



COMMONWEALTH OF AUSTRALIA

## Official Committee Hansard

# HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON EMPLOYMENT AND  
WORKPLACE RELATIONS

**Reference: Employment: increasing participation in paid work**

WEDNESDAY, 24 MARCH 2004

CANBERRA

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON EMPLOYMENT & WORKPLACE RELATIONS**

**Wednesday, 24 March 2004**

**Members:** Mr Barresi (*Chair*), Ms Vamvakinou (*Deputy Chair*), Mr Dutton, Ms Hall, Mr Hartsuyker, Mr Lloyd, Mr Brendan O'Connor, Ms Panopoulos, Mr Randall and Mr Wilkie

**Members in attendance:** Mr Barresi, Ms Hall, Mr Hartsuyker, Ms Panopoulos and Mr Wilkie

**Terms of reference for the inquiry:**

To inquire into and report on:

Employment issues in both rural/regional and urban and outer suburban areas, with particular reference to:

- Measures that can be implemented to increase the level of participation in paid work in Australia; and
- How a balance of assistance, incentives and obligations can increase participation, for income support recipients

**WITNESSES**

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**Committee met at 12.07 p.m.****ELLIS, Mr Richard Jon, President, Nambucca Heads Chamber of Commerce**

**CHAIR**—I declare open this public hearing of the inquiry and welcome our first witness, who will give evidence by teleconference. The proceedings here today are formal proceedings of parliament. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of parliament and warrant the same respect as proceedings of parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Would you like to make some preliminary comments about the issues you think are important to this inquiry before we move to questions and general discussion?

**Mr Ellis**—Thank you. I have a list of issues that I would like to bring to your attention; they are in no particular order of importance. But, first, I will give you a brief history of myself so you have some kind of picture of me as well. I have lived in the area for the last 23 years. I have worked in a variety of different jobs. I worked at the now defunct meat processing plant at one stage, I have worked in the building industry and, for the last nine years, I have been involved in retailing on the main street in Nambucca Heads. I have been the president of the chamber of commerce on and off for the last five years, so I have a little bit of a history as far as that goes. I might start now on the issues that I have jotted down, if that is okay.

**CHAIR**—That is fine. I have just one question before you start: is there anyone else in the room that we need to know about?

**Mr Ellis**—No, I am by myself in the shop here at the moment. The treasurer of the chamber could not make it. She was called away to Grafton today so I am afraid that you are only getting me. Probably the biggest drama I have had in the last few years has been the highway bypass for Macksville. That is an ongoing contentious issue. The industrial land strategy study took place, from memory, two years ago and we came up with all these great places to put industrial land where we could actually grow and have some planning put in place for where we are going as a district. The RTA has refused to nominate the route where it will place the Pacific Highway. Until that happens we cannot do any of the planning. We have had quite large businesses trying to position themselves so they can be geographically in the right spot for business and they have not actually been able to do anything like that. It is a major fundamental handicap for this area going forward. The RTA does seem to be unassailable by any politician that I have met and it does not seem to be answerable to the community either. So my biggest gripe is probably with that particular body. I am sure that it has got its own reasons for not doing it, but it is a major stumbling block.

As for other major problems that we have had here, the history of industry in Nambucca has generally been in the nature of extractive industries, be it timber or gravel. Gravel in particular is a finite resource and we seem to have run to the end of that particular local free resource. The timber industry has been restructured and reshaped by bigger companies—for example, Boral—and that is out of our control. Most likely global forces are at work as far as the timber industry goes here as well.

The meat processing place that I mentioned before was a major employer in the valley. That has long gone. It was bought out by a Japanese concern and as part of their rationalisation it is down to basically operating as a freezing works with refrigeration capacity only. It does not actually hire a lot of people, therefore I am not optimistic about that ever having any major impact in the future. Recently in the local paper Professor Vinson has put out his latest report on what is wrong with the North Coast.

**CHAIR**—Where is Professor Vinson from?

**Mr Ellis**—He is hired by the state government. His study, called *Community adversity and resilience*, highlights the divide between the rich Sydney area versus regional New South Wales. Nambucca and Bowraville rate up there—or down there—with the worst areas in the state. Compared to the similar report he did in 1991, we are actually poorer now than we were then, which is not the kind of report card that we would like to see as far as economic outlook goes.

As for other issues we have here, obviously we have an older retired community coming up here. This tends to make for an imbalance in where the services go in our community. We do not have a normal Australian community structure. Definitely more money goes towards facilities for older people than for middle Australia and youth in particular. That is probably more a federal issue than anything else. It also makes for imbalance in the voting patterns that go on in our area. We generally get more of the conservative side of politics in the older community so we do not get much change here.

I will move on to the historic area of politics here. We have always been a traditional National Party area, which has, in my opinion, been to our detriment—and I am sure that Luke would argue against that. However, we have never had any political party having to fight for our interests around here. The Labor Party have written us off to a certain extent and the Liberal Party is always the major player in the coalition. The other drama we have in politics is that we are always at the edge of electoral boundaries in state and federal politics and we have always tended to suffer from that geographic phenomenon as well.

Moving on to business, as a rule I feel that the profits businesses are make in the Nambucca area are lower than for our city counterparts, partly due to the population not being big enough to make higher profits a reality. Most of the businesses in Nambucca Heads in particular are owner managed. They have perhaps one to two staff and the owner-managers are generally working the businesses themselves. That is probably their most competitive thing, but it does not really lead to them being able to enlarge their business. We still have the same compliance costs as all the businesses in the larger centres. We still have occupational health and safety and we still have workers comp—all without the same buffer of money to pay for those particular things. We suffer from a brain drain. Once the smart kids do their HSC they all head off to the cities and universities, and that is also a problem here that we cannot overcome. That is not actually a political fault but it is just a reality that makes it hard for us.

