looks at those factors and also at changes in the labour market, such as the growth of casual and part-time jobs, since these too affect the nature and perhaps the level of employment. Finally, the role of the service providers in the job network is considered, as it is clearly important in the employment/unemployment balance.
- 3.13 Chapter 1 of this report described the unemployment situation of mature-age job seekers. Some of the major features are:
- Recorded unemployment rates for mature-age job seekers are generally lower than for younger people;
  - The rate of recorded unemployment for mature-age men increases as age rises;
  - Unemployment for mature-age men and women has increased over the last 20 years and is greatest among the 45–54 age group;
  - The measured unemployment rate understates the true level of mature-age unemployment;
  - Movement from full-time to part-time and casual work, to less well-paid work and to less skilled work is disguised by the unemployment figures;
  - The incidence of long-term unemployment is much higher for mature-age job seekers than for younger ones; and
  - Mature-age people form a disproportionately high share of discouraged job seekers.
- 3.14 Obviously, mature-age job seekers are affected by the general causes of unemployment, and sometimes they may be affected by some of those causes in a particularly pronounced way. The problem of age discrimination, however, cannot be hidden and that issue is examined prominently in this chapter.

## Mismatch between supply and demand in the labour market

### Technological and economic changes

- 3.15 Technological change, particularly in transport and communications, is a powerful factor affecting economies around the world. It increases productivity, creates new industries, and generates more wealth but does not necessarily increase the demand for labour.
- 3.16 Advances in information technology have resulted in reduced costs for equipment using computer chips, disks and laser products. Fibre optics and its wide range of uses have further enhanced such changes. Computers are so powerful now that many small businesses are able to handle quite complex transactions and other tasks.
- 3.17 Advances in technology have enabled mining companies to increase productivity and reduce demand for labour. In the last 10–15 years, increased output in the mining industry has been matched by large reductions in jobs. The end result is increased efficiency and lower costs, as Australian mining companies compete globally.
- 3.18 The skills required of employees have changed enormously as a result of changes in technology. Workers have to constantly retrain and reskill if they wish to maintain their employability, although sometimes, the information revolution enables complex tasks to be performed with ease by non-technical people given relevant training. At the same time as new jobs have been created, other jobs, particularly low-skilled manual jobs have been greatly reduced in number.
- 3.19 Many white-collar middle managers across Western economies have been retrenched as a result of restructuring and technological changes.<sup>7</sup> Similarly, blue-collar work has been changed by technology. Factories which once employed hundreds of people now employ a handful to supervise and maintain machines.
- 3.20 Banks have rapidly utilised these technological changes and ‘trained’ their customers to use automatic teller machines (ATMs), direct debits and EFTPOS. As a result, many branches of major banks have been closed and replaced by computerised finance service centres located in shopping malls and supermarkets.

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7 R. Morris, Pep Employment Services, Transcript, p. 282.

These reductions come on top of those resulting from bank mergers and branch closures over the last 20 years. It is not surprising, therefore, that many who once thought they had a secure career in banking have found themselves unemployed.<sup>8</sup>

- 3.21 The job losses resulting from technological changes have affected regional areas. In more and more rural and remote areas, banks and post offices have either disappeared or are agencies within stores. Mr William Cowin spoke of the decline which follows the withdrawal of public sector jobs and staff.

Gladstone of course was a big government town, huge railway set-up there, jail, army, Electricity Trust of South Australia, Telstra, that sort of thing. That has all slowly disappeared and now people are having to leave the community. You see a death of community which is not a good thing, you see families split left, right and centre, extended families too...<sup>9</sup>

- 3.22 To counteract the effects of closures of regional banks and post offices, the Federal Government undertook to establish 70 rural transaction centres (RTCs) in 1999–2000 with funding from the sale of the second tranche of Telstra. The first RTC was opened in October 1999 at Eugowra (NSW) where retail banking, Centrelink services, Medicare EasyClaim, community internet access and business support services are combined in one location.<sup>10</sup>

However, the jobs provided by a RTC are less in number than those which were lost from the closure of various concerns.

- 3.23 Those companies which best adapt to change are more likely to prosper or survive than those which do not. In the same way, employees who have the required new knowledge and skills or the capacity to quickly acquire them stand the best chance of success in the employment market.

- 3.24 Being at the forefront of technological improvement is particularly important in a highly competitive economic environment. Recent decades have seen a substantial increase in the extent to which countries around the world have opened up to goods, services and investments from other economies. There are many advantages to internationalisation, not least of which are the efficiencies in production forced by greater competition. Greater competition has brought with it much structural change.

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8 S. Encel, Transcript, p. 23.

9 W. Cowin, Transcript, p. 393.

10 The Minister for Regional Services, Territories and Local Government, *First Rural Transaction Centre Opens at Eugowra*, Media release, 29 October 1999.

- 3.25 Inevitably, structural change in the Australian economy has resulted in unemployment for a number of people, who are faced with the prospects of re-skilling for new jobs and possibly of re-locating. Despite negative impacts on some industries, the broad macro-economic effect of increased internationalisation is not clearly known.
- 3.26 There are many examples of industries, particularly in the low-skilled, labour-intensive parts of the manufacturing sector, which have experienced job losses as tariff protection has been removed and foreign competition has increased. It should be noted, however, that tariff reduction is sometimes used as a convenient excuse. Some tariffs were initially imposed to protect industries where job losses were already occurring.
- 3.27 Some manufacturers in the Australian textile, clothing and footwear industries have downsized or no longer exist since the removal of tariff protection. Between June 1990 and June 1997, nearly a quarter of Australian textile workers lost their jobs<sup>11</sup> and many manufacturing companies moved offshore.<sup>12</sup> Because of favourable assembly and import credit schemes, countries such as China, Vietnam and Fiji have attracted many Australian manufacturers who ship out materials for final assembly, before sending the finished goods back to Australia.<sup>13</sup>
- 3.28 It is interesting to note, on the other hand, that boutique clothing and textile industries are increasing and developing as many young Australian designers gain international renown. In a similar manner, Indigenous textile designers are also attracting international attention. These fledging industries are combining old skills with new technology to produce new products for sale. It is not known, however, how many mature-age workers are employed in these new industries, many of which are still quite small.
- 3.29 The Australian coal industry, like many other primary sector industries, has long been exposed to the international economy. International competition has placed enormous pressure on the coal industry to increase productivity and efficiency while paring
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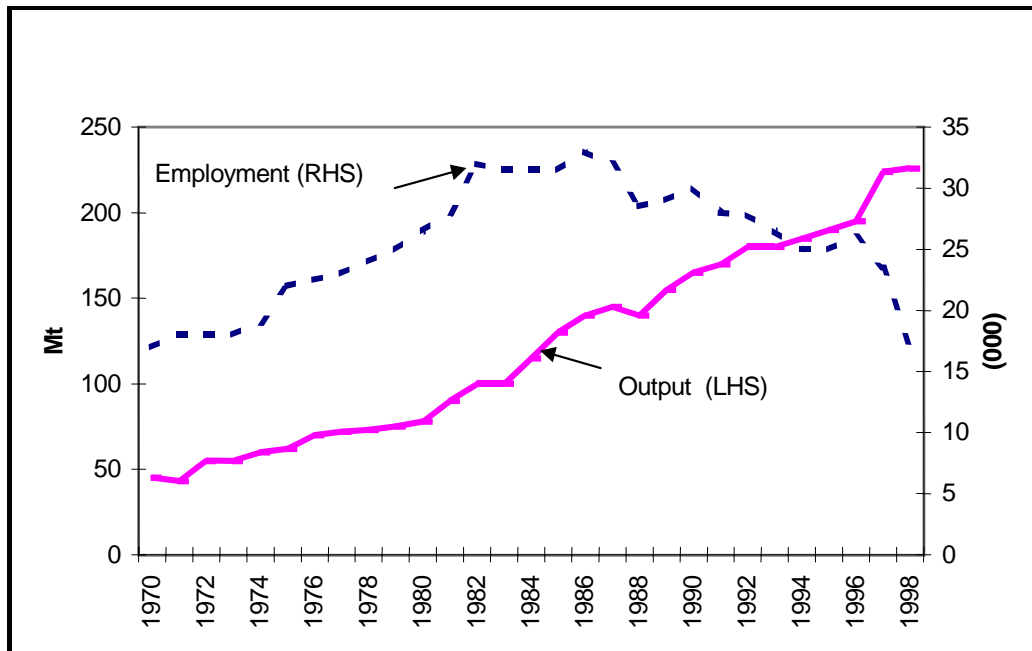
11 Also affected are many homeworkers producing piecework for manufacturers. The Tax Office estimates that 50 000 are involved, while the Textile, Clothing & Footwear Union say it is closer to 300 000. Department of Industry, Science and Resources (DISR), *Textile, Clothing, Footwear & Leather Action Agendas*, Discussion Paper, Canberra March 1999, p. 22.

12 M. Emmery, *TCF employment*, Parliamentary Library, 4 May 2000, p. 1.

13 DISR, written advice, 5 May 2000, p. 1. Total textile, clothing, footwear and leather trade (exports plus imports) by Australia and New Zealand with Fiji increased from \$32 million in 1990–91 to \$399 million in 1998–99. Emmery, *TCF employment*, p. 1.

back costs. One result is coal employment levels dropping from 33 000 in 1986 to 17 000 in 1998–99, despite high output growth (see Figure 3.1). Most job losses have occurred in NSW underground operations with closures of entire mines.<sup>14</sup>

Figure 3.1 Black coal industry output and employment



Source M. Roarty, Parliamentary Library, based on Productivity Commission, *The Australian Black Coal Industry Inquiry Report*, 1998 and ABARE 1999, *Australian Commodities, Forecasts and Issues*, p. 551. [Mt: million tonnes]

3.30 The Albury–Wodonga Area Consultative Committee (ACC) informed the Committee that the region used to have a large overseas-controlled manufacturing sector. Although the more spectacular closures or reductions have involved overseas-controlled firms, most of these firms continue to operate and have expanded jobs, introducing technological improvements.<sup>15</sup>

Two closed because the particular Albury-Wodonga operations became incompatible with the worldwide operations of the group; although competitive in their own rights. And others closed due to consolidation of activity in the home country....The two instances of job reduction involved consolidation of activity back to a plant next to the head office.<sup>16</sup>

14 M. Roarty, *Coal Losses as a result of international factors*, Parliamentary Library, 2000, p. 1.

15 Albury–Wodonga ACC, Submission no. 114, p. 20.

16 Albury–Wodonga ACC, Submission no. 114, p. 20.



Domestic and international firms usually make decisions about downsizing on a similar basis.

- 3.31 International competition has also forced some Australian organisations to become more efficient. Research by the Melbourne Institute of Applied Economics and Social Research in 1998<sup>17</sup> revealed that 88 per cent of those organisations surveyed had been involved in some significant restructuring over the past five years. In the period 1993–95, 56 per cent of the larger organisations downsized, while in 1997–98, over 62 per cent downsized.<sup>18</sup> Both relatively high profit firms and relatively low profit firms were likely to downsize.<sup>19</sup> Managers and management positions were the main targets of change.<sup>20</sup> However, Professor Peter Dawkins et al concluded that there is no clear evidence that downsizing causes increased levels of aggregate unemployment although ‘where downsizing has been badly handled it has certainly not been calculated to improve the unemployment situation.’<sup>21</sup>
- 3.32 The exposure of the Australian economy to increasing international competition results in:
- Pressure for removal of import barriers, thus making Australia more internationally competitive, as well as opening up new opportunities;
  - Changes in the relative importance of the primary, secondary and tertiary sectors in terms of proportion of GDP and of employment provided;
  - Changes to the Australia job market; and
  - Changes in the skills required of the Australian workforce as a result of the relative growth and decline of different industries.

## Skills mismatch

- 3.33 The persistence of unemployment at rates generally considered higher than desirable,<sup>22</sup> against a background of sustained strong economic growth and rising numbers of advertised job vacancies,

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17 This 1998 survey extended and replicated a 1995 survey conducted by Professor C. Littler. The researchers also tapped into a database of approximately 6000 firms maintained by IBIS Business Information. P. Dawkins, C. Littler et al, *The Contours of Restructuring and Downsizing in Australia*, University of Melbourne, July 1999, p. xvi.

