

Submission to:

Inquiry into issues specific to older workers seeking employment, or establishing a business, following unemployment

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It is the contention of this submission that the disadvantage experienced by older workers in the employment market is less attributable to the qualities of the candidate than to **external factors**: -

1. The concerns of the middle manager as recruiter,
2. Business reporting cycles, and
3. Inherent disincentives in the corporate tax regime.

The offer of training to victims of such structural unemployment is a supply side measure and largely irrelevant. The primary solution must lie in non-coercive demand side measures.

It is further argued that corporate **employment performance** is readily measurable and that a scheme based on such measurement of employment performance can be constructed **with incentives** to have the following **direct benefits**:-

1. Better opportunities for disadvantaged job seekers,
2. Increased recruitment of permanent and permanent part time employees rather than casuals,
3. Increase capital for start-up businesses,
4. Incentives to reorganise rather than close loss making sections of existing operations.

The **indirect benefit** of these policies will be increased tax revenues (company and personal taxes combined) and reduced welfare costs.

External factors prejudicing the employment of older workers.

- **The individual recruiter** – The individual recruiter is the person who causes and can relieve disadvantage in the employment market. It is in the interest of the individual recruiter / manager to make a safe decision rather than a risky one, which could open them to criticism within their peer and assessment groups. **The choice of an older worker can never be career positive for the manager.** The best outcome for the manager; if the position is filled satisfactorily the position itself will be viewed as a low prestige role and the status of the manager will also be reduced. If the older appointee has a day of sickness it will be judged a bad appointment and reflects on the manager. In comparison, the absence of a parent attending a sick child is seen as “family friendly” and the “inevitable” cost of complying with EEO legislation.

The individual recruiter is typically a middle manager and very aware that one adventurous move, could place them on the wrong side of the interview table.

- **Business reporting cycles** – Recruitment and investment decisions made by both senior and middle managers are not directly oriented to the benefit of the business for which they work. They are focused on career advancement, it is assumed that this will be beneficial to the business. It is not untypical for a manager to have his key performance indicators distilled to “make 20% on capital employed and don’t get sued.”

The budget session for a department works thus. Last year we made \$1 million, **how do we make \$1.2 this year when the market offers little natural growth? Easy, sack six people.** *The alternative, we borrow another million from head office, employ another six people and before meeting HO's cost of capital we have to make not \$1.2 but \$1.4 Million, oh, and it will take two years to pay off. You've got to be joking!* (Translation:- Play safe and I will get promoted this year. Even if the future of the business depends on the long term project, the bunny who runs it will be out the door before it is delivered and his successor will get the promotion, if he's lucky)

- **The Corporate Tax Regime** – Company tax is broadly indifferent to the origin of profits. Accelerated depreciation barely reflects real world depreciation policies of many companies, particularly for computer systems. For a company on a growth trajectory which is already profitable it is essential to harbour all possible cash flow to core objectives and tax liabilities.

Older workers can contribute to the main stream a business, but are disadvantaged by the inherent perceptions of modernity, status and progress, identified by managers and discussed above. Tight cash flows deny the business the “luxury” to use the specialised knowledge of older workers in other non-core areas. This humane and often profitable management technique is no-longer popular or practical.

Employment performance measurement

The number of employees engaged by a business is one of the most readily measurable features of that business. Even in an era of casual labour, the wages are paid. Such activity is far more easily measured than company profits.

Elements of a Demand Management scheme

Employment performance transcends mere numbers. Any scheme that will usefully address the impediments to demand for older workers identified in the preceding paragraphs will require real measurement of employment performance and a method of weighting to promote the integration of disadvantaged workers into the private sector workforce. Accompanying this document is submission 41 to the “Ralph” Review of Business Taxation. It incorporates a developed model of weighted employment “Points”.

An effective scheme requires a balance of incentives and disincentives. Integral to the “Employment Points” proposed to the Ralph Committee was a **disincentive**. It was suggested that businesses with Points lower than the preceding year would incur the disallowance as a tax expense of payments to individual staff/directors exceeding an arbitrary figure. \$100,000 was suggested.

The **matching incentive** proposed was that a business achieving excess Points, (growing employment and serving the community) should be able to trade its points with a company having a shortfall, for cash or other consideration.

Example 1: A bank manager, who today might reject a request for an overdraft from a start up business. With employment Points, he would be able to include the start-ups Points as part of the investment package increasing the attraction of the investment and those points would facilitate the achievement of Points required by the bank.

Example 2: A manager criticised for employing a disadvantaged worker, could justify the decision by the Points flowing from the decision. A far more substantial argument that “he needed the job.”

The establishment of measurable employment outcomes has utility beyond the immediate issue. Australian Governments have a history of announcing agreements with foreign companies that were to yield significant numbers of jobs. These have often failed to achieve the stated employment objectives and in the absence of an agreed measure have proved unenforceable. The public now place little faith in such announcements.