The building industry is generally driven by developers. It provides short-term employment and is prone to huge fluctuations. The developers are generally not interested in community building either. They are more into making money while they can. It would be good to get some more real industry in place and, in my opinion, to see the building industry perhaps lose its importance in the scheme of things. Recent property values have gone through the roof here.



Property values are driven by city incomes and the values there. The local people are being priced out of their own towns because the incomes generated around here do not let people borrow the amount of money necessary to buy the houses. Also, the money that is pouring in for those highly-priced pieces of real estate is not very productive. Nothing actually happens around them—quite often they are empty houses for nine to 10 months of the year, which is not really good for communities either.

The rate base here is another issue. We do not really have enough money to fund rural road and bridge infrastructure. We have an area that is crisscrossed by rivers and creeks so it is geographically hard for us to do justice to that. We have other issues like recycling—that does not get off the ground here due to costs—and there are also things like the EPA guidelines and levels that we struggle to meet around here. It is one of those things that is not the council's fault either; there is just not enough money going around. That is about it as far as what is wrong with the area.

The good part about the area is the climate. We attract a lot of people here for the climate and the lifestyle. That is most probably the biggest drawcard as far as enticing industry here goes, that they can actually look after their employees. There are opportunities around here for both of those ideals—to live in a nice environment and have a well-paid job. They would be the best things we have got going for us.

**CHAIR**—I am glad you ended on a positive note.

**Mr Ellis**—I tried for one.

**CHAIR**—I was starting to think I would never want to go to Nambucca Heads because it all sounds so depressing.

**Mr Ellis**—I know, but I have really tried to do it without fear or favour; I have tried to give you an honest picture of the place. I am aware that it is negative.

**CHAIR**—It is a great place. I have been there; it is a delightful place. There are a number of questions which my colleagues would like to ask you, but I will start with a very easy one. You said that you would like to see some public services move into the area, and perhaps that would be at the forefront of driving employment and improving the lot of the local area. Are there any particular services you believe it would be more appropriate to base at Nambucca Heads? If so, what communications have you had with the state government or with any other authorities to bring this about?

**Mr Ellis**—One example is a very basic youth centre that has just got up and running in Nambucca Heads. The council is paying for the insurance and the rent on a boy scouts hall, which was in decline and was not being used as a facility. The council's only commitment to the youth centre is to pay the nominal rent and the insurance. There is no other support for that particular facility to happen.

**CHAIR**—That is not a very significant project though; that is not going to make a world of difference to—

**Mr Ellis**—But I am giving you an example to show you that things even at that level do not get up.

**CHAIR**—Okay, but I am trying to get you to think more proactively and tell the committee what public services you would like to see moving in that you think would make a bit of a difference, and what level of planning or discussion there has been to bring that about.

**Mr Ellis**—As far as planning and discussion goes, the economic development officer at the shire council, Wayne Lowe, does fantastic work. The council has been selling off land at the Macksville industrial area to generate more private enterprise; it has basically been giving the land away. As far as getting the government to improve public services, an example that is being targeted for that Macksville industrial area is to get a bridge across the railway line that will actually accept the tonnage of trucks that go across. That is an infrastructure problem, and government money would be well and truly appreciated to do that. I do not know how far down the track they are to do that particular project. As far as setting up an improved public service facility, most of the problems I see around here are social problems in the first instance so we tend to get a welfare mentality. As far as generating a business structure, what we were talking about when our submission we mentioned public services was most probably things like bus services.

**CHAIR**—I understand your points regarding services and improving the delivery of services. I was thinking a bit more about public service sectors or departments. I will hand over to Jill Hall, who has to leave soon to speak in the chamber. She has one or two questions for you, and I think she is also familiar with the work by Professor Tony Vinson.

**Ms HALL**—Yes, but we will not visit that. I know that Nambucca Heads was identified as an area of significant disadvantage. I have a couple of questions. I was interested to note that you did not mention dairying or farming. What sort of contribution do those industries make to the local economy?

**Mr Ellis**—I think that the number of functioning dairy farms in the area can be counted on one hand. Luke might be able to help me with that. That is due to outside forces, again. Victoria has a little bit to answer for as far as the milk pricing goes, and the Woolworths corporation has a little bit to do with that as well. That is why dairying could not be described as a vibrant, viable industry. The banana industry—

**Ms HALL**—You have the beef industry, bananas and other farming activities—I think there are peas, beans and all those types—

**Mr HARTSUYKER**—Yes, specialist horticulture.

**Ms HALL**—all around that area.

**Mr Ellis**—The actual dollar derived from those industries is pretty small, in the big picture. The biggest industry in the area is tourism, by a long measure. A lot of the people who are doing the beef farming are doing it as hobby farms. Sometimes I would even view them as being de facto unemployed people, because they do not really generate a huge income. They are quite

happy to live on their 25 acres and grow a few cows, and they are not really what I would term a major industry as far as bringing hard income into our area is concerned.

**Ms HALL**—Richard, I was actually born and grew up in your area, and my family lives there, so I am fairly familiar with the area and I visit it on a very regular basis. One thing I noted that was not mentioned in your submission was the fact that there is a significant Indigenous population in the area. Are there particular issues associated with unemployment of those Indigenous people and what initiatives has the chamber of commerce taken to provide them with employment? I have to go, but I have asked Luke to ask another question for me—and if you could answer that question I will read it later.