18 Dawkins et al, p. xvi.

19 Dawkins et al, p. xviii.

20 Dawkins et al, p. 120.

21 Dawkins et al, p. 121.

22 ABS, *Labour Force Australia April 2000* Cat. no. 6203.0, 26 May 2000, p. 9.

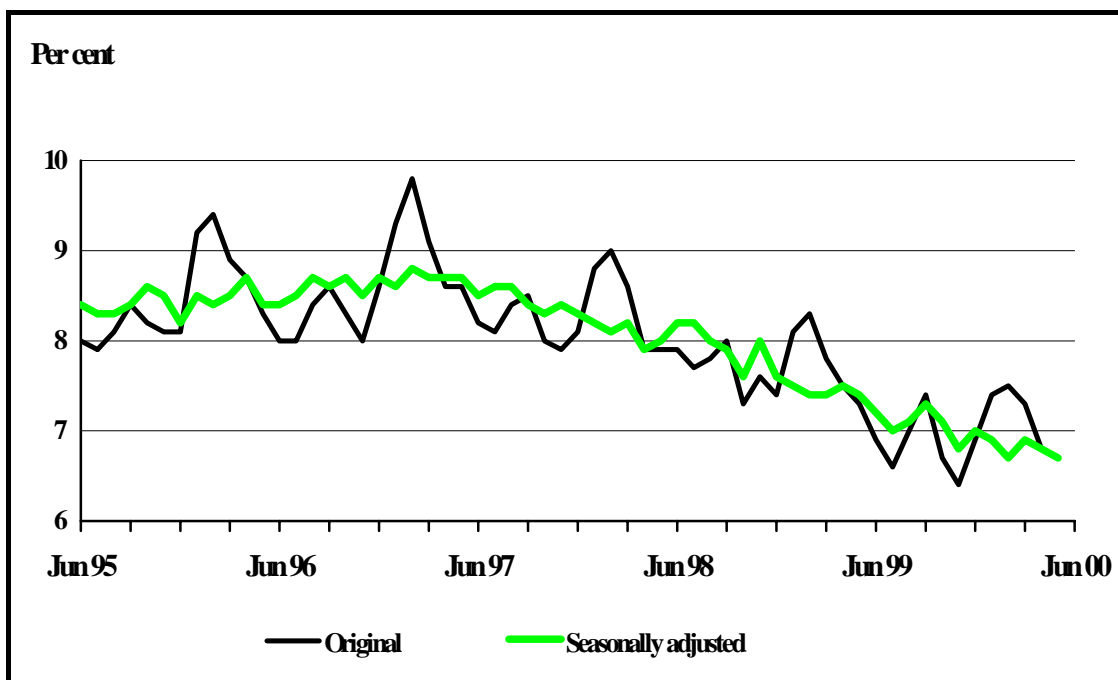
points to labour market problems which must be addressed. The April 2000 trend unemployment rate of 6.8 per cent was a slight increase on the previous month's figure.

3.34 There are clearly problems in matching supply and demand for labour at a macro level. As mentioned earlier, the labour market may be broken down into several markets, on the basis of the nature of the skills being offered or sought, and by geographical location. The extent of the problem varies considerably between those individual labour markets. Current economic theory would suggest that inadequate market clearance might indicate:

- (a) difficulties in the mechanism for adjusting wages (the 'price' of labour);
- (b) insufficient mobility of labour between the different markets (particularly between geographical areas); or that
- (c) the type of labour being offered does not match that sought by employers.

This latter factor would mainly be a matter of the skills which job seekers possess and those required by employers.

Figure 3.2 Unemployment rate, June 1995 to June 2000



Source: Parliamentary Library, *Monthly Economic and Social Indicators* based on *Labour Force, Australia* (Cat. no. 6203.0), various years.

3.35 Figure 3.2 shows the changes in the unemployment rate during the period from June 1995 to June 2000. The peaks and troughs reflect the economic changes but the seasonally adjusted rate

shows that unemployment has been falling steadily as the economy has improved. By August 1999, the general unemployment rate was 7 per cent while those aged between 55 and 59 had an unemployment rate of 5.5 per cent.

## Wages and conditions

- 3.36 A nation's level of unemployment is affected by the nature of its labour market. Australia traditionally relied on a centralised award system which ensured basic work conditions and wages for most employees. The past fifteen years have seen a gradual introduction of flexibility in the form of enterprise bargaining and Australian Workplace Agreements.
- 3.37 DEWRSB provided the Committee with data on awards, agreements and other arrangements collected in 1995 and 1999, showing an increase in the coverage of both registered and informal over-award/unregistered agreements. Differences in the range of organisations sampled in the two surveys require some caution in making direct comparisons.<sup>23</sup>

Table 3.1 1995 survey showing % estimates of coverage in workplaces with 20 or more employees\* (in terms of % of employees)

	Awards only %	Over-awards %	Agreements %	Individual arrangements %
Private sector	30	16	38	14
Public sector	38	4	55	1
All workplaces	33	13	44	9

\* Rows may not add up to 100% as a result of rounding.

Table 3.2 1999 survey showing estimates of coverage in workplaces with 5 or more employees\* (in terms of % of employees)

	Awards only %	Over-awards/unregistered agreements %	Registered collective agreements %	Other pay arrangements %
Private sector	26	30	29	15
Public sector	13	1	76	10
All workplaces	22	22	42	14

\* Rows may not add up to 100% as a result of rounding.

Source for both tables DEWRSB, Submission no. 142.4, p. 2.

- 3.38 Tables 3.1 and 3.2 show that the proportion of employees on the award rate fell from 33 per cent in 1995 to 22 per cent in 1999. Part of this fall reflects the difference in the size of the workplaces sampled.<sup>24</sup>
- 3.39 There is uncertainty about how many of the Australian Workplace Agreements (AWAs) which have been approved (101 655 at 30 April 2000) are currently active. One estimate presented to the Committee was that the percentage of employees on active AWAs is about 1.17 per cent.<sup>25</sup>
- 3.40 State laws in Queensland and Western Australia provide for agreements between employers and individual employees. Between the introduction of the Queensland Workplace Relations Act in 1997 and March 2000, some 2824 Queensland workplace agreements had been registered. The relevant legislation in Western Australia was enacted in December 1993.<sup>26</sup> The Committee was told by DEWRSB that 17 357 individual agreements were certified under Western Australia's legislation in the March 2000 quarter alone.<sup>27</sup> DEWRSB advised that it is not known how many of the agreements which have been lodged since 1993 are still in operation.<sup>28</sup>
- 3.41 The wage fixing system in Australia has been criticised by some for preventing greater flexibility in wages and conditions that would encourage job creation. It has also been criticised for not allowing wage differences to meet conditions specific to regions. The solutions suggested by that analysis involve institutional change, variations in income support (as real wages fall) and re-training to ensure better matching between the skills of job seekers and the skills required in available jobs.<sup>29</sup> Others have argued that wages and conditions are not strong determinants of employment levels and that the solution lies in increasing aggregate demand, training, and addressing location disadvantage.<sup>30</sup>
- 3.42 The social security system in Australia provides some protection for those without work, provided they are eligible. The argument is made from time to time that this removes some of the incentives to accept work at low wage levels, at distant locations, or in a

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24 DEWRSB, Submission no. 142.4, p. 2.

25 S. O'Neill, *Award and Agreement Coverage*, Parliamentary Library, 16 June 2000, p. 3.

26 DEWRSB, Submission no. 142.6, p. 1.

27 DEWRSB, Submission no. 142.4, p. 3.

28 DEWRSB, Submission no. 142.6, p. 1.

29 R. Denniss & M. Watts, Submission no. 172, p. 2.

30 Denniss & Watts, Submission no. 172, pp. 3, 17.

different industry. In the USA, the absence of an effective 'safety net' for workers facing dismissal emphasises the necessity of finding another job quickly.<sup>31</sup>

- 3.43 Because of its more comprehensive social security system, Australia does not have the income polarisation that exists in the USA or such large disparities in standards of living. The downside to higher employment in the USA is much greater earnings inequality, which according to the Business Council of Australia (BCA), generates invidious social outcomes.

Although the real income of the poorest fifth of households has risen steadily and quite strongly since 1993, it is still only 40 per cent of the income of the next poorest fifth and less than 5 per cent of the top twentieth of households.... One of the results of this situation is that the United States has substantially higher level of child poverty and inequality in the material circumstances of children than most developed countries, including Australia.<sup>32</sup>

### Working time: hours worked

- 3.44 Economic growth alone will not solve the problem of unemployment. Many Australians today are working longer hours than at any time during the past 20 years. One witness, Mr Michael Bittman, from the Social Policy Research Centre at the University of New South Wales, told the Committee that the increase in hours worked occurs at weekends and outside of the traditional nine to five day.<sup>33</sup> Much of this additional time is 'unpaid' although there may be recognition of time in lieu or flexitime as an alternative. These longer working hours also coincide with a trend towards more people working fewer hours than they would like to work.<sup>34</sup> Using these statistics, some people have argued that by reducing this 'excess' it may be possible to create more jobs, especially as the long hours of work coincide with an increase in unemployment. Long hours of work are also associated with downsizing.<sup>35</sup>

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31 Business Council of Australia (BCA), *rebuilding the safety net*, BCA, Melbourne, March 1999, p. 12.

32 BCA, *rebuilding the safety net*, p. 13.

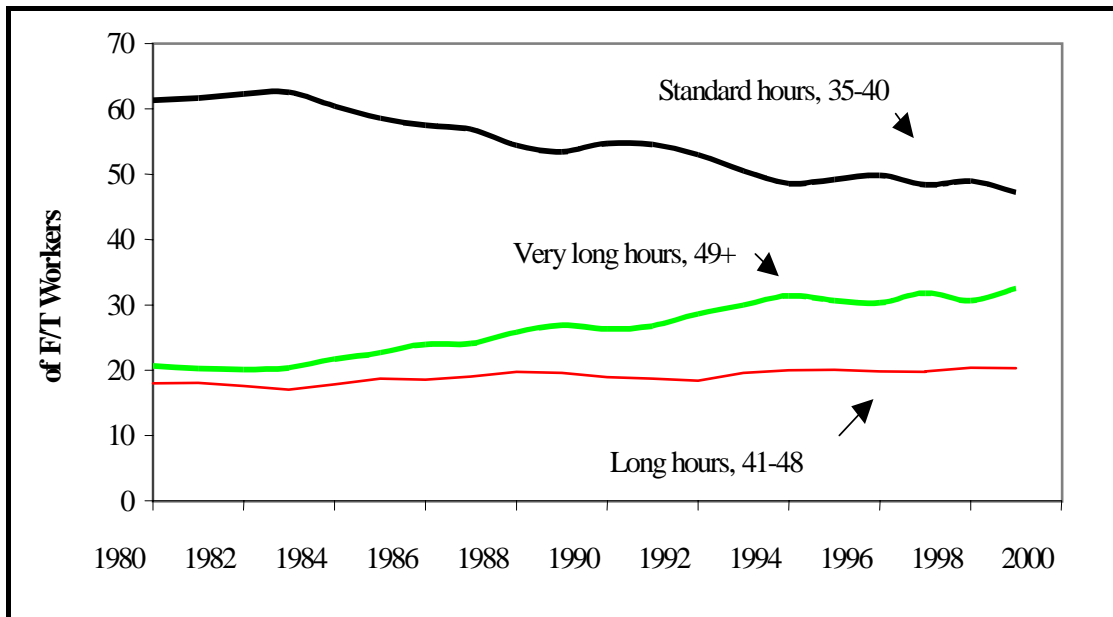
33 M. Bittman, Transcript, p. 996.

34 A. Kyrger, *Underemployment and Overwork*, Parliamentary Research Notes No. 27 1999-2000, p. 1.

35 Bittman, Transcript, p. 996; M. Bittman & J. Rice, 'Are working hours becoming more unsociable?', *Social Policy Research Centre Newsletter* No. 74, August 1999, pp. 1-2.

