

26. April 2005

Senator Steve Hutchins
Chair
Senate Foreign Affairs Defence
& Trade References Committee
Suite S1.57
Parliament House
CANBERRA ACT 2600


Dear Senator Hutchins

I am pleased to present Ingeus' submission to the Committee's Inquiry into Australia's Relations with China. The Ingeus Group of Companies welcomes the opportunity to provide input to the Inquiry and I thank the Committee for the extension of time granted to make this submission.

If you have any queries regarding this submission, please do not hesitate to contact myself or Vanessa Taylor, International Research & Development Manager on 07 3405 9817.

I look forward to following the progress of the Committee's inquiry.

Yours sincerely



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Submission to the Senate Foreign Affairs Defence and Trade References Committee Inquiry into Australia's Relations with China

The Ingeus Group of Companies welcomes the opportunity to provide a submission to the Committee's inquiry into Australia's relations with China. This submission focuses on the following terms of reference:

- (a) Australia's economic relationship with China with particular reference to:
 - iii. The Australia-China Trade and Economic Framework and possibility of free trade agreement with China;

- (b) Australia's political relationship with China with particular reference to:
 - ii. Opportunities for strengthening the deepening political, social and cultural links between Australia and China.

Executive summary

POSITIVE PROGRESS

Ingeus considers the overall thrust of the Trade & Economic Framework to be positive. In particular, focus on the development of the Central and Western regions in China is encouraging. In addition, increased cooperation in relation to labour services as identified by the Annex to the Framework is of vital importance to the development of the labour market and social welfare in China.

RECOMMENDATIONS FOR POSSIBLE FTA NEGOTIATION

In relation to the possibility of a free trade agreement with China, Ingeus reaffirms and supports the need for any future Free Trade Agreement with China to address and include the following:

- Liberalisation of services sector (in particular, inclusion of all forms of human resource services such as recruitment, vocational training, OH&S and return-to-work services);
- Enhancement of cooperation in matters of labour services;
- Reciprocal measures and arrangements for the exchange of personnel with working visas; and
- Protection of intellectual property rights.

STRENGTHENING AUSTRALIA'S LINKS THROUGH DEVELOPMENT

Australia's most significant opportunity for strengthening the deepening political, social and cultural links with China is through our development strategy. A partnership at all levels with China that transfers knowledge and skills and addresses, amongst others, the significant issues of poverty reduction and human development.

Overview of Ingeus

Ingeus is an international provider of return to work services committed to making a real difference - in the lives of the individuals who entrust us with the challenging task of securing their future livelihood, as well as for the communities we operate within.

Our objective is to return the maximum number of job seekers to real, sustainable jobs, in the shortest possible timeframe.

<p>Over 65,000 unemployed job seekers currently participate in our return to work programmes worldwide per annum.</p>	<p>More than 900 creatively intelligent individuals form dynamic professional teams, actively focussed on getting people into sustainable work.</p>	<p>We partner with Government and the Public Employment Service to develop innovative solutions and apply learnings from our international experience.</p>
<p>In France we are delivering a pilot programme focussed on early intervention with 3+ month job seekers. We will assist 6000 people over 2 years into work.</p>	<p>As a major provider of Employment Zones in the United Kingdom we aim to work with 30,000 unemployed job seekers over 5 years.</p>	<p>Our UK operation also delivers the largest single New Deal for Disabled People programme in Birmingham, as well as New Deal in London.</p>
<p>In Australia we are a major contractor within the privatised JobNetwork, working to place a 7% share of the 420,000 unemployed. We deliver the full range of integration services from 31 locations.</p>	<p>Our effectiveness in achieving real, sustainable jobs in Australia resulted in contracts for 11 new labour markets in the last tender round.</p>	<p>Services not only focused on welfare-to-work but also pre-employment assessments and training, ongoing wellbeing and career development.</p>



THE INGEUS GROUP DELIVERS SERVICES THROUGH SPECIAL-PURPOSE SUBSIDIARIES:



Provides recruitment services in: labour hire, office and administration (permanent and temporary), technology and IT, corporate and executive.



Provides exceptional management training, nationally recognised training and traineeships.



WorkDirections Australia

Provides employment services, as part of the Job Network, and provides resources and support to assist individuals move ahead through specific programs, such as the Personal Support Program and Transition to Work.

WorkDirections UK

Provides welfare-to-work services as part of the Private Sector Led New Deal, Employment Zones and New Deal for Disabled People programs.



Ingeus (France)

Delivers employment services on behalf of the French employment service (ANPE) in the regional cities of Lille and Rouen. A two year pilot program commenced in February 2005 to secure real, sustainable jobs for people who are 3+ months unemployed.