**Mr Ellis**—No worries.

**Ms HALL**—Thank you. Goodbye.

**Mr Ellis**—I think the best way to answer the question about Indigenous employment is that it comes back down to the style of businesses we have here. Businesses with one or two staff people make up the majority of businesses. There is also a racial element to it; there is no denying that. A lot of people still prefer to hire a white person over an Aboriginal person. There is an Aboriginal employment service that I know of that has been placing people in jobs around the main street. The building industry seems to soak up more of those people than any other industry around the area. With respect to the chamber of commerce being proactive in starting programs or providing incentives to do that, it just has not come up on its agenda, to be quite honest.

**Ms PANOPOULOS**—You mentioned the issue of the brain drain and the young and bright leaving. I noticed in the first sentence of the second paragraph of the written submission that there is mention that a large number of very skilled and experienced individuals move to the area for lifestyle options. Do any of them then engage in some sort of part-time work or alternate business, and is there scope to further tap into their expertise?

**Mr Ellis**—I do not want to be sounding negative all the time. I have been thinking long and hard about this particular issue and it seems like a lot of people do come to this area to disengage from society—they come here to kick back and look after themselves. For example, for the upcoming local government elections there are a lot of people who are more than qualified but who chose not to run for council, even though they cared a lot about it, because they could not be bothered to go through all the stress and everything else of doing that. I think that is indicative of where a lot of those skilled people's minds go when they come here. They actually come here to not really do a lot. That is part of that retirement mind-set.

Occasionally they will pop up in different community organisations—generally voluntary organisations—and they do some good work as far as it goes. Most of the time they are financially secure people, so they do not have a real economic need to go out there and generate income. We have a resource that we really cannot use because the people are not here for those reasons. I do not know if that is a great answer to that one.

**Ms PANOPOULOS**—I was also interested in your comments about the effectiveness of political representation. You have raised some very important issues with regard to infrastructure

et cetera. Just to clarify it for my sake, have you at any stage raised these issues with the local federal member?

**Mr Ellis**—I spoke to Luke when he first came to power about some of the issues. GST was the big one on my agenda at that particular time. I have not spoken to Luke on these particular issues, the reason being that Luke generally deals with a—how shall I say—higher level of the local government around here. It would be unusual if Luke came—

**Ms PANOPOULOS**—Richard, could I make a suggestion. Local government being the most grassroots part of our three-tiered representative democracy, I find them quite down to earth and not highfalutin. But I would suggest that Luke is very approachable. I have had something to do with a couple of other organisations in his electorate and I would suggest that it is a bit unfair to say that there is inadequate representation if you have not actually approached the local federal member with these issues. A lot of us with rural and regional electorates have similar issues to these and we quite often get together to discuss them to see what we can do at a government level. I am sure if you called Luke up or sent him an email, you would sit down and go through not just these issues but the ongoing ones in the future and Luke would bring them to Canberra and include them in our regular discussions.

**Mr Ellis**—Okay, I will take on board. One of the problems I have is that I am actually running a business. I do the chamber of commerce as a voluntary position.

**Ms PANOPOULOS**—I am sure Luke will come and visit you.

**CHAIR**—Richard, there is a similar situation with all chambers. People give of themselves to community organisations like the chamber and make their time available for the benefit of the local community. Sophie has one more question before she leaves.

**Ms PANOPOULOS**—Infrastructure is obviously very important and you mentioned bridges and things. They are big issues as well in non-metropolitan electorates. I am not sure whether you are aware that there was a recent boost in funding direct to local councils under the Roads to Recovery program. Basically, the money is given to councils. We do not tell them which roads to spend it on. There does need to be significant investment in built infrastructure, particularly roads. Have you been at all involved in lobbying the relevant state minister to match some of these increases in funding to local councils with regard to road and bridge funding?

**Mr Ellis**—I have a good relationship with Andrew Stoner. He calls in and we have a chat regularly. It seems that, by the time the real dollars of the Roads to Recovery money ends up in the Nambucca Valley, the actual sum of money is not even close to what is required.

**Ms PANOPOULOS**—But all money helps, and it is an additional boost. I suppose I am specifically saying it is worth while for the local area to try to get all levels of government to put in as much as possible. If there has not been any lobbying of state representatives, I humbly suggest that lobbying of state ministers with regard to matching that investment—or even providing more, since it is primarily their responsibility—would probably be a good medium- to long-term measure to help build up that very important infrastructure.

**Mr Ellis**—I think you will find that, with a Labor government in power in New South Wales and this being a National Party area—I am going back to the historical politics here—we will always struggle to get our fair share.

**Ms PANOPOULOS**—Are you saying that the Labor state minister will ignore the area because there is a National Party state representative?

**Mr Ellis**—I am saying that, probably, in the real world, yes.

**Ms PANOPOULOS**—That is very disappointing.

**Mr WILKIE**—Richard, I have your submission in front of me and I am looking at the point regarding excessive bureaucracy and penalties for people on income support. I wonder if you could expand on that a little bit. An example I heard of yesterday—and I wonder if this is the sort of experience you have up there—was of someone receiving a family allowance payment who had been unemployed for some time and, with the end of the financial year coming up, had just been offered a job. I might add that it was a small part-time job, with very low income, but it would have helped to supplement the family. They have gone off to Centrelink to see what influence the job would have on their benefits. They were told that, if they take the job, because the family allowance payments have been calculated over the year on current income—which was nothing—they would have a family debt of \$20,000 automatically payable back to Centrelink. So it is not in their interest to take the job, strangely enough, because they would have to pay back more than they would actually earn in the next couple of months. Is that the sort of experience you have there?