- 3.45 In the Australian context, Mr John Moorhouse from the University of South Australia has pointed out that according to the Australian Bureau of Statistics, 20 million hours of overtime are worked in Australia.<sup>36</sup>

Figure 3.3 Hours worked by full-time workers 1980 to 2000.



Source: A. Kryger, *Underemployment and Overwork*, Parliamentary Research Notes No. 27 1999–2000, p. 2.

- 3.46 Simplistically, 20 million hours is equivalent to 500 000 40-hour-per-week jobs. While it is obvious that not all those hours are paid overtime, nevertheless serious consideration could lead to the release of thousands and thousands of jobs. Figure 3.3 shows the percentage of full-time workers who work standard hours (35-40 hours), long hours (41-48 hours) and very long hours (49 hours and over). The 33 per cent working very long hours at present tend to be full-time permanent workers, an increase from the 21 per cent who were working similar 49 or more hours per week in 1980.<sup>37</sup>

It would appear that the increase in hours of work is the result of a shift in the balance of power in the workplace away from employees and toward management.<sup>38</sup>

- 3.47 Ms Patricia Hewitt, the then Deputy Director of the Institute of Public Policy Research in London, and the author of a widely

36 J. Moorhouse, 'Professional Experience Program Report', unpublished paper, University of South Australia, 1993.

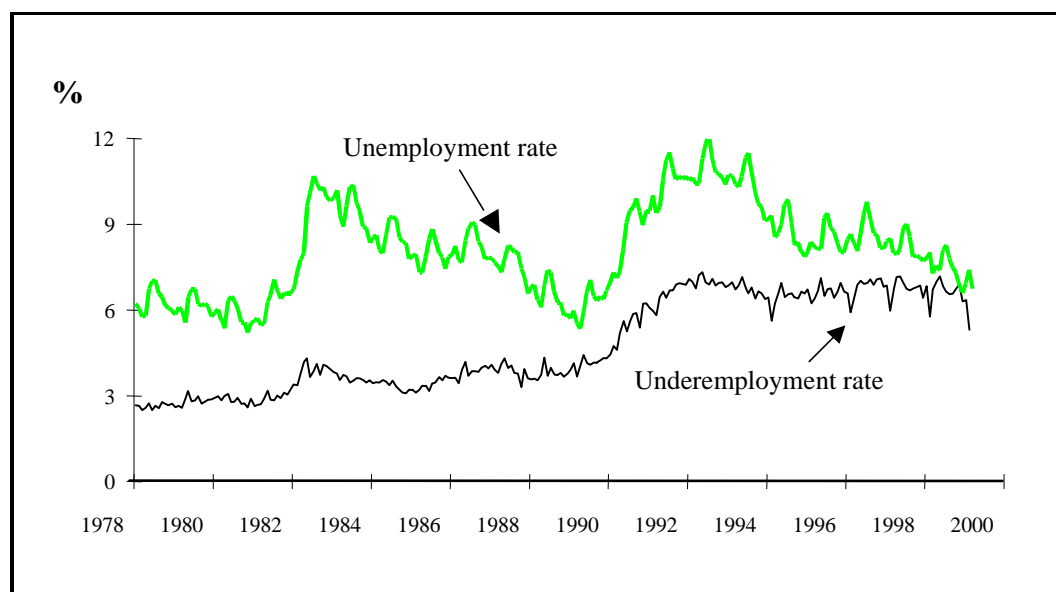
37 Kryger, *Underemployment and Overwork*, p. 2.

38 Kryger, *Underemployment and Overwork*, p. 2.

commentated paper at the European Jobs Summit in October 1993 argued that a reduction in working time cannot solve the problem of unemployment on its own but that:

No analysis of unemployment and employment will be adequate unless it takes account of the rapid changes in the structures of working time and working lifetime; and no employment debate will be complete if it omits working time reorganisation.<sup>39</sup>

Figure 3.4 Unemployment and underemployment rates 1978 to 1998.



Source: A. Kryger, *Underemployment and Overwork*, Parliamentary Research Notes No. 27, 2000, p. 1.

- 3.48 Many Canberra-based officers and two academics from the National Institute of Labour Studies in Adelaide, Professor Judith Sloane and Associate Professor Mark Wooden, have rejected the reduction in working time proposition. However, the criticisms of these public servants, academics and some financial writers in the press are based purely on economic considerations.
- 3.49 They take little or no account of the social costs of unemployment with increased family breakdowns, crime, suicide, and drug and alcohol abuse. Nor do they mention an inefficient economy with high unemployment; occupational health and safety compromises; lost productivity caused by fatigue at one end and boredom at the other; increased compensation claims; and increased redundancy

39 P. Hewett, Opening Address at the European Jobs Summit, 19–21 October 1993.

costs and payouts. Figure 3.4 shows the changes in the unemployment and underemployment rates. While the unemployment rate varies with changes in the economy, the underemployment rate has continued to rise steadily. It seems that more people are wanting to work more hours.

- 3.50 The essential criticisms of some economists are that proposals for reducing working hours suffer from a 'lump of output fallacy'. That is, the total amount of work to be done is fixed and that therefore the only way to employ more people is to share the work more frequently. That is, in and out of employment.
- 3.51 But the 'lump of output fallacy' is itself fallacious because of the productivity gains throughout the twentieth century. Between 1881 and 1981, the lifetime hours worked by British men fell by nearly half from 154 000 over 56 years to 88 000 over 48 years. While much of this change arose because technological development made production lines more efficient, some of the reduction can be accounted for by changed working conditions such as eight-hour days and 36 hour weeks.
- 3.52 Despite some evidence of contrary trends for full-time workers in the last twenty years, hours worked by workers will probably fall again over a shorter lifetime. This could mean greater leisure time for workers, especially after 55. Alternatively, mature-age people may have to work longer because they are still needed in the workforce.
- 3.53 Reducing working hours schemes will not, on their own, solve the unemployment problem.<sup>40</sup> However, like wages, and other factors, they must be included in the debate and analysed on their merit.

The coexistence of persons unemployed or underemployed along with persons who are overworked indicates a maldistribution of the available work and contributes to a widening social divide.<sup>41</sup>

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40 Bittman & Rice, 'Are working hours becoming more unsociable?', pp. 1–2.

41 A. Kryger, *Underemployment and Overwork*, p. 2.



## Relevant job skills, qualifications and experience

- 3.54 As mentioned previously, it is important that job seekers have the skills that employers are looking for if unemployment levels are to fall. Skill levels vary according to age and occupation, with many older people not having skills which are suitable for the changing work requirements. Even when they do have the relevant skills, negative employer attitudes to mature-age workers play a part in keeping skills demand from being met by skills supply.<sup>42</sup>
- 3.55 Employers are too often reluctant to hire older skilled people despite their having the relevant skills. WOW Employment Services (Melbourne) reported that employers were ‘blaming’ skill shortages in its region on older workers whom they perceived as ‘unwilling to retrain’.<sup>43</sup> As a result, areas of high unemployment may still experience skill shortages and skill gaps for emerging technologies.<sup>44</sup>
- 3.56 Skill shortages occur because the majority of training institutions and job seekers are not expert in anticipating where the next skills shortage is likely to occur. Even if job seekers were able to anticipate the need, they may find that relevant courses are not immediately available.
- 3.57 Skill shortages cause employers to offer higher wages and/or attractive work conditions to entice appropriate applicants. Most job seekers therefore train to meet current shortages and hope that by the time they have completed their training, they will be able to gain enough experience to make their skills and qualifications attractive to employers. In the meantime, employers may seek relevant qualified employees from overseas to meet their immediate, emerging needs or else they may be willing to take on inexperienced (usually young) graduates with the relevant qualifications and hope these people will be able to gain the necessary experience quickly.
- 3.58 The changing labour market means that all workers need to constantly update their skills and knowledge.<sup>45</sup> Employers may encourage employees to further their training through more flexible work arrangements or by subsidising fees. Older workers who have been in the same industry for several decades may find that their work skills are industry specific. These may then be

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42 W. Murray, Transcript, p. 317.

43 Murray, Transcript, p. 317.

44 Newcastle City Council, Submission no. 143, p. 2.

45 DEWRSB, Submission no. 142, pp. 30–32; S. Mikami, Transcript, p. 555; A. Sparks, East Coast Training and Employment, Transcript, p. 569.

- assessed as comparatively narrow when they look for work.<sup>46</sup> They may not be aware that some of their skills are transferable.
- 3.59 The need to re-skill is one reason why mature-age job seekers are not securing jobs. Many mature-age job seekers grew up in an era of strong economic growth and obtained blue-collar jobs in industrial cities at 15 or 16 years of age. The need for a high level of schooling was less apparent since they saw others in the community obtaining secure jobs with reasonable wages and the opportunity to work an abundance of overtime. Such training as was needed was provided on-the-job. In recent years, the number of low-skill blue-collar jobs has greatly decreased, owing to changes in technology and in the structure of the economy. Mature-age job seekers who formerly held low-skill jobs are now faced with the need to learn new skills.<sup>47</sup>
- 3.60 Job seekers from non-English speaking backgrounds face an additional barrier in that many of their qualifications and experience are from overseas and may either not be recognised in Australia or else may not be relevant. For many who are over 45, poor English language proficiency may be another barrier to gaining paid employment. Others may not be skilled in using modern machinery and technology.<sup>48</sup>
- 3.61 The Human Rights and Equal Opportunity Commission (HREOC) reported to the Committee that, of 22 complaints of age discrimination made to them during 1999, four were from people of non-English speaking backgrounds. Racial discrimination was not raised as an issue in those complaints.<sup>49</sup>
- 3.62 Job Network providers are funded to match applicants to employer requirements. However, some employers themselves do not have a clear idea of their own needs. Job placement officers should discuss with employers what they actually need and whether the skill specification fits the position. For example, an employer may request an office junior, but the skills really needed may be experience, communication skills, managerial abilities and dealing effectively with difficult customers over the phone. A mature-age applicant may suit the position more aptly. JobQuest found that once employers are satisfied with a mature-age worker, they will ask for a mature-age applicant the next time.<sup>50</sup>

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46 DEWRSB, Submission no. 142, pp. 32–33.

47 W. Dear, Transcript, p. 224.

48 Hume City Council, Submission no. 118, pp. 6–7; L. Ford, Transcript, p. 287; D. Harbison, Transcript, p. 302; H. Nguyen, Transcript, p. 709.

49 HREOC, Submission no. 187, p. 1.

50 K. Chan, Transcript, pp. 94–97.

- 3.63 Many mature-age job seekers find it very hard to meet current labour market requirements, especially when they are unsure of their own capabilities. These mature-age job seekers may not realise they have the skills employers need. They also may be quite inexperienced in presenting their skills and experience before a human resource manager or a selection committee. A good job placement officer will help a mature-age job seeker through this unfamiliar process and show the job seeker how to highlight less obvious skills, especially those used outside the work context.<sup>51</sup>

### Training and re-training

- 3.64 Mature-age job seekers who do not have relevant, up-to-date skills need to undergo training courses to reskill themselves. Some may not appreciate their need for training courses organised by service providers, especially on how to handle the selection process.<sup>52</sup> Others feel they are placed in inappropriate training courses, perhaps to make up the numbers.<sup>53</sup> As Professor Sol Encel said:

Whatever the virtues of the Job Network,...it does not take up the issue of specific training programs for older people....It is easier to run training programs on the basis of one size fits everybody—in other words, you give money, say, to the TAFE system to run training courses for older people to bring them up to scratch with modern production methods, computers, et cetera, but you do the same course for everybody.

Speaking as a teacher of some experience, it is not easy having 20-year-olds and 50-year-olds in the same class. They do not learn the same way, they have different expectations, and they relate differently to their instructor....They know that they have experience which may be well beyond that of their instructor.<sup>54</sup>

- 3.65 Short TAFE courses are available but job seekers not on benefits will probably have to pay fees.<sup>55</sup> Many mature-age job seekers left school early and may be intimidated at the thought of having to

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51 K. Maher, Transcript, pp. 957–58.