THE AUSTRALIA-CHINA TRADE AND ECONOMIC FRAMEWORK AND POSSIBILITY OF A FREE TRADE AGREEMENT WITH CHINA

The Trade and Economic Framework was signed by both countries in October 2003 and sets the direction for the future development of the strong and rapidly expanding trade and economic relationship between Australia and China. DFAT considers the practical measures and co-operative activities contained in the Framework will make it easier to do business with China and provided for closer government-government, business-business and people-people linkages.

POSITIVE PROGRESS

Ingeus considers the overall thrust of the Trade and Economic Framework to be positive, in particular:

- The liberalisation of the services sector, particularly the enhancement of cooperation in matters of labour services;
- Acknowledgement of the need for measures to facilitate work and business visas;
- Acknowledgement of the need for protection of intellectual property rights; and
- Focus on the development of the Central and Western regions in China;

As the Committee would be aware, the Trade and Economic Framework included a commitment to undertake a joint feasibility study into a possible free trade agreement (FTA) between Australia and China. At the time of preparing this submission, the Report of the Joint Feasibility Study of the Chinese and Australian Governments has only just been released. Ingeus is now considering that report, particularly as it pertains to trade in services and would request the ability to make a supplementary submission to the Committee if necessary.

In any case, Ingeus welcomes the statement by DFAT in its submission to the Committee that “Advice to date suggests that a possible FTA with China should aim to be comprehensive (covering goods, services and investment) and seek to address both Chinese tariffs and behind the border issues (such as transparency of administration and intellectual property enforcement) that impact on trade and investment, while at the same time being sensitive to the possible domestic employment and income impacts”.¹

Identified below are a number of issues that Ingeus supports and recommends be included in and addressed in the context of any future FTA.

RECOMMENDATIONS FOR POSSIBLE FTA NEGOTIATION

Ingeus reaffirms and supports the need for any future Free Trade Agreement with China to address and include the following:

- Liberalisation of services sector, particularly the inclusion of all forms of human resource services such as recruitment, vocational training, occupational health and safety and return-to-work services.
- Continued enhancement of cooperation in matters of labour services;
- Reciprocal measures and arrangements for the exchange of personnel with working visas.
- Protection of intellectual property rights;

¹ Submission P19, Department of Foreign Affairs and Trade, p. 12.

LIBERALISATION OF SERVICES SECTOR – PARTICULARLY HUMAN SERVICES

As well as covering cooperative activities in key sectors such as energy and minerals, agriculture, services and investment, the Framework also refers to other bilateral issues including education, health, food safety, customs cooperation and intellectual property rights. DFAT advises that China has earmarked development and liberalisation of the services sector as a priority of its economic reform program and Ingeus notes that Australia has already had some success in gaining access to aspects of China's services sector, particularly in the area of education.²

In light of China's desire to develop and liberalise its services sector, Ingeus strongly supports the inclusion of services in any future FTA and particularly the inclusion of all forms of human services such as recruitment, vocational training, occupational health and safety and return-to-work/ welfare-to-work services.

In many instances, these industries are still developing in China and could benefit greatly from the sharing of Australian knowledge, experience and best practice given the maturity of these industries in the Australian market. For example, in relation to occupational health and safety, despite a 10.5 per cent drop in workplace accidents over the previous year, according to official figures, China's manufacturing and mining industries are still among the most dangerous in the world.³

In addition, the Annex to the Trade and Economic Framework, in relation to development of China's Central and Western regions, states that:

*China is willing to strengthen **cooperation in human resources**, including promoting bilateral contacts between experts and inviting Australian experts to train managers and technical personnel in central and western regions.*

China will adopt various effective formats through which to organise business representatives from central and western regions to visit Australia, promoting contacts and cooperation between the regions' business sectors and Australian business.

Ingeus is of the view that goals such as these are positive for the relationship and are sensible aspects of a framework from which to build. Such measures will improve information sharing and assist in the positive development of the Central and Western regions. Ingeus would value contributing to such exchanges.

CONTINUED ENHANCEMENT OF COOPERATION IN MATTERS OF LABOUR SERVICES

The Annex to the Framework refers to China's hopes to enhance cooperation with Australia in matters of labour services, especially in the area of public welfare agencies (amongst others). Ingeus is of the view that this is particularly positive as such cooperation is of vital importance to the development of the labour market and social welfare in China.