**Mr Ellis**—That is an extreme case. I would say that the average case would be a person on unemployment benefits who gets the option of getting maybe two to three days casual work. Historically—I am aware the system has changed in recent times—the process they went through to sign off for those couple of days and then sign back on meant that quite often they would be tied up for weeks later reorganising their structure. It was a purely a bureaucratic process that, back then, needed refining. The disincentive for those people is that they end up mostly working in the black economy and running the risk of getting caught working and not claiming it.

**Mr WILKIE**—I thought the GST sorted that out.

**Mr Ellis**—That is another issue again.

**CHAIR**—Can I just correct you there, Richard. What you have identified was in fact the case, but that was addressed about seven or eight months ago through what is called the working credit scheme, where you are able to take on part-time jobs and have the whole thing referred to on an annualised basis. We have not met with the department yet to determine what effectiveness it has had; it is all early days. But that very problem you have identified has been addressed through that working credit scheme.

**Mr Ellis**—Yes. There are different aspects of it as well. I am aware that the dole situation has been addressed, but it has taken a long time for that to happen.

**Mr WILKIE**—You mentioned that there has been little state support in terms of running projects and funding activities in the region. What about federal funding?

**Mr Ellis**—I am really not in a position to start claiming or disclaiming what we get as far as that goes.

**Mr WILKIE**—I will put the question in context. In response to the question from Ms Panopoulos, you said that the state Labor government tends to ignore your area because it is in a National Party area. What could be said about what the federal government is providing?

**Mr Ellis**—When I drive to Sydney, for example, I notice that big structural projects are being put in there on a regular basis. I get lost every time I drive to Sydney because the roads have changed. I know a lot of that is from state money. We just do not get any kinds of projects on that scale happening. The highway is an obvious and easy one: the RTA keep avoiding making a decision on where the highway will go, let alone pouring some money into it. As far as bigger structural things go—those projects that soak up lots of labour and that have a lot of money poured into them—one of the last ones that went through our area was the laying of the optic fibre cable. That was a great project that did go through. But call centres have gone offshore. We always seem to miss out. We missed out on the telecommunications roll-out of services as well. We seem to constantly be on the edge of anywhere of importance. Maybe the reason is that we are stuck between two major regional centres—Port Macquarie and Coffs Harbour—and we suffer economically for that.

**CHAIR**—How far from Coffs Harbour are you?

**Mr Ellis**—About 50 kilometres.

**CHAIR**—What is your unemployment rate?

**Mr Ellis**—I am sure the real rate would be around 20 per cent.

**CHAIR**—You are making a guess there.

**Mr Ellis**—I am making a guess.

**CHAIR**—What is the official unemployment rate?

**Mr HARTSUYKER**—It is 12.7 per cent.

**CHAIR**—As you are only 50 kilometres from Coffs Harbour, is it common for people who live in Nambucca Heads to work in Coffs Harbour?

**Mr Ellis**—At the moment I would say it is less common. The irony is that it is very common for those who live in a little town called Valla Beach, which is five minutes up the highway. I would say that is due more to the kind of person who is organised to go and work in Coffs Harbour choosing to live in the Valla Beach area than to the kind of person who has chosen or ended up living at Nambucca Heads. I had not thought of it that way before.

**CHAIR**—Tell us about the public transport between Nambucca Heads and Coffs Harbour.

**Mr Ellis**—Most of the bus companies around here are to a large extent subsidised by the school bus runs, and so they tend to focus on going up there in the morning for school and back in the afternoons. I am sure they struggle to make a dollar out of doing runs up to Coffs Harbour. On Thursday they take all the shoppers out of our area up to Coffs Harbour, which is another disincentive for people to spend money in our local area. It is a ‘horse before the cart’ thing because there are not enough people to make it really viable, and we get punished by it at a local level as well because some businesses cannot compete with the Coffs Harbour area on prices.

**Mr WILKIE**—What is the population of your area?

**Mr Ellis**—Officially, I think we would be looking at 7,000. It fluctuates radically, going up to maybe 20,000 over a holiday period.

**CHAIR**—That is a huge increase. What work have the chamber of commerce and the Nambucca shire done to try and promote tourism in the area?

**Mr Ellis**—The tourism in the area is run by a separate body, which have done some really good work. They go to trade shows. There is a caravan operator called Irwin Richter who goes down to the trade shows in Sydney. He puts up his own display and lets the Nambucca Heads display go in with his. That tourism body travel to Tamworth. They have a very professional display that travels everywhere. As far as tourism goes, the bulk of the money that they raise from the members is generally spent on those out-of-area promotions.

**CHAIR**—Obviously you have a good tourism industry there, because you go from 7,000 to 20,000 based on the season.

**Mr HARTSUYKER**—I noted your comments on telecommunications. You would of course be aware that we have just got a new mobile phone tower at Stuarts Point, there is one going in at Bowraville, the Nambucca one is being upgraded, broadband is being rolled out and there is a rural transaction centre at Bowraville. They are pretty good initiatives. Express Coach Builders is a major coachbuilder that receives substantial government support. Has the chamber done anything that could value add to the work that Express does—maybe greater local content? It is the same with Kara Kar Trailers. They are looking at substantially increasing production. Have you looked at the possible opportunities for other Nambucca firms, through the chamber, to supply more services to those two major operators? Have you looked at the possibility of working with the Bowraville Theatre, which received a substantial grant from the federal government for refurbishment, to develop a cultural strategy that further enhances tourism?