52 A. Sparks, Transcript, p. 572; M. Steinberg, Transcript, p. 544.

53 B. Dyke, Transcript, p. 647; Encel, Transcript, pp. 28–29.

54 Encel, Transcript, pp. 28–29.

55 L. Walley, Transcript, p. 538.

reskill in formal courses. They may be more comfortable learning in a group of their peers.<sup>56</sup>

- 3.66 The timing of training courses is important to a job seeker's success in regaining employment. Early intervention is crucial yet many mature-age job seekers, especially those who receive a package, are forced to wait.<sup>57</sup> The longer they are unemployed, the more likely their skills and experience will lose relevance.<sup>58</sup> The manner of dismissal can also affect a retrenched person's attitude towards the need to reskill.<sup>59</sup>
- 3.67 Many who do not qualify for any training components under Centrelink's assessment have difficulties because of finances. These mature-age job seekers either have to self-fund or they may be able to go to other organisations such as DOME which may provide low cost or free training.<sup>60</sup> However, such facilities may not always be easily accessed.
- 3.68 The Committee received some evidence concerning reluctance of some mature-age workers to retrain. Employers in the metals industry and in the furnishing business had told JobsEast that, 'in the transition to computer numerical controlled equipment, they are finding that their older workers, their older tradespeople, are most reluctant to train in these new technologies related to their craft.'<sup>61</sup>

Most often they will ask to be exempted from training and that someone younger in the organisation be trained because they will benefit more from training. There is the issue of training being made available by employers, but there is also the issue of the willingness of older workers to take up that training. We are certainly seeing that tradespeople are exiting in high numbers from those two industries.<sup>62</sup>

- 3.69 Retrenched workers who quickly realise the need to retrain may have difficulty recognising the skills they need to acquire to make them more competitive. The Committee was told:

56 N. Bosler, Australian Seniors Computer Clubs Association, Submission no. 180, p. 10; R. Medforth, Transcript, p. 815.

57 P. Richardson, Transcript, p. 87.

58 C. McCabe, Transcript, p. 156.

59 McCabe, Transcript, pp. 156, 159–160; W. McConnell, DOME (Qld), Transcript, p. 567; L. Maciver, Transcript, p. 986.

60 Lake Macquarie, Submission no. 44.1, pp. 6–7; Working Nation Cooperative, Submission no. 77, pp. 1–2; B. Charlesworth, Grey Army, Transcript, pp. 651–3.

61 L. Rolland, Transcript, p. 217.

62 Rolland, Transcript, p. 217.

...What tends to happen is that one camp will resist any training at all because they believe it is not going to achieve anything and the other camp will do any training that you offer. I have seen people who have done eight courses in four different vocational areas and present that information on a resume when they go for a job. All it does is confuse the potential employer because the employer does not know what that person actually wants to do.<sup>63</sup>

- 3.70 There is a growing need for lifelong learning in order for job skills to stay current. The lifespan of certain skills has shortened, particularly with rapid technological developments. This counteracts the notion that it is worth spending money on training only younger workers, and not mature-age ones. As Mr Bernie Yates from DEWRSB said:

The idea that somehow you will get a return over 15 or 20 years from a particular training effort and, therefore, there is not much worth [in] taking on a particularly older worker is becoming pretty redundant as a concept. Often training returns are achieved over much shorter time frames than that.<sup>64</sup>

- 3.71 When unemployed mature-age job seekers apply for positions, they often are competing for jobs against younger, more recently and formally qualified applicants with relevant experience, many of whom are already in full-time positions. Sometimes the level of skills being sought by the employer does not match the experience and skills of otherwise qualified, experienced job seekers. This is often the case when the job seekers have been made redundant from the public service.<sup>65</sup>

- 3.72 The ACT Government has endeavoured to address this discrepancy through its Pathways Program. The Chief Minister said:

This again is where the over-45s end up with a problem. Those jobs are almost totally in the areas of IT—not all IT—hospitality, finance and advanced technology....even if mature age job seekers have a degree, there is a gap between the skills they possess and what the job market looks like. Part of the Pathways Program that I have spoken of is about plugging in those skills for those people, and it almost has to be individually tailored.<sup>66</sup>

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63 Dear, Transcript, p. 224.

64 B. Yates, DEWRSB, Transcript, p. 907.

65 J. Garland, Transcript, p. 481.

66 Chief Minister, Transcript, p. 474.

- 3.73 Training without relevant work experience is another disadvantage faced by some mature-age job seekers. Having recognised this difficulty, some organisations have tried to give unemployed mature-age job seekers both training and work experience. Lake Macquarie Neighbourhood Information Centre set up a business venture in 1998 using unemployed volunteer labour to restore old donated computers. The volunteers are given training and experience. About 50 per cent of the volunteers have acquired skills that enabled them to get paid work.<sup>67</sup>
- 3.74 Some mature-age job seekers are not aware of what is provided under the various Job Network programs. Lack of information means they may not ask for, or receive, their entitlements. There is not a particular training amount assigned to each client. It is up to each Job Network provider to decide what is appropriate.<sup>68</sup> These clients may find that they are unable to find work quickly because they are not undertaking necessary training.
- 3.75 A final complication to the training and retraining needs of mature-age job seekers may be their difficulty in getting formal recognition for the training and experience they already possess. Many may have skills acquired from on-the-job training. The Committee did not receive much evidence, however, on how significant this issue was for mature-age job seekers.

## Casual and part-time employment

- 3.76 Over the last 15 years in particular, there have been substantial changes in the relative proportions of full-time and part-time employment; growing casualisation of the workforce; and substantial changes in the skills required of workers. Economic policy and technological changes have been very prominent in producing these results. Temporary and casual workers now constitute a quarter of all employees in Australia. Over the past 10 years, more than 66 per cent of new jobs in Australia were for casual workers.<sup>69</sup> This represents a significant shift away from the

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67 Lake Macquarie Neighbourhood Information Centre, Submission no. 44.1, pp. 6–7.

68 A. Whish, Transcript, p. 391; C. Dodd, E. Hounslow, D. Thompson, Transcript, pp. 972–974.

69 A. Kryger, *Casual Employment*, Parliamentary Research Note, Number 2, 1999–2000, p. 1.

notion of secure, predictable full-time work that many mature-age job seekers expected as standard for most of their adult lives.<sup>70</sup>

3.77 Secure employment is highly valued in the community: the income and the status attached are very important, especially for mature-age people. In the current labour market, however, some mature-age people have lost this security.

3.78 Witnesses spoke of having a 'portfolio' of work opportunities, whereby several jobs contribute to the weekly wage.<sup>71</sup> The 'flexible firm' model comprising 'a secure group of core workers and a peripheral group of temporary workers, out-workers and subcontractors' is becoming more common.<sup>72</sup>

Many of the people we work with will undertake a range of activities, what we would call a portfolio career. They may go into part-time work. They may support that by doing some sort of tertiary education. Some will go and teach. Some will work for voluntary organisations. They will combine a range of activities and keep themselves active.<sup>73</sup>

3.79 Professor Edgar Carson, of the South Australian Council of Social Service (SACOSS), pointed out that the portfolio arrangement is quite sensible for many workers, especially those who are in sub-contracting arrangements where they work notionally for themselves but in effect have regular work with a few firms. Professor Carson went on to say that many middle managers who lose their jobs 'have expectations that they [will] work on project based work that involves working for different employers.'<sup>74</sup>

3.80 The portfolio career, however, does not suit everyone's expectations. Professor Carson emphasised that at the crux of the issue is security:

It is not about the hours that people work or the likelihood that they might reduce the role of work central in their self-identity and in their life but the insecurity that goes with losing their jobs and not being able to get one, or thinking they might but they are not certain if they will get one.<sup>75</sup>

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70 E. Carson, Transcript, p. 360. Similar comments were made by M. Downes, Transcript, p. 358.

71 E. Davies, Davidson & Associates (now RightD&A), Exhibit no. 88, p. 2; D. Golding, Transcript, p. 44; A. Powers, Transcript, pp. 107-8; Carson, Transcript, p. 360.

72 Kryger, *Casual Employment*, p. 1.

73 E. Davies, Transcript, p. 781.

74 Carson, Transcript, p. 360.

75 Carson, Transcript, p. 359.

Table 3.3 Percentage of employees in casual work (full-time and part-time) 1988–1998

	Full-time casual		Part-time casual		Total casual		
	Males	Females	Males	Females	Males	Females	Total
1988	3.2	1.4	2.9	9.7	6.8	12.1	18.9
1989	3.6	1.4	3.4	10.2	7.5	12.4	20
1990	3.4	1.4	3.6	10.5	7.3	12.1	19.4
1991	3.6	1.7	4	10.9	7.6	12.7	20.3
1992	3.9	1.7	4.8	12	8.7	13.6	22.3
1993	4.4	2	4.7	11.6	9.1	13.6	22.7
1994	4.8	1.9	5.2	11.8	10	13.7	23.7
1995	4.9	2.1	5.2	11.8	10.1	13.9	24
1996	na	na	na	na	na	na	na
1997	5.5	2.2	6	12	11.5	14.3	25.8
1998	6.3	2.3	6.1	12.3	12.3	14.5	26.9

Source: A. Kryger, *Casual Employment*, Parliamentary Research Note, 1997-1998, p. 1.

- 3.81 As shown in Table 3.3, almost 27 per cent of employees in 1998 were casual—up from 19 per cent in 1988. Females fill most of these casual jobs, although the number of males accepting casual employment grew during this decade, an increase of 115 per cent. ‘Casual workers currently represent 13 per cent of all full-time employees but 68 per cent of all part-time employees.’<sup>76</sup>
- 3.82 Of all female casuals, 72 per cent are ‘intermediate’ and ‘elementary clerical, sales and service workers’ or ‘labourers and related workers’. Of all male casuals, 55 per cent are ‘tradesmen and related workers’, ‘intermediate production and transport workers’ or ‘labourers and related workers’.<sup>77</sup> More females are being employed because there are more opportunities of getting work.<sup>78</sup> In many home care and personal care jobs, the preference is for women.<sup>79</sup> It seems therefore that more casual jobs attract more women into the labour market. Figures 3.5 and 3.6 show the data in Table 3.3 in graphical form. The growing casualisation of the workforce is apparent.

<sup>76</sup> Kryger, *Casual Employment*, p. 2.

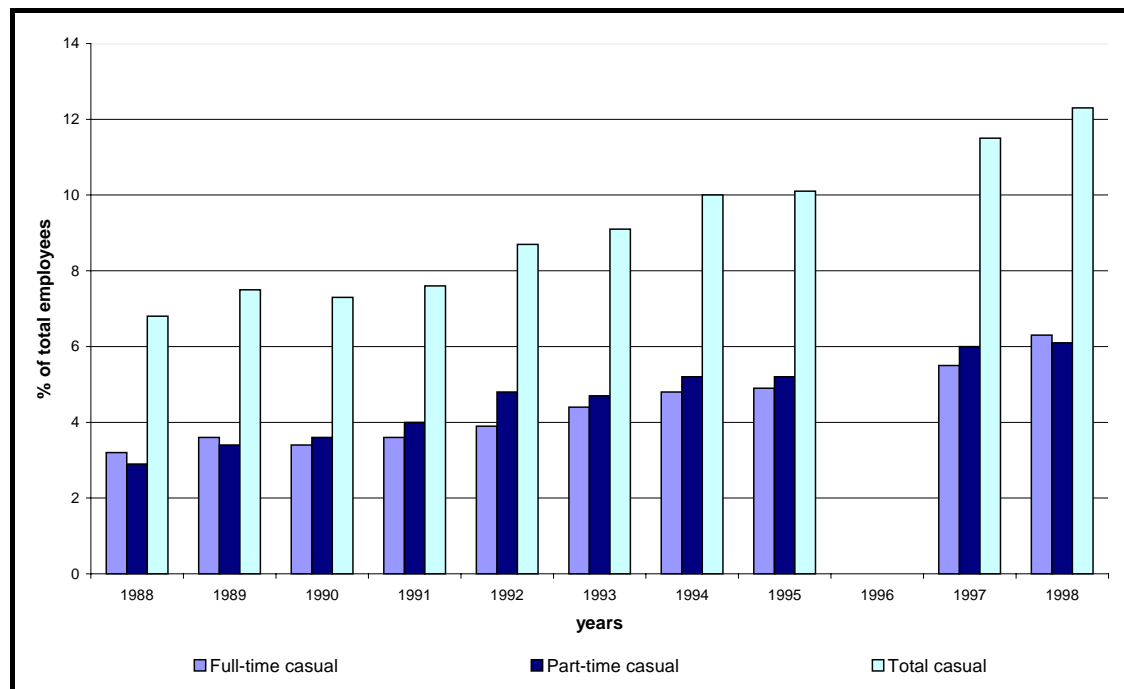
<sup>77</sup> Kryger, *Casual Employment*, p. 2.