Unemployment insurance until fairly recently only covered the majority of employees of state owned enterprise but these programs were acknowledged as costly and inefficient and are gradually being replaced with unemployment insurance,

² Department of Foreign Affairs and Trade, *China Factsheet*, [Hhttp://www.dfat.gov.au/geo/fs/chin.pdf](http://www.dfat.gov.au/geo/fs/chin.pdf)

³ ILO, Review of annual reports under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, March 2005

employment services and a minimum living standard. Whilst a significant majority of Chinese are still not covered, coverage has now been extended to cover all non-agricultural urban workers which is financed by employer contributions of 2 per cent of payroll and employee contributions of 1 per cent. Unemployment insurance benefits are paid for up to two years and replace 60 to 75 per cent of the wage up to a ceiling determined by provincial governments.

In a report on China in the World Economy, the OECD recommended that in order to implement a more widely used unemployment insurance, local governments will need to continue their recent development of a modern employment service. In addition, the OECD stated that:

The public employment service will notably need to develop its co-operation with the private sector and experiment with new methods of collecting and disseminating job information. It must also adapt itself to a reduction of its formal powers as a government agency to exercise direct influence on employers' decisions.⁴

The expansion of this industry to cover urban non-agricultural workers is in its infancy. In this immature industry and market, it would be beneficial to recognise the expertise of Australian private providers and arms of government which can greatly assist China with the future development and administration of this industry.

Ingeus is encouraged by the assistance of the Department of Family and Community Services (FACS) in this regard, particularly in Shanghai Province and the efficiency of the new public employment services in China will potentially have a positive effect on business and therefore investment. In addition to these programs, as the Australian market demonstrates, the use of private providers by public welfare agencies to deliver return-to-work and welfare-to-work services has a significant positive impact on outcomes and the efficiency of the labour market. Both Australia and China would benefit from the inclusion of all forms of human services in a FTA, particularly from a development and knowledge sharing perspective.

MEASURES TO FACILITATE WORK AND BUSINESS VISAS

Ingeus supports the attention given to simplifying application procedures for business visas, shortening processing times and facilitating personnel engaged in normal business activities in the Trade and Economic Framework.

Ingeus particularly emphasises the commercial importance of such measures and specifically those relating to the exchange of personnel under the provision of long-term work visas as a means of sharing knowledge, learning's and innovation across global operations.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Recognition of the importance of and need for cooperation in relation to the protection of intellectual property rights is an important and very positive component of the Trade and Economic Framework. In particular, Ingeus strongly supports the Framework's acknowledgement that the protection of intellectual property rights are the key to success in services.

⁴ OECD, *China in the World Economy*, 2002, p. 569.

OPPORTUNITIES FOR STRENGTHENING THE DEEPENING POLITICAL, SOCIAL AND CULTURAL LINKS BETWEEN AUSTRALIA AND CHINA

STRENGTHENING AUSTRALIA'S LINKS THROUGH DEVELOPMENT

Australia's most significant opportunity for strengthening the deepening political, social and cultural links with China is through our development strategy. A partnership at all levels with China that transfers knowledge and skills and addresses, amongst others, the significant issues of poverty reduction and human development.

The United Nations human development index (HDI) focuses on three measurable dimensions of human development: living a long and healthy life, being educated and having a decent standard of living. Thus it combines measures of life expectancy, school enrolment, literacy and income to allow a broader view of a country's development than does income alone.

China is ranked 94th in the 2004 Human Development Report, with an HDI value of 0.745. Hong Kong, China (SAR) ranks first in the region, with a value of 0.903. Key indicators include:⁵

Life expectancy at birth (years) 2002	Combined primary, secondary and tertiary gross enrolment ratio (%) 2001/2002	GDP per capita (PPP US\$) 2002
1. Japan (81.5)	1. Sweden (114)	1. Luxembourg (61,190)
2. Sweden (80.0)	2. Australia (113)	2. Norway (36,600)
3. Hong Kong, China (SAR) (79.9)	3. United Kingdom (113)	3. Ireland (36,360)
77. Suriname (71.0)	108. Colombia (68)	96. Albania (4,830)
78. Bulgaria (70.9)	109. United Arab Emirates (68)	97. Maldives (4,798)
79. Jordan (70.9)	110. Turkey (68)	98. Paraguay (4,610)
80. China (70.9)	111. China (68)	99. China (4,580)
177. Zambia (32.7)	176. Niger (19)	175. Sierra Leone (520)

Whilst China is not amongst the least developed, there is certainly a need to continue and increase the level of assistance, particularly to the western and northern regions to better these and many other indicators.

Australia has previously been at the forefront of bilateral communications and assistance to China, including having been the first Western bilateral aid donor to China over 20 years ago. The relationship has a strong foundation from which to build a common future purpose.

⁵ See United Nations Development Program, Human Development Index, http://hdr.undp.org/statistics/data/country_fact_sheets/cty_fs_CHN.html