**Mr Ellis**—If you broke down the Nambucca Heads industrial area on a business by business basis, I think you would find that most of the services provided are purely service industries for the local residential area—for example, smash repairs, storage facilities and some cabinet-making. They are those kinds of industries. As a rule we have not had a lot of representations from the people in the industrial area. I cannot give you exact reasons for that; lack of interest is the most likely reason. As far as the chamber pushing those people towards that goes, at the end of the day the valley is split into three areas: Nambucca Heads, Macksville and Bowraville. As far as Express Coach Builders go, it seems that they may as well be on another planet as far as

Nambucca Heads businesses are concerned. I take that as a fair enough criticism towards the chamber, that we should be looking more widely than that, but it comes down to having the time to pursue these things. As all four of you politicians have said, we need a professional lobbyist to go around and do all this stuff, and I am afraid that we do not have that sort of capacity.

**Mr HARTSUYKER**—I got Austrade to come to the Nambucca to meet with businesses and discuss with various businesspeople the opportunities and support that Austrade can provide. I see export as a major driver of growth. Only a few businesses availed themselves of that service. Do you think that exports could be a major driver? If so, would you like me to get Austrade to come back again and meet with some of your members and with other businesses to try to inform them of all the services that are provided?

Secondly, you know that it is proposed that the Slim Dusty museum be constructed in Kempsey. Under the Roads to Recovery program there is a new category for projects of regional significance. There is the possibility for Nambucca to link up with Kempsey and do a tourist drive that takes you from the Slim Dusty museum through the back of Taylors Arm to call at the Pub with No Beer. Has the chamber thought of the way that that might work—with your local council, Kempsey Council and the Slim Dusty museum getting part of that funding and building a major tourist drive, which I think would be of great interest to tourists out there and would boost tourist revenues?

**Mr Ellis**—If we were going to put in a tourist drive on a particular road that goes from Bowraville to Taylors Arm, would the federal government be interested in approving that so that bus coaches could go along it?

**Mr HARTSUYKER**—That is precisely what I said. Under Roads to Recovery there is a program for projects of regional significance, which could perhaps be undertaken by two councils jointly. There is specific funding under the new allocation for that, and that was fairly well publicised when it came out. My question to you was: has the chamber had any thoughts on doing something through council jointly with Kempsey Council and the Slim Dusty museum to create a tourist drive so that people could go from the Slim Dusty museum to the Pub with No Beer, which Slim made so famous and which is already a tourist attraction?

**Mr Ellis**—Do you perceive that tourism is the only industry that is really viable in the Nambucca Valley?

**Mr HARTSUYKER**—I suggested Express Coaches and Kara Kar, and Austrade and the potential of export to generate growth.

**Mr Ellis**—But in terms of actually starting up a new industry that employs a lot of people, I can see that a tourist drive is not going to be a huge employer at the end of the day. I would like to see lots of light manufacturing come into place that actually employs people, rather than to be tourist reliant to a certain extent.

**Mr HARTSUYKER**—That is probably where Austrade could help in developing export opportunities, but I think we have to leave it there. Thank you.

**Mr Ellis**—No worries.



**CHAIR**—Richard, thank you very much. It is unusual to have a chat via phone. Best wishes for the area. Can I say that I understand where you are coming from, but the days of mass injection—of getting businesses to come up in their trailer loads to set up and open their doors within a six-month or 12-month time frame—are long gone. These things are all to do with getting an industry going, getting a bit of demand and getting that demand to keep pushing other people to come up. If a tourist drive helps, good luck to you. If export helps, that is fantastic as well. But the first port of call would be for all the various stakeholders to at least work together and communicate with each other, which includes the Shire of Nambucca, you guys, and your state and federal representatives. I thank you for your time. If we have any other questions, we will get back to you at a future date.

**Mr Ellis**—No worries. Thank you, Phil. It is good to talk to you all.

[12.51 p.m.]

**WEBSTER, Dr Elizabeth Marger, Senior Research Fellow, Melbourne Institute of Applied Economic and Social Research, University of Melbourne**

**CHAIR**—Welcome. Thank you for coming in, Elizabeth.

**Dr Webster**—It is a pleasure.

**CHAIR**—We missed you in Melbourne. You did not make the trip up here especially for this hearing, did you?

**Dr Webster**—No; I had a meeting with the Bureau of Statistics as well, so it fitted in nicely.

**CHAIR**—Fantastic. Mr Wilkie may have to leave at one o'clock, which may present a problem in terms of the quorum. In fact, I was supposed to be somewhere at one o'clock too, but we welcome you anyway, Dr Webster. I inform you that the proceedings here today are formal proceedings of parliament and warrant the same respect as proceedings of the parliament itself. We do not require witnesses to give evidence under oath, but you should understand that these hearings are legal proceedings of the parliament. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. We prefer that all evidence be given in public, but if at any stage you wish to give evidence in private please ask to do so and we will consider your request. I invite you to make some preliminary comments about the issues you think are important to this inquiry, before we proceed to questions and discussion. I might just say that we met someone from your organisation recently.

**Dr Webster**—Roger Wilkins.

**CHAIR**—That is right—we met him last week. Please proceed.

**Dr Webster**—I have done a number of pieces of research on the labour market, particularly looking at long-term unemployed, labour market programs and the changing nature of what they call the secondary labour market in Australia. I actually only sent you one working paper particularly related to long-term unemployed, but the impression that I have got from the various pieces of research, which have really come at different angles, is that over the last few decades the labour market as a whole has been changing. I think we are probably seeing the emergence of a US style secondary labour market—that is, a labour market where they are requiring workers with low skills, there are no job career paths, there are lots of casual workers and people on usually very low wages and there is very high turnover in those jobs. That is a trend that has been going on probably for the last two decades. The top end is progressing and becoming more highly skilled, and people are receiving high incomes, but I am mainly looking at the bottom end.