<sup>78</sup> Carson, Transcript, p. 363; Kryger, *Casual Employment*, p. 2.

<sup>79</sup> M. Downes, Transcript, p. 363.



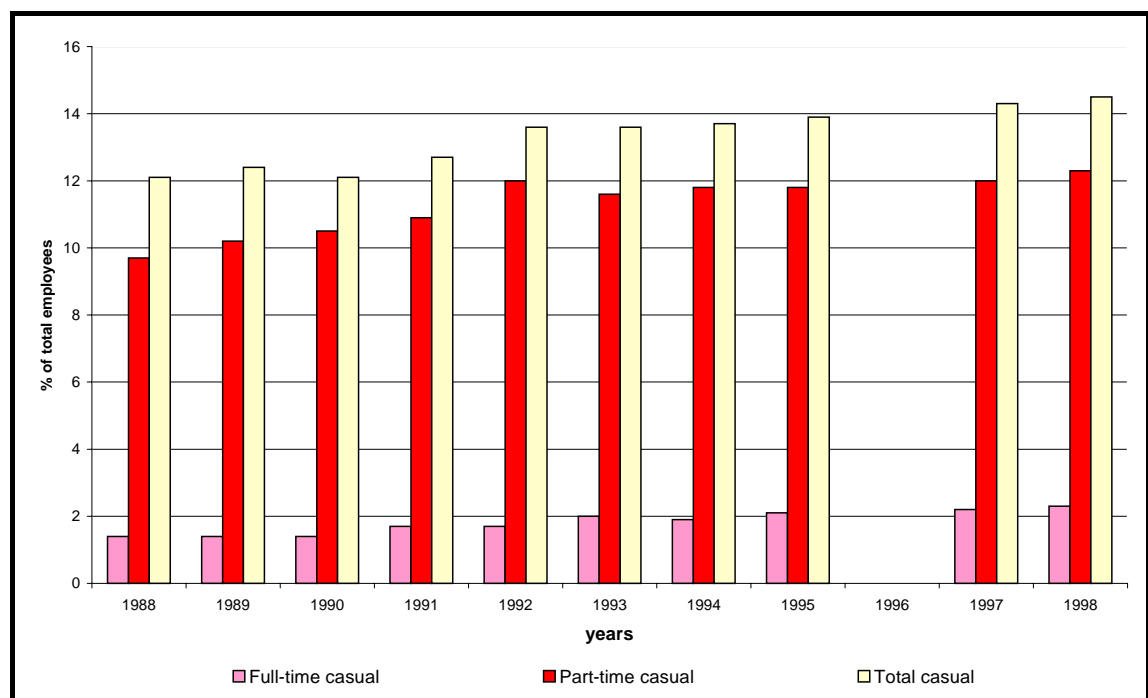
Figure 3.5 Male employees in full-time and part-time casual work 1988–1998\*



\* There is no data for 1996

Source ABS, *Employee Earnings, Benefits and Trade Union Membership* (Cat. no. 6310.0), various years.

Figure 3.6 Female employees in full-time and part-time casual work 1988–1998\*



\* There is no data for 1996

Source ABS, *Employee Earnings, Benefits and Trade Union Membership* (Cat. no. 6310.0), various years.

- 3.83 The Union of Australian Women (UAW) highlighted one example where women were adversely affected by casualisation:

The destruction of full time jobs for operators in Telstra is rampant as the casualisation of the operator workforce increases...Although they were all skilled operators with many years of service and would not be considered disadvantaged workers, few have been successful in securing another full-time position.<sup>80</sup>

- 3.84 The growth of the service industries, where most casual jobs are, has been a major factor in the casualisation of labour. A lot of employers prefer casual workers to escape the legal restrictions that apply to long-term continuous employment and also to minimise labour costs. Non-wage benefits are often waived for casual employees and dismissal does not involve any severance payments. Contracts allow firms greater flexibility in staffing arrangements.<sup>81</sup> As Professor Encel told the Committee:

In the management consulting business, for example, where there is a high turnover of firms, you find quite a lot of people working under contract as sub-consultants to the firm which originally employed them full time.<sup>82</sup>

- 3.85 While unfair dismissal does not apply in all situations, there is concern that it does, which is a barrier to employment. The Committee was told by Mr Bill Dear:

In surveys that I have been involved in, the universal response, somewhere along the line, is that potential employers fear unfair dismissal legislation and they will overcome that by an increasing casualisation of their work force.<sup>83</sup>

- 3.86 Once it may have been accurate to surmise that most casual workers were concentrated in just a few occupations, which tended to be relatively low skilled or blue collared. However, the expansion of jobs in the information technology (IT) industry, the flexibility resulting from powerful computers, and the existence of the internet have made sub-contracting and casual jobs more prevalent and many of them require more highly skilled labour.
- 3.87 Many firms—in both white and blue collar sectors—now have contractors and sub-contractors doing outsourced work.

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80 E. Mawdsley, UAW Newcastle, Submission no. 57, p. 1.

81 Kryger, *Casual Employment*, p. 2.

82 Encel, Transcript, pp. 23–24.

83 Dear, Transcript, p. 225.

Unemployment among these small contractors results, however, when the contracting firm decides to reduce its business or even close and the small contractors are without work. If they are lucky, these people then get casual jobs with another contractor.<sup>84</sup>

3.88 An example of this growing practice was given to the Committee at a public hearing. Some retrenched people gravitate to the security industry where they are given basic training and a licence before being hired as casual employees. The Committee was told that 'some of these security firms are asking people to become a business in their own right. They contract their individual work, meaning that the security company feels no responsibility for them and no accountability when they get it wrong.'<sup>85</sup> The practice is becoming so widespread that the Ralph Review of Business Taxation proposed changes to identify those who in reality are 'employees' and not 'contractors'.<sup>86</sup> The Commonwealth Government has since introduced the Workplace Relations Amendment Bill 2000 which will clarify the distinction.

3.89 For mature-age males seeking full-time work, and particularly for those with limited training and work experience, casual work is often an alternative to unemployment when no permanent jobs are available. Sometimes taking casual work can lead to permanency. Some witnesses reported that many employers use casual employment to 'try out' potential employees before offering them more hours or full-time work.

3.90 The Committee was told in the course of the inquiry that job seekers, especially males need to be more accepting of casual jobs. As Mr Dear, from Mission Australia, said:

Quite often, the move towards casualisation is an attempt to have a work trial prior to hiring anyone. The difficulty that arises with mature age workers is—as we have heard from other speakers—that their culture is to look for permanent employment; they do not see casual employment as a way of participating in the work force in the long term. But what they are doing is marginalising themselves out of the option of participation in a selection process that is a growing phenomenon within the work force. I see that as a significant problem.<sup>87</sup>

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84 Maher, Transcript, p. 957.

85 D. Michel, Transcript, p. 61.

86 J. Ralph (chair), *Review of Business Taxation*, Canberra 1999, pp. 48–49, 286–294.

87 Dear, Transcript, p. 225.

- 3.91 An ABS survey on employment patterns found that 9 per cent of job seekers in casual work at September 1996, had progressed to permanent work in the *same* job a year later.<sup>88</sup> Almost 20 per cent who were in a casual job had progressed to a permanent job one year later. However, 25 per cent were no longer in any job at all.<sup>89</sup> Of those who had been in a stable part-time job at September 1996, a year later 18 per cent were in full-time work while 15 per cent were no longer working. Some 49 per cent remained in a stable part-time job.<sup>90</sup>
- 3.92 The ABS findings thus show that in many cases, ‘casual employment does not lead to a permanent job but rather is likely to result in a cycle of involuntary employment arrangements and insecure and irregular employment.’<sup>91</sup>
- 3.93 JobsEast told the Committee, ‘Older workers still value loyalty, stability, permanent work. We know...in fact, that is a thing of the past and...is not going to return.’<sup>92</sup> This dichotomy between expectation and reality causes many to continue to seek full-time work, reinforced by the financial disadvantages resulting from taking on casual work.
- 3.94 Although casualisation and part-time work are becoming more prevalent, the preference of many mature-age job seekers on benefits is for full-time rather than part-time or casual work. People wishing to work for two or three days a week face particular difficulties as a result of income tax on their earnings and the simultaneous withdrawal of benefits.
- 3.95 During the course of the inquiry the Committee was told that casual or part-time work for people on unemployment benefits could result in an effective marginal tax rate of 87c in the dollar when benefits reductions at the 70 per cent rate are added to taxation on wages.<sup>93</sup> Some calculated that any more than 12 hours work per week disadvantages them financially. The ACTU argued that there should be no withdrawal of benefits until weekly earnings reach \$250 (1999 prices) per week.<sup>94</sup> The new

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88 ABS, *Australians' Employment and Unemployment Patterns 1994-1997* Cat. no. 6286.0, October 1998, p. 7.

89 ABS, *Australians' Employment*, p. 37.

90 ABS, *Australians' Employment*, p. 24.

91 Kryger, *Casual Employment*, p. 2.

92 N. Stevenson, JobsEast, Transcript, p. 209.

93 M. Sutton, Transcript, pp. 43-44; A. Moran, Transcript, p. 67; P. Winzar, DFACS, Transcript, p. 125; D. Siemon, Brotherhood of St Laurence, Transcript, p. 176.

94 ACTU, Submission no. 136, p. 7; Transcript, p. 770. Similar comments from D. Nightingale, Transcript, p. 177; E. Hounslow, ACOSS, Transcript, p. 969.

taxation arrangements after 1 July 2000 will remove some of the disincentives for seeking casual or part-time work because of the change from a 20 per cent tax rate for income between \$5401 and \$20 700 to a 17 per cent range for income between \$6001 and \$20 000.

- 3.96 Even when mature-age job seekers are willing to accept part-time work, the Job Network provider may be reluctant to assist as the payment may not be sufficient for the effort involved. Ms Dorothy Foster told the Committee:

I have set up a business, but I still need a part-time job to keep my business going in the early stages. But none of the Job Network providers will help me search for a job. They do not get paid for it because I am on the NEIS scheme. They have wiped their hands of me. I am going out searching for my jobs constantly on my own. Somehow they could be helping me, but they can't.<sup>95</sup>

## Rural and regional unemployment and mobility of labour

- 3.97 In Australia, rural and regional unemployment rates remain significantly above the national average. It was argued to the Committee that the concentration of public and private investment in city areas provides a better explanation of the differences in employment levels than the claim that labour mobility is too low.<sup>96</sup>
- 3.98 The Albury-Wodonga ACC emphasised that many decisions affecting jobs in regional areas are made elsewhere. It cited one case where the Australian Taxation Office (ATO) asked local job providers to supply 50 highly skilled touch typists at one week's notice to work shifts starting from 6:00am. The ATO appeared not to be aware that the skilled people most likely to fill these positions would be mothers who preferred four or five hour shifts starting at 10:00am so they could be home when their children finished school. Another example given was that of local branches being governed by purchasing decisions made in head office. Local firms were denied an opportunity to tender as suppliers.<sup>97</sup>

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95 D. Foster, Transcript, p. 626.

96 Denniss & Watts, Submission no. 172, pp. 20-22.

97 Albury-Wodonga ACC, Submission no. 114, p. 18.

- 3.99 There are a number of possible reasons why some businesses are reluctant to relocate to rural and regional areas and in particular, to areas of high unemployment.<sup>98</sup> Other factors may include the physical infrastructure, transportation and communication systems, which may be less well developed, and employer preferences. Even if wages were substantially lower in regional areas, this may not be sufficient to attract employers, especially if the smaller pool of unemployed were to increase the difficulty of finding appropriately skilled employees.
- 3.100 Encouraging greater mobility in the labour force may reduce significant regional variation in unemployment rates. The South East ACC told the Committee that country regions tend to be ‘individual little island[s] with [their] own labour pool. People do not move between towns.’<sup>99</sup> Others may move from cities to regional areas because they believe the cost of living will be lower and they may wish to try something different.<sup>100</sup>
- 3.101 The movement of some unemployed people inter-State or from rural areas to a city will not necessarily result in improved overall employment rates. Even within large urban areas there are already areas of high unemployment. It also could mean that economically depressed regional areas might suffer a further decline. Mr Richard Denniss and Dr Martin Watts argued that there will always be different unemployment rates across States as a result of ‘State specific’ factors—such as unequal levels of skilled workers and infrastructure.<sup>101</sup>
- 3.102 Mobility may not be in the best interest of older workers. Many find it difficult to move easily because their children are in schools or their spouses have jobs. They might not wish to give up their present lives to move to an unfamiliar city and an uncertain future. Mature-age workers could incur high adjustment costs, for example, by selling houses in regional areas and buying in more expensive urban centres.<sup>102</sup> Mature-age workers may also be more inclined than younger people to consider they have less to gain from moving because they are closer to retirement age.

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98 Denniss, Transcript, p. 943.

99 E. Unger, South East ACC, Transcript, p. 457.

100 R. Jenkins, Transcript, p. 500; L. Maciver, Transcript, p. 986.

101 Denniss & Watts, Submission no. 172, p. 10.

102 Jenkins, Transcript, p. 500; Maciver, Transcript, p. 986; Denniss & Watts, Submission no. 172, p. 9.

## Causes specific to mature-age workers

- 3.103 While the causes of unemployment discussed so far apply generally across the population, mature-age job seekers may face an extra barrier when they seek employment. They often find they are faced with age discrimination. Finding a job may take longer and be more difficult than they expected.

### Age discrimination

- 3.104 Mature-age unemployment is not just an Australian problem but an international one. As Professor Encel said:

It is a problem all over the world for people over 45, and it would appear now, increasingly under 45....The discrimination is particularly evident in relation to hiring—not so much in relation to dismissal or retrenchment. They are certainly discriminated against when it comes to applying for jobs and very much discriminated against when it comes to applying for promotion.<sup>103</sup>

- 3.105 There is certainly a strong perception among mature-age job seekers that age-specific barriers exist to their gaining employment. The Committee was told repeatedly that unemployed mature-age applicants are not given job interviews because of their age.<sup>104</sup> Some applicants said they do not put their age on their job applications for that very reason. Others, especially women, were told to ‘appear younger’ or at least look ‘up-to-date’.<sup>105</sup>

- 3.106 Several believed that they were given a job interview so that the hiring body could not be accused of discrimination. Ms Diane Michel claimed that older applicants with excellent qualifications are commonly subject to the full sequence of selection procedures yet fail to secure a job.

The effort, the cost and the time wasted in these fruitless applications is difficult to assess. It is painfully common for the older (and often better qualified) applicant to come second out of a large initial field—again and again.<sup>106</sup>

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103 Encel, Transcript, p. 22.

104 DEWRSB, Exhibit no. 63, p. 2; S. Heycox, NSW Department of Education & Training, Transcript, p. 3; A. O’Neill, Transcript, p. 140; L. Clark, Transcript, p. 144.

105 DOME Job Search Association, Submission no. 130, p. 2; McCabe, Transcript, p. 163.

106 Michel, Submission no. 85, p. 6.

3.107 Anecdotal evidence from a number of witnesses attests to the discrimination mature-age job seekers face when seeking paid employment. Some believe employers screen out any applicant over 40, especially if the people involved in hiring are considerably younger. Others stated that firms seek to maintain a 'young' image and therefore concentrate on hiring young people.<sup>107</sup> As JobQuest said in its evidence: 'Quite often the employers are not intending to be discriminatory but they do stereotype and put people into boxes.'<sup>108</sup>

3.108 The Human Rights and Equal Opportunity Commission told the Committee that 22 formal complaints about age discrimination were lodged in 1999. The facts of the cases indicated that at least 10 were from workers over 45 years of age. The three most common complaints made in the 22 cases were:

- |  |                     |
|--|---------------------|
| Employment terminated because of age                                     | (4)                 |
| Not offered a job because of age—too old                                 | (4)                 |
| Not entitled to a redundancy or received reduced payments because of age | (4). <sup>109</sup> |

3.109 Negative attitudes among employers include thinking that the skills of mature-age job seekers are outdated and that older people are hard to train. Many employers believe mature-age people are technologically not competent.

There is a whole range of misconceptions about older workers, yet evidence from a number of countries across the world indicates that there are very real benefits in having a balanced work force....we should be aiming for a balanced work force, where we have older workers who can act as mentors for younger workers coming in and who provide a stable work force and who provide an example of good work habits for young people coming into the work force.<sup>110</sup>

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107 Mission Australia, Submission no. 110, Section 3, pp. 9–10; DEWRSB, Submission no. 142, pp. 34–36, Exhibit no. 63, pp. 1–2; S. Thomas, NSW Department of Education and Training, Transcript, p. 1; Encel, Transcript, p. 22; D. Golding, Transcript, p. 49; L. Davies, WA Department of Training and Employment, Transcript, p. 242; K. Ruttiman, Transcript, p. 557. Evidence in ABS, *Job search experience of unemployed persons* Cat. no. 6222.0, July 1998 also supports this finding. The Human Rights & Equal Opportunity Commission has similar evidence to its 1999–2000 inquiry into age-related discrimination. HREOC, *Age Matters*, Canberra May 2000, pp 19–43.

108 R. Hand, JobQuest, Transcript, p. 93.

109 HREOC, Submission no. 187, p. 1.

110 J. Milthorpe, Transcript, p. 690.



- 3.110 The Committee received evidence from a number of mature-age job seekers who felt totally dispirited about their ability ever to get paid work again.<sup>111</sup> Some had applied for up to 500 jobs and indicated to the Committee they were willing to accept any suitable position, even at lower salaries to those they had when retrenched.<sup>112</sup> Their plight is aggravated because some employers are reluctant to hire job seekers who are long-term unemployed.<sup>113</sup>
- 3.111 Evidence collected from a number of sources confirms that mature-age workers are being stereotyped. The 1994 report into employers' attitudes commissioned by the NSW Office on Ageing, revealed the age distributions in sampled organisations showed a sharp fall-off in the numbers of workers over 40. Many of these businesses assume a worker is old at 40 or 50 but 'unskilled and skilled blue collar workers were considered to be older at a "younger age".'<sup>114</sup> An interesting observation from the survey report was that respondents regarded it as very important that workers should fit the culture of the organisation. Respondents did not think older workers served the desire to convey a 'young, dynamic image' for the organisation as well as younger workers did.<sup>115</sup>
- 3.112 A phone-in was held by the Office of the Ageing and the Anti-Discrimination Commission (Qld) in June 1998 on anti-discrimination issues. Seventy-six per cent of the callers said they 'had experienced age discrimination in relation to employment'. Of these, '34% had been told by prospective employers they were too old; 16.5% were told by other employees they were too old' and 24% felt they were too old. Callers identified recruitment agencies as 'being a particular problem in this area'.<sup>116</sup> The report concluded that the phone-in supported the findings of Australian research into employment related age discrimination. Reasons given for the discrimination included:
- The company was trying to project a young image to sell its products.

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111 J. Holland, Submission no. 4, p. 1; M. Evans, Submission no. 13, p. 1; P. Walsh, Submission no. 20, p. 2; Submission no. 37; E. Gorringer, Submission no. 93, pp. 3-4; JobsEast, Submission no. 116, p. 15; B. Grummels, Transcript, p. 269; J. Dedman, SENSWACC, Transcript, p. 869.

112 M. Ryman, Submission no. 107, p. 14; R. Pattison, Submission no. 1, p. 1; J. Vinall, Submission no. 25, p. 1; G. Otway, Submission no. 42, p. 1.

113 BCA, *pathways to work: tackling long-term unemployment*, Melbourne, April 2000, p. 15.

114 NSW Government, Submission no. 128, p. 4.

115 NSW Government, Submission no. 128, p. 4.

116 Queensland Government, Submission no. 163, p. 7.

- Older workers would not be able to relate to the rest of the workshop.
- It would not be worthwhile investment to train older workers in the job, as they would not be around long enough.<sup>117</sup>

3.113 In 1999, the Shoalhaven ACC gave employers in its region a questionnaire and followed this up with focus groups. The employers identified that in 1999–2001, ‘some 2000 new jobs would be created in the Shoalhaven [area], and two-thirds of those would come from small to medium business.’<sup>118</sup> Although 61 per cent of employers felt they were not discriminating against mature-age workers<sup>119</sup>, only two per cent of the new jobs would go to the over-55 age group, which represents 14 per cent of the labour force in the Shoalhaven.<sup>120</sup> Employers were asked what age group they were prepared to employ. The survey found that only 18 per cent of jobs were going to those aged 45 and over.<sup>121</sup> Shoalhaven ACC concluded that mature-age job seekers ‘were identified as a very distinct disadvantaged group as far as potential job activity.’<sup>122</sup>

Table 3.4 Preferred age group for recruitment and selection of executives by industry sector

Industry Sector	20-30 years old	31–40 years old	41-50 years old
Education	0.0%	5.6%	94.4%
Government/Utility	0.0%	88.9%	11.1%
Business Services	3.8%	84.6%	11.5%
Health	4.2%	45.8%	50.0%
Manufacturing	5.6%	66.7%	27.8%
Information Technology	11.1%	69.4%	19.4%
Retail	13.5%	61.5%	25.0%
Banking/Finance	14.8%	81.5%	3.7%
Transport/Distribution	17.1%	63.4%	19.5%
Resources	17.3%	69.2%	13.5%
Hospitality/Tourism	29.7%	43.2%	27.0%
Construction	37.0%	50.7%	12.3%
<b>TOTAL</b>	<b>15.8%</b>	<b>61.7%</b>	<b>22.5%</b>

Source: Drake Executive Survey National Findings, October 1999, Submission no. 165, p. 6.

117 Office of Ageing and Anti-Discrimination Commission (Qld), *Age Discrimination Phone-in*, Anti-Discrimination Commission, Brisbane, 1999, p. 25. Similar views were expressed by the YMCA of Darwin, Submission no. 17.

118 M. Lay, Shoalhaven ACC, Transcript, p. 979.

119 Shoalhaven ACC, Submission no. 147, p. 17.

120 Lay, Transcript, p. 979.

121 J. Ashworth, Transcript, p. 979; Shoalhaven ACC, Submission no. 147, p. 18.

122 Lay, Transcript, p. 979.

- 3.114 Drake surveyed over 500 senior executives and human resources managers in 1999 about their age preferences when recruiting, retrenching and training executive staff. As Table 3.4 shows almost 62 per cent of firms select applicants from the 31-40 age group, while nearly 23 per cent prefer those in their 40s. None of the 500 respondents said they would choose managers and executives in their 50s. Up to 65% of respondents said those over 50 would be retrenched first.<sup>123</sup>
- 3.115 Age discrimination is more prevalent in banking/finance, public sector and business services organisations (accounting and legal firms). In banking and finance, 81.5 per cent prefer workers aged 30-40, while 3.7 per cent hire employees over 40. 'In legal and accounting firms, 84 per cent draw their executives from [the] 30-40 year-old pool.'<sup>124</sup>
- 3.116 While a common expectation might be that IT companies have a very young culture, Drake's research shows that the IT industry has a more balanced age profile than many of the other industry sectors.<sup>125</sup> Education is the one area where mature-age applicants are most strongly preferred with the health industry also showing a preference (50%) for employees aged 41-50, over each of the two younger groups.<sup>126</sup>
- 3.117 Drake's research shows that negative attitudes about older workers are widespread. About 70 per cent of Australian firms said they would retrench executives over 50 ahead of others because they saw them as inflexible and unwilling to change.<sup>127</sup> Negative attitudes about older executives refusing to reskill, however, are not proven since '86 per cent of senior workers are more than happy to take up training opportunities offered to them.'<sup>128</sup>
- The Australian Chamber of Commerce and Industry (ACCI) maintained that most employers do not have negative views about mature-age workers: their non-employment can be attributed to other reasons.<sup>129</sup>
- 3.118 Mr Mark Paterson, from ACCI, told the Committee that while anecdotal examples of employer discrimination against

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123 Drake Management Consulting, Submission no. 165, p. 1.