The ramifications are that the people who used to have fairly secure jobs with tenure are now no longer getting them. A lot of them are either staying in these casual, fairly dead-end jobs or becoming part of the long-term unemployed. With a colleague of mine, Mike Dockery, from

Curtin University of Technology, I have looked at trends in the incidence of long-term unemployment over the last two to 2½ decades. There are clear business cycle elements in that, but the trend is rising quite strongly. This core group of people who have been unemployed for two years or more is growing as a proportion of both the unemployed and the labour force.

**CHAIR**—When did you do that work? What were the years involved?

**Dr Webster**—The data runs from 1978 to 2001, so it is a couple of years old now, but it is based on monthly labour force data. I think that is quite a concern, because unemployment is not usually an issue if people are unemployed for two weeks, but when people are unemployed for two years or more it is obviously a major issue, and the number of people in that category is growing as a trend.

**CHAIR**—Do you have any other comments?

**Dr Webster**—I know that labour market programs—that is, intensive assistance—are conventionally seen, certainly under the Labor government and to some extent under the coalition government with Job Network, as a stepping stone to get these people back into jobs. There has been quite a bit of analysis done on Working Nation, mainly because there was a very good data set around for that, but also there is a lot of work done overseas on labour market programs. I think the consensus is—and I have heard this said by people within government and within the academic community—that the net impact, the additional leg-up that those people get who do labour market programs, is quite small. It might be one, two, three, four or five per cent.

**CHAIR**—Regardless of what the program is?

**Dr Webster**—Wage subsidy programs appear to have the biggest impact; training programs appear to have the least. We are not sure whether that is because the best people tend to go into the former or because one of the benefits of being in a wage subsidy program is that the employer gets to know you, therefore they keep you on, whereas if you are in a training program with TAFE no-one knows you. And unless you articulate training with a job it is wasted. If you learn a computer program and then do not turn on a computer for a few months, everything dissipates. Even though those impacts I spoke to you about are fairly modest, I know that, in the work done internally within the Commonwealth government, the impacts decline over time. So the effect on your employability if you have gone through a program is quite good once you finish it, but a year later the control group—the people who did not do the program—have caught up with you.

**CHAIR**—I understand that your comments are in the context of the long-term unemployed. Have you broken your research into particular age groups or other demographic cohorts to get a better handle on it, or was this just an across the board assessment?

**Dr Webster**—This was across the board, basically because the data sets we used are not big enough for us to break down the detail. I think the public servants within the Department of Employment and Workplace Relations would have much larger data sets and would be able to break it down, but they are using confidential data that is not available to outsiders.

**CHAIR**—Have you read the submission to this inquiry by Dr Peter Saunders?

**Dr Webster**—No, I have not.

**CHAIR**—He too made a submission talking about the effectiveness of the various labour market programs, and he based it on research that had been done on 20 OECD nations. He made the point that training, in terms of dollar value, has marginal effectiveness in getting people into work compared to other strategies. Training really was very marginal. You are tending to support that.

**Dr Webster**—Yes.

**Mr WILKIE**—I think he actually went further than that. He basically said that training was absolutely useless.

**Dr Webster**—I think probably the best study was done by Stromback and Dockery from Curtin, and they found no significant impact of training. Some studies on training are a little bit more favourable, but it is a question of the quality of the data and the methods they use to investigate it. The reasons they hazard for training being so poor are, first of all, that factor I mentioned—that if you are not articulated with a job the skills dissipate. Also, if you are targeting very disadvantaged people their major hurdle is to learn the work culture: to get out of bed in the morning, to be reliable and to know how to work under supervision. Getting them to higher-level skills that training would require is really stage 2, once they have those initial skills.

**CHAIR**—So are governments missing the mark in constantly discussing and debating the merits of one training program versus another?

**Dr Webster**—Not for employed people, no. I think training is really important.

**CHAIR**—In terms of unemployment is what you are saying.

**Dr Webster**—For the most disadvantaged unemployed, yes, I suspect so.

**CHAIR**—But then there will be another school of thought that says it actually depends very much on how the training is structured, that if it is modularised and if it takes into account mature-age learning techniques it may have a different effect. What is your assessment?

**Dr Webster**—The studies we have done have not been able to distinguish types of training. It is a question of the numbers in them. But I would find that surprising. If you are linking it to a job where you are virtually in employment anyway that is one thing, but if you are not linking it to a job it is very hard to say, ‘Yes, you got a job because of the training.’ Then the other issue is that even if the labour market program does give you some little advantage you are probably displacing someone else from a job who is in a similar position to you. So unless you have net job creation overall you are probably not doing the whole group a great favour.

**CHAIR**—There was a submission presented to us last week in Adelaide basically saying that the unemployed themselves felt that seeking qualifications to try to get back into the work force was of little value. I was really surprised by that. Not only did they feel that the employer did not value it highly; they themselves as unemployed people did not place a high value on it.

**Dr Webster**—Are you talking about higher education or training?

**CHAIR**—No, it was not about training; it was actually about education and upskilling qualifications in order to get a job.

**Dr Webster**—I understand the dropout rates in some of the second-tier universities are quite high in quite a few courses, and dropout rates across TAFE are quite high. That is anecdotal; I am not an expert in that area. But it will depend on the quality of the course and whether there is an actual demand by employers.