124 Drake, Submission no. 165, p. 3.

125 Drake, Submission no. 165, p. 3.

126 Drake, Submission no. 165, p. 4.

127 Drake, Submission no. 165, p. 4.

128 Drake, Submission no. 165, p. 4.

129 M. Paterson, ACCI, Transcript, pp. 856-57.

mature-age workers exist, there is no documented evidence of employers dismissing workers because of their age. Mr Paterson pointed out that it was not a ‘commercial, economic decision to merely displace someone to replace them with a younger person.’

There are no economic advantages; it causes disruption in the workplace; and there is no commercial benefit in undertaking that activity. Both because of the commercial side and because of the legislative protections that exist there, I do not see substantive evidence of that.<sup>130</sup>

3.119 Mr Paterson went on to say that most employers, if asked, would say they prefer younger employees because of their technological experience and their willingness to embrace change. ‘We all see technology dramatically changing the way we undertake our businesses. If you have a cohort of employees that is...more actively able and more actively willing to embrace change, then you can understand those positive attitudes.’<sup>131</sup>

3.120 To some extent, this view is reinforced by the media and by advertising. As Ms Kathleen Boyne, from the South East NSW ACC, pointed out:

...they [employers] are getting educated by the media, by the TVs, seeing young people in traineeships; the prospective employees are young people who are doing the traineeships and apprenticeships. I have not seen anything on TV that has shown older people as prospective employees.<sup>132</sup>

3.121 Sydney University ACIRRT case studies (1995) in five different industries verify that employer perceptions of mature-age workers are tempered by factors other than age, such as the structure of the industry and the industry labour market.<sup>133</sup>

Policy development will therefore need to reflect not only the identified segments of the mature and older age labour market but also the realities of different patterns of management and different business objectives in different industry sectors.<sup>134</sup>

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130 Paterson, Transcript, p. 854.

131 Paterson, Transcript, p. 854.

132 K. Boyne, Transcript, p. 873.

133 R. Pickersgill et al, *Productivity of Mature and Older Workers: Employers’ Attitudes and Experiences*, ACIRRT, University of Sydney, 1996, p. 52.

134 Pickersgill et al, *Productivity*, p. 52.

3.122 The Committee accepts that it is difficult to know with certainty the extent to which younger candidates are preferred to mature-age job seekers and the reasons for this preference. It is aware that other factors such as currency and relevance of skills may influence employers in their attitudes about employing mature-age workers. Another factor may be the attitudes of some mature-age job seekers. Mr John Ashworth, from the Shoalhaven ACC, referred to some people becoming socially isolated and taking on 'the habit of not working'.<sup>135</sup>

They will not make the first step. They do not know that they are needed. They do not know that somebody wants their skills and their time and their effort. They just do not realise that. They have got into the habit of not being wanted by an employer and, therefore, perhaps not being wanted by the community.<sup>136</sup>

3.123 It is important that these mature-age job seekers be given the support services available under Intensive Assistance so they can be assisted back into the workforce. This help should be available to them from the moment they become unemployed. Witnesses told the Committee that early intervention is best, as delayed assistance can result in these mature-age workers becoming long-term unemployed.

3.124 Employers need to consider, when recruiting employees, that mature-age workers may still have many years of working life ahead of them. Improvements in health have both increased average life spans and made later retirement possible for more people. Recruiting and training a mature-age person can be a very good investment for a firm. As Professor Encel explained:

...if you train a 25-year-old in cutting edge technology, what you actually do is make him or her more mobile. So the guarantee that they will stay with the firm that trained them is very thin, whereas people over the age of 50 are concerned that they may lose their jobs and they are likely to be much more stable. Once they are trained, they will stay with the firm that trained them and they will stay for as long as the firm will let them.<sup>137</sup>

3.125 Companies are beginning to recognise that corporate knowledge is crucial to their competitive success. However,

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135 J. Ashworth, Transcript, p. 983.

136 Ashworth, Transcript, p. 983.

137 Encel, Transcript, pp. 24, 28. Dr Brooke makes a similar comment based on her research. L. Brooke, Submission no. 181, p. 4.

Mr Chris Meddows-Taylor from Drake offered the view that CEOs may replace older executives with younger ones in order to persuade their shareholders that the company is being revitalised. This approach may not have much impact on astute investors.<sup>138</sup> 'Investment analysts are increasingly looking behind the quick-fix solution and wanting to assess the depth of knowledge, talent and wisdom in a company as well as the strategies to develop these things.'<sup>139</sup>

- 3.126 Where there is perceived to be a lack of experience among senior managers, interim managers with high-level management expertise may be brought in. The Committee was told this is a growing practice in Australia since the late 1990s. Interim managers are being recruited from those over 50. 'Put simply, companies are starting to realise the immense potential interim managers can offer.'<sup>140</sup> The practice is widespread in North America and very popular in New Zealand where they are known as 'contracting executives'.<sup>141</sup>
- 3.127 In Australia, a number of personnel agencies such as Drake Executives have started interim management divisions, recruiting from former executives no longer in full-time employment. These may have been retrenched or have retired. For their part, the interim managers welcome the income, the flexibility, and the challenge of a 'new' career. In return, the firm secures experience, expertise, a fresh approach and someone free from 'company politics', and able to concentrate on the short-term task at hand, with full accountability. The interim manager brings transferable skills to the specific task and frees the permanent staff to concentrate on their own duties. The company does not have to negotiate a package with superannuation or share options. The interim manager leaves when the project is completed.<sup>142</sup>
- 3.128 The scope and impact of this form of employment in Australia are not yet fully researched and warrant further examination.

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138 C. Meddows-Taylor, Drake, Transcript, pp. 680–81, 683.

139 Drake, Submission no. 165, p. 2.

140 Drake, Submission no. 165, p. 2.

141 L. Springall, 'Contracting Becomes a Habit as Executive Leasing Booms', *Independent Business Weekly*, 15 September 1999, p. 32

142 J. Boyle, 'Roll Up, Roll Up, We've Got the Right Executive for You', *Australian Financial Review*, 12 May 1999, p. 21; A. Gore, 'Labour hire: The edge is in the contract', *Business Review Weekly*, 2 November 1998, pp. 50–54.

## Impact of government policies

- 3.129 All governments have the minimisation of unemployment through the creation of employment opportunities as a key policy objective. There is broad agreement that sustained economic growth is vital both to national welfare and to achieving the employment objective. In order to obtain the desired level of growth it is necessary to maximise economic efficiency and international competitiveness. In pursuing sustainable economic growth through the modernisation of the economy, some government policies such as tariff changes, competitive neutrality and the downsizing of the public sector, can result in unemployment, at least in the short-term. In the longer term, however, a more efficient and competitive economy will create new employment opportunities.
- 3.130 As with the removal of barriers to international trade, greater exposure to competitive forces places pressure on some Australian firms to become more efficient. A consequence of increased competition is job loss for some employees. The effect may be particularly pronounced in some regions and for some age groups.
- 3.131 The unemployment rate has also been affected by downsizing in the public sector, outsourcing of various public activities, and the corporatisation or privatisation of major public activities such as electricity companies, various rail companies and the administration of the airports. Many of the job losses have occurred in regional areas. So great has this change been that, for instance, the ACT is no longer predominantly a public servant city, although the Federal Government continues to be the largest employer. As the ACT Chief Minister said:

In the early nineties, 60 per cent or just over 60 per cent of Canberrans worked in the public sector; now 60 per cent work in the private sector. So the move from 60:40 has been extraordinarily quick for a city of 310,000 people.<sup>143</sup>

## The Job Network and service providers

### What is available

- 3.132 Up until 30 April 1998, a range of quite specific employment, training and wage subsidy programs operated in Australia, directed at eligible unemployed job seekers. These programs, dating from the late 1980s, were expanded under the Working

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143 Chief Minister, Transcript, pp. 473–474.

Nation initiative in 1995 to target long-term unemployed people and were administered by the Commonwealth Employment Service (CES). According to DEWRSB, a 1996 evaluation found that many of these programs were not very effective in terms of employment outcomes.<sup>144</sup>

- 3.133 Job Network 1 was introduced in May 1998 as a major labour market assistance reform.<sup>145</sup> As of June 2000, under Job Network 2, there are approximately 200 Job Network providers in over 2000 sites. Some 250 localities have access to a Job Network provider for the first time.<sup>146</sup> Six employment services are available under Job Network:

**Job Matching:** delivering labour exchange services to job seekers. It includes canvassing for jobs, matching and placing suitable unemployed people in these jobs, as well as preparing resumes for job seekers.

**Job Search Training:** providing assistance in job search techniques (resumes, interview techniques, presentation) to prepare unemployed people applying for jobs.

**Intensive Assistance:** providing individually tailored assistance to eligible job seekers who are more disadvantaged in the labour market.

**New Enterprise Incentive Scheme (NEIS):** providing support and training for eligible job seekers who wish to pursue the option of self-employment.

**Project Contracting (Harvest Labour Services):** supplying labour in regions that require considerable numbers of out-of-area workers to supplement the local labour force in order to harvest crops.

**New Apprenticeship Centres:** providing integrated and streamlined apprenticeship and traineeship services at 'one-stop-shops' to employers and job seekers. [from 1 December 1999, New Apprenticeship Centres operates outside of Job Network.]<sup>147</sup>

- 3.134 Mature-age job seekers with particular needs may be able to choose Job Network providers who specialise in tailoring assistance to them. Almost 30 per cent of Job Network members provide services to disadvantaged job seekers and some include mature-age job seekers among this group.<sup>148</sup> Around 2.2 per cent of Job Network providers specialise in services for 'mature

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144 DEWRSB, Submission no. 142, p. 61.

145 It should be noted that most of the evidence received by the Committee in this inquiry relate to Job Network 1.

146 Minister for Employment Services, *Job Network 2—Open for Business*, Media release AES13/00, 25 February 2000.

147 DEWRSB, Submission no. 142, pp. 61–62.

148 DEWRSB, Submission no. 142, p. 62.



workers'. In early 1999, about 230 000 unemployed job seekers received Intensive Assistance, including at least 50 per cent of registered unemployed benefit recipients aged 45 and over.<sup>149</sup>

- 3.135 Eligibility for most Job Network services is determined by Centrelink. Job Matching is available to those job seekers who are not working more than 15 hours a week and who register as unemployed with Centrelink. Eligibility for Job Search Training, Intensive Assistance and NEIS is more tightly defined with the aim of ensuring that the assistance is directed to those most in need.
- 3.136 Centrelink uses the Job Seekers Classification Instrument (JSCI) to identify eligible job seekers at 'high risk' of long-term unemployment so they may access Intensive Assistance. Others may be offered Job Search Training 'if the assessment indicates that they are job ready but lack job search skills, networks or motivation.'<sup>150</sup>

### Problems raised concerning service providers

- 3.137 Some evidence presented to the Committee expressed dissatisfaction with the new arrangements. The Committee was concerned to hear claims that Centrelink and some Job Network providers may not be fully meeting the expectations of mature-age clients. Problems raised included misinformation being provided, a lack of feedback, and the outcomes focus of Job Network providers.<sup>151</sup> The break-up of the centralised Commonwealth Employment Service (CES) in 1996 into smaller, competing organisations, according to some witnesses, may have reduced information sharing to the detriment of job applicants. These experiences were in relation to Job Network 1, since Job Network 2 did not start till March 2000, after most of the inquiry evidence was collected.

### Client and provider communication

- 3.138 Many witnesses indicated that without any service support they find it expensive and difficult to apply for work.<sup>152</sup> One widely

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149 DFACS, Submission no. 115, p. 13.