**Mr WILKIE**—I think it is often the case that employers do not like to see the employee out of the workplace doing training. They do not believe it brings any benefit to the workplace because often the employees will get the skill, move on to another job somewhere else and take the skill with them. I have actually been in the situation where I have been providing training for people under traineeships and apprenticeships where the employers will not release them to do the training because if they are away from work they cannot do the job.

**CHAIR**—That was really a comment, Kim, about those who were actually already unemployed.

**Mr WILKIE**—I see. I have to leave but I will leave you a couple of questions. You mentioned before that wage subsidies were a positive incentive. In the same study we referred to earlier, the person presenting there said that they thought wage subsidies were a waste of time. I have found people a lot of work through subsidies, but that is another story.

You have mentioned in the submission the Job Network and its evaluations, and how it probably needs to be evaluated more. I would be interested to find out where you see the shortcomings in the current system. Do you believe there are any shortcomings in the way the market programs are currently being evaluated and could you suggest ways that we could improve those? I know that under the first tranche of Job Network, for example, there were no evaluations being undertaken at any of the workplaces or any of the Job Network providers right across the country. Technically it was in place in the contract, and they never actually did any evaluation work. From your experience has that changed? Are they actually doing the work, and where can the situation be improved?

**CHAIR**—Just before you answer, the committee now needs to move that it becomes a subcommittee.

#### **Proceedings suspended from 1.04 p.m. to 1.05 p.m.**

**Dr Webster**—On your comment about the wage subsidy, there is no doubt that when the wage subsidy is available it does get people jobs. When we talk about a program outcome, we are talking about what happens when the subsidy ends, whether a person employed with a subsidy is more likely to hold a job than a person with the same sorts of characteristics—record of unemployment, education level and things like that. That is what they call the control program evaluation—trying to compare two people who are essentially alike, one of whom has had the subsidy and one who has not. What they find is that under Jobstart the people who had the wage

subsidy were only 10 per cent more likely than their control counterpart to hold employment once the program has finished.

**Mr WILKIE**—Wasn't it the case with the Job Network subsidies that 85 per cent of people who completed a subsidy period were retained by their employers?

**Dr Webster**—I do not know if there were many wage subsidies under Job Network at all.

**Mr WILKIE**—They had Jobstart.

**Dr Webster**—No, that was Working Nation.

**Mr WILKIE**—Yes, you are right.

**Dr Webster**—It was not 85 per cent. It is a comparison between the person who did the program and somebody who has the same sort of labour market characteristics as them, because they can go out and get a job too. After six months, some of the people who did not do the program had got jobs, so you have got to compare them with the ones who were on the program. The difference between the two was usually reported as about 10 percentage points, but that difference declined over the following 12 months to hardly anything. So at the end of 18 months, if you had taken two identical individuals and put one in the program and not the other they would both end up with the same probability of having a job. They are the departmental evaluations.

**Mr HARTSUYKER**—You were talking about the long-term unemployed, and there is a range of areas where there are currently bottlenecks and shortages—two, for instance, are the transport industry and aged care. Why is it that we have got this pool of long-term unemployed but we are not getting that shift of people in the market to these other jobs which are very much available? For example, in my electorate we have a shortage of transport drivers and we have a shortage of aged care people, which is pretty much a problem nation wide. Why do you see that occurring?

**Dr Webster**—When you talk about a shortage, I am not sure how much of a shortage it is. For example, it might just be relative to other labour markets. Anecdotally, I have heard that that is where they find it hard to keep people.

**Mr HARTSUYKER**—I am only going on my constituent employers saying, 'I can't get people to fill these positions.'

**Dr Webster**—That might be relative to their expectations, in that they may like to have 20 applicants for every job and for that job they have only got five and therefore they think they cannot pick and choose. I am not sure if there is a real urgent shortage of aged care workers. I know you can get genuine shortages—by 'shortage' I mean that over a period of 12 months they have let go work or they have outsourced work because they cannot get the people. That tends to occur in more skilled labour markets where, for reasons to do with education and training, bottlenecks occur.

Assuming that is true, I would take a hard look and work out whether those anecdotes really match up with the data. Especially in aged care, for example, you require someone with particular personal characteristics and they are not necessarily found amongst the long-term unemployed, many of whom have low education, have come from manual blue-collar jobs and are male—they might not particularly like that sort of personal service work. Quite a few might have English language problems, which might not be a problem if you are after aged-care workers from a NES background themselves.

That is my hunch, but I have not actually done any study on that. They are perhaps looking for particular qualities—they might be reliability or dependability, for example—and I think a lot of these long-term unemployed people have got problems and that does not come through in the data. If we talk to people who work in those employment agencies, quite a lot of those long-term unemployed might have a crime record, they might have mental health problems or they might have WorkCare problems—there are a whole variety of things and other sorts of social problems. It does not mean that they are not employable but it might mean that you would not want to put them in a nursing home.

**Mr HARTSUYKER**—We often hear anecdotally of the large numbers of mature age unemployed who were perhaps at a senior level. To what extent do you think that the inability of people perhaps to adjust to a different type of employment—it may be a step down in the level of responsibility to re-enter the work force—is playing a role in that particular group remaining unemployed for a long period of time?

**Dr Webster**—Essentially, that hypothesis says that people are turning back job offers because they are fussy, which is different from the other one.