150 DEWRSB, Submission no. 142, p. 62.

151 SA DOME, Submission no. 36, p. 5.

152 D. Golding, Transcript, p. 40; M. Sutton, Transcript, p. 44; M. Archibald, Transcript, p. 222; A. Dawe, Transcript, p. 442. The Commonwealth Ombudsman indicated that 51 per cent of complaints received in the Office were about Centrelink, a 10 per cent increase on 1997-98. Commonwealth Ombudsman, *Annual Report 1998-1999*, Canberra 1999, p. 28.

held view was that job seekers cannot register with Centrelink if their partners work or if they have large savings, redundancy payments or assets. This had been a previous policy which was amended in July 1998. Many of these job seekers therefore do not go to Centrelink to see if they are eligible because they do not realise that assessment is on a sliding scale. They certainly have access to the self-help and touch screen facilities and may qualify for some assistance.

- 3.139 When the Committee informed witnesses that they were disadvantaging themselves by not registering immediately on retrenchment, as it denied them access to a whole range of services, they often felt that they had been misled since these services were not advertised sufficiently. Nor had they been advised of such by their former employers. Others told the Committee they found out about these services by chance or by word of mouth.<sup>153</sup>
- 3.140 Many mature-age job seekers do not understand that if they are not entitled to the full support of Job Search Training or Intensive Assistance, then they are expected to use the self-help provisions. However, these provisions are not always obvious to newcomers, especially those not familiar with touchscreens. Centrelink has told the Committee that signage has been improved during the course of the inquiry and software has been added to make the process more user-friendly for clients.<sup>154</sup>
- 3.141 One criticism echoed by Mr Kenneth Mason was that staff provided misleading or incomplete information.<sup>155</sup> Some believed the counter staff or those at the first point of contact are too young and with limited understanding of, or sympathy for, what unemployed mature-age job seekers undergo after being retrenched from long periods of employment.
- 3.142 Others expressed the frustration at having to constantly provide their personal details and work history each time they visit the service provider.<sup>156</sup> Variations on the comment 'Why can't this be on computers so that the information can be called up and updated when I come?' were heard. Some wanted to know why

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153 Moran, Transcript, p. 73.

154 Centrelink, Submission no. 167.1, p. 4.

155 K. Mason, Transcript, p. 74.

156 Mason, Transcript, p. 70; N. Buchanan, Transcript, pp. 230-31; B. Mortlock, Transcript, p. 927.

they could not be assigned a case manager so they could develop trust and rapport.<sup>157</sup>

- 3.143 Those who were assigned a case manager often felt that their expectations based on the Centrelink documents were not met.

‘We’ll phone you,’ they said and yet they never, ever phoned. ...I figured I was worth more than \$200, but maybe not the ten grand, which is the absolute max. I found out I am worth just under six grand to somebody and that \$1200 was paid the day [the Job Network provider] saw me. He was paid for what? For 40 minutes to tell me, ‘I’ll call you,’ and for 12 months never to contact me again. I do not believe in your intensive assistance.<sup>158</sup>

- 3.144 Mr Bryson Dyke expressed it thus: ‘Everything is in square boxes, and if you don’t quite fit in a box you are in trouble.’<sup>159</sup>

#### Feedback on job applications and interviews

- 3.145 Chapter 2 describes the psychological effects of unemployment on mature-age workers, particularly long-term unemployment. Feelings of frustration are obviously magnified when job applicants do not get adequate feedback.

- 3.146 Many witnesses spoke with anguish of not even receiving feedback on their job applications or interviews either from the employer or from Centrelink. They were uncertain as to why they failed to secure the job and could not amend their application so as to be more successful next time. Some blamed the Job Network providers. As Mr Mason stated: ‘I got three interviews through them. You submitted your name, but you did not know whether they had submitted the application further on or whether they said, “Oh yes, there is another name, we will just put it down”’.<sup>160</sup>

- 3.147 One witness, Mr Alan Moran, reflected the frustration of many:

...if you have got this far through life, you have got to have picked up something and that something has got to be of some value but it does not appear to be.<sup>161</sup>

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157 J. Costin, Transcript, p. 41; Moran, Transcript, p. 72; Mortlock, Transcript, p. 927. Centrelink subsequently advised the Committee that case officers have now been assigned. L. Bourke, Transcript, pp. 950–951.

158 Buchanan, Transcript, p. 231.

159 Dyke, Transcript, p. 646.

160 Mason, Transcript, p. 70.

161 Moran, Transcript, p. 73

### Job Network providers and the focus on outcomes

- 3.148 A dilemma for governments in designing labour market programs is whether to focus on ensuring the provision of specific services, which are important to the needs of the unemployed, or whether to place the focus of government on the achievement of outcomes and leave decisions about the appropriate delivery of services to service providers.
- 3.149 In the past, labour market programs have tended to focus on the right of every eligible client to receive assistance. The outcomes from this approach were often uneven especially as there was a tendency with some deliverers to focus on the process. In an effort to move away from this, both Job Network 1 and 2 have placed the emphasis on outcomes. The processes by which the outcomes may be achieved are the concerns of the Job Network providers and their clients only. Evidence presented to the Committee would indicate that Job Network 1 providers did not always get the balance right.
- 3.150 The former labour market programs, administered by the former CES, were evaluated by the Department of Employment, Education, Training and Youth Affairs in 1996. The programs were assessed as not very effective since participants 'were often placed in [programs] in order to achieve placement targets rather than employment outcomes.'<sup>162</sup> The program outcomes for unemployed people aged 55 to 64 were also disappointing.<sup>163</sup> Hence in 1998, these programs were replaced by Job Network and the rest of the CES functions went to Centrelink.
- 3.151 When employment services to unemployed people were privatised, substantial changes occurred to the services provided. ACOSS spoke of its disappointment at some of the changes which were introduced with Job Network, as they considered that many good features of the former programs were discarded. ACOSS believes the experience of the Job Network 1 programs in 'going almost completely away from process and looking only at outcomes has been at the cost of some of those things and that...the balance is not right.'<sup>164</sup>
- 3.152 Several witnesses commented on the way the Job Network 1 program is organised.

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162 DEWRSB, Submission no. 142, p. 61.

163 DFACS notes that the 1990–91 recession needs to be taken into consideration since it may have affected the program outcomes. DFACS, Submission no. 115, p. 12.

164 D. Thompson, ACOSS, Transcript, p. 974. Similar views were expressed by DOME Job Search Association (Qld), Transcript, p. 565.

From a conceptual point of view, I have real problems with assuming that the current system will work efficiently; not profitably—it might be profitable, but whether that is efficient or not we do not know. And the lack of data means that we are really all just talking in circles.<sup>165</sup>

3.153 In some areas where few private sector providers tendered for contracts, Employment National and other non-profit-making agencies fill the vacuum. Several witnesses commented on being ‘parked’ instead of being assisted to find work, implying that the funds they generated for the agency were being used to help others rather than themselves.<sup>166</sup> The argument made was that Job Network providers concentrate on those they are most likely to place in order to generate funding. Mission Australia explained that competition has made it difficult to provide all the necessary services because ‘a floor price system is being introduced and the general market is not going to move above the floor price because they fear they will not be competitive with other providers.’<sup>167</sup>

3.154 DEWRSB reported that its internal December 1999 review confirmed that Job Network providers are performing well according to the code of conduct each provider undertakes to uphold, and unemployed job seekers are being found jobs.<sup>168</sup> However, the Australian National Audit Office (ANAO) voiced some caution. Following its 1999 audit of Job Network 1 contracts, the ANAO concluded that:

... there are a number of difficulties in comparing employment services assistance under the Job Network with that provided under previous arrangements. Nevertheless, comparisons that the ANAO was able to make during the audit indicated that, in broad terms, the Job Network affords better value for money than previous employment assistance arrangements. Job Search Training provides similar employment outcomes to an earlier comparable program, but at a much reduced cost per outcome. Intensive Assistance is providing similar employment outcomes at a comparable cost per outcome

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165 Denniss, Transcript, p. 948.

166 Mason, Transcript, p. 70; A. Powers, GROW, Transcript, p. 104; T. O’Dwyer, GROW, Transcript, p. 105; D. Neilson, Transcript, p. 228; Buchanan, Transcript, pp. 230–31; J. Taylor, SA Dept of Education, Training & Employment, Transcript, p. 341; Mortlock, Transcript, p. 927.

167 Richardson, Transcript, p. 89.

168 See Chapter 4 for a full discussion of Job Network providers and the review.

to previous arrangements, but is targeting clients from more disadvantaged groups.<sup>169</sup>

- 3.155 Many of those Job Network 1 providers who were not adequately assisting their clients were unsuccessful in the second tender round which had a weighting for proven performance.<sup>170</sup> Declarations of intent were lodged as part of the second round tender and these have been incorporated into the actual contracts. DEWRSB is encouraging successful Job Network 2 providers to display these declarations prominently so clients are aware.

### Financial constraints of job seeking

- 3.156 The hardship of unemployment is compounded by the cost of seeking work. This financial burden itself can become yet another hurdle in the path of the committed job seeker. Some people could not attend the Committee's inquiry hearings because they could not afford the cost of travel.
- 3.157 The cost of phone calls, stationery, photocopying and postage can be quite a financial burden.<sup>171</sup> Unemployed people have limited financial resources. For many the cost of job searching is quite high, especially if they do not or cannot access Centrelink facilities. Those on various labour market programs are obliged to make a minimum of ten applications per fortnight.<sup>172</sup>
- 3.158 For many, the lack of transportation presents a difficulty—whether it be the high cost of petrol, the long distances to be travelled, the lack of public transport or the expense of fares. This is especially so when the jobs available in newly developed industrial sites are away from established public transport routes and established suburbs. Most find their benefits are inadequate to cover these transport costs.<sup>173</sup> Those not on benefits cannot receive job search travel concessions.<sup>174</sup>
- 3.159 Such costs are not unique to mature-age job seekers but have to be borne by all the unemployed. However, the mature-age job

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169 ANAO, *Management of Job Network Contracts*, Audit Report no. 44, 16 May 2000, p. 20.

170 This weighting was around 55 per cent. Pratt, Transcript, p. 911.

171 ADD Employment, Submission no. 19, p. 2.

172 Recently policy has changed so that people on benefits are more restricted in their ability to decline job offers. Reference Group on Welfare Reform, *Participation Support for a More Equitable Society*, March 2000, pp. 55–57

173 Hounslow, Transcript, pp. 973-974.

174 The Committee is aware that some unemployed witnesses could not afford to attend public hearings, even when the Committee had journeyed to nearby regions.

seeker may have additional financial obligations such as mortgage payments, dependent children and aged parents. These people cannot easily re-locate to find work.

## Conclusion

- 3.160 The causes of unemployment are complex. The labour market, in reality, consists of many markets, differentiated on the basis of skills and geographical location. This is reflected in the wide range of unemployment levels in different parts of the nation, and in the fact that skills shortages can exist at the same time as many are unemployed.
- 3.161 The contribution to unemployment of factors such as technological change and the lowering of barriers to international trade is also not simple. There are uneven effects on different industries and in different regions, and the short-term and long-term effects differ as well. There is little doubt, however, that the adoption of technological advances and improving the international competitiveness of Australian industry is a necessity. The challenge is to manage the process of change in a way that minimises the negative effects and enables those whose jobs are made redundant to find re-employment as quickly as possible. The need for access to appropriate re-training is, of course, crucial.
- 3.162 There is a noticeable tendency towards the casualisation of the workforce and towards part-time work. While this may suit some people, many mature-age people, especially men, would clearly prefer full-time work.
- 3.163 A strong perception exists among mature-age job seekers that age-specific barriers hinder their prospects of gaining re-employment. The Committee heard evidence pointing to the existence among some employers of negative attitudes to mature-age workers. Some think that the skills of mature-age job seekers are outdated and that older people are hard to train. Others believe older people are technologically not competent. Neither of these are accurate perceptions when applied to all mature-age job seekers.
- 3.164 The Committee received complaints about the nature of Job Network and how it operates. A fundamental issue is whether, and to what extent, the Government should focus on ensuring the

delivery of specific services to the unemployed, or whether the focus should be on the achievement of outcomes. Obviously, outcomes and how they are achieved are both important. This matter is considered in Chapter 4. The complaints about the operation of Job Network related to Job Network 1. A number of those complaints have been taken into account in Job Network 2, which came into existence in March 2000.

- 3.165 Chapter 4 also discusses possible solutions to many of the issues raised in this chapter and presents the most of the Committee's recommendations to help mature-age workers.