**Mr HARTSUYKER**—Or not applying at all?

**Dr Webster**—Or not applying at all—absolutely. I would say two things. The level of vacancies is so low that, notwithstanding your comments about those shortage areas, the fact that they did not apply just means that one of the other, maybe younger, long-term unemployed gets a job. So it is just changing the ranking of it. I could not really say whether they were applying for jobs and they were not short-listed or being interviewed or that they were being turned back. I do not have any data on that. There are studies done on that—it is called the ‘reservation wage’ in the literature. The Reserve Bank has done some work on that. The Reserve Bank study, which is three or four years old, found that reservation wages were not a problem—that is, people were not applying for jobs and then saying, ‘Oh, no, it is only \$400 a week—I won’t take it.’ That might still apply to that particular group; I do not know. You would have to look at that.

**CHAIR**—Dr Webster, you have certainly identified some of the shortcomings and some of the problems but in your submission you also state that the only way to ensure most long-term unemployed people can get jobs is to offer them public employment or to organise for large commercial organisations to employ them. Do you have any specific program in mind that we should be looking at or embracing?

**Dr Webster**—Traditionally, if you look at the way governments have operated during the 1950s, 1960s and 1970s they did employ a lot of people who were not highly productive, and

that was part of the culture of the workplace in those times. Then we have had a period when we have gone through and said, 'This is a totally inefficient garden or railway yard, let's scrap—

**CHAIR**—That was in times when there was a lot of scope for low-skilled or semi-skilled jobs too.

**Dr Webster**—Yes, but I also think they turned a blind eye to people who were not fully productive. With respect to large commercial organisations that hire people, I know there are schemes now with some of the large companies that hire people with mental illness, for example, or people who have some sort of disability who get jobs within the organisations; they do it as part of their community service. I am not saying that all the long-term unemployed fall into that category but there are schemes that exist at the moment. I suspect it is going to be difficult without some sort of public sector involvement to offer a lot of these people work. If they have got fairly major health or social problems or education problems or language problems, I think it is going to be a long time and they probably need a soft entry into the work force.

**CHAIR**—In this particular work that they are doing, is that a transition job or is it a job in itself?

**Dr Webster**—The one that I am thinking about is operated by Telstra in the mail room. It is a real job sorting mail.

**CHAIR**—I am just talking about the general concept, where you were saying that the public service perhaps needs to kick in and that is the only way to really—

**Dr Webster**—Is it a real job? It is as real as any job.

**CHAIR**—I do not mean the Telstra job. Your submission talks about offering public employment. Is this public employment a transition to non-government paid employment or is it a job in itself, with a career structure and an end to it?

**Dr Webster**—That is a very good question—

**CHAIR**—In other words, are we growing a public service or are we just simply creating a labour market program under the guise of public service?

**Dr Webster**—That is a good question and I do not know the answer. All I know is that the six-month jobs that were created under Working Nation have not been long enough. People have gone back into unemployment. There is a lot of recycling going on; there is a bit of evidence of that. As to whether you should say, 'Okay, let us give local government money for the environment or gardens or aged care or something, and ask them to reserve five per cent of their jobs for people in this category,' and as to whether you should say they should be ongoing jobs, I do not know. I know they have had trouble with that in Europe, because they do have those schemes in Europe. So I am not clear. If I were in charge of running the program—

**CHAIR**—Do you know there is a proposal from the University of Newcastle to do exactly that.



**Dr Webster**—Yes, I have heard of the proposal. I would probably feel my way through and say, ‘Let us make it for a couple of years first and then assess it.’ Obviously you do not want to get back into the situation where you are employing a lot of people to lean on shovels. I think you also have to recognise that just giving someone a six-month job is not getting them back into the work force. And some people might just be the sort of people who are never going to be that productive that they are going to be commercially employable.

**CHAIR**—You mentioned that one of the problems with the long-term unemployed which has not been addressed is that many of these people do have chronic social, educational and health problems. Do we perhaps need to build those into our labour market programs that they are addressed along the way? Is that how you envisage a response should be?

**Dr Webster**—Certainly for people with major problems that would be an issue. In some of the disability programs that exist, when they send someone into a commercial workplace to take a job they give the employer a guarantee that if that person does not turn up for whatever reason they will supply one of their own staff members to do the job. So the employer is guaranteed a continuous worker of some sort. If you have got someone like that—maybe they have a drug problem and in some weeks they are fine but then they might go through a bad patch—obviously an employer is going to be a bit hesitant to hire someone under those conditions because they will not have someone to do whatever the job is. When agencies back that person up with a guarantee of a person, it does seem to remove those difficulties. They are quite good schemes.

**CHAIR**—You are in Melbourne so you know about what is happening in Melbourne in terms of employment programs and different strategies.

**Dr Webster**—Yes, at the state level.

**CHAIR**—Are you aware of some of the work of the Brotherhood of St Laurence? We met with them last week and they were telling us about a project that they are doing which takes a bit of a holistic approach and covers a lot of these issues across various agencies and services. It is at Atherton Gardens in Fitzroy. Are you aware of it? Do you have any comments to make about it?

**Dr Webster**—I am aware of it vaguely. I think it is a really good idea. One of the best things about Job Network was that, by outsourcing employment services, it allowed groups that were already providing housing, social support or training services to also put employment services into the package. I think that was one of the best things about the program.

**CHAIR**—We plan to go back down there and have a look. We were pretty impressed with what they said.

**Dr Webster**—Nick Francis is on our advisory board so I happen to have spoken to him a bit about it.

**CHAIR**—Thank you very much for coming in. Thank you for adjusting your time frames for us. If we have any more questions, we would like to get back to you at some stage, and if there is any other research that you are doing that you believe might shed a bit more light on the subject for us we are happy to receive it as well.

Resolved (on motion by **Mr Barresi**, seconded by **Hartsuyker**):

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

**Subcommittee adjourned at 1.19 p.m.**