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Enough jobs

- 3.1 The Australian Chamber of Commerce and Industry (ACCI) believe that the Reserve Bank must allow the economy to expand more rapidly.¹ ACCI added that the current low unemployment rate reflects a strong-growing economy. ACCI also added that measures such as lifting interest rates, which are designed to slow down the economy, would reduce business activity, resulting in a flow on effect for the demand of labour.²
- 3.2 Private sector employment continues to grow at around the same rate as the pre-1970s rate while there has been a retraction of the public sector from the role of employer.³ The Melbourne Institute of Applied Economic and Social Research commented that in the 1950s to 1970s governments employed the people who were not highly productive.⁴ CofFEE commented that in the past it was implicit that the government was an employer of last resort to employ the most disadvantaged and lowest-skilled workers on a basic wage and had acted as a counter-cyclical employer.⁵

We do not advocate a return to these sorts of job opportunities. We are aware of national competition policy and we are aware of the corporatisation of the railways and other public utilities that used to provide a massive number of job opportunities. We accept the

1 Australian Chamber of Commerce and Industry, *Submission No. 63*, p. 15.
2 Mr Peter Anderson, Director, Workplace Policy, Australian Chamber of Commerce and Industry, *Transcript of Evidence*, 5 November 2003, pp. 4-5.
3 Professor William Mitchell, Professor of Economics and Director, Centre of Full Employment and Equity, University of Newcastle, *Transcript of Evidence*, 12 March 2004, pp. 3-4.
4 Dr Elizabeth Webster, Senior Research Fellow, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, *Transcript of Evidence*, 24 March 2004, p. 17.
5 Professor William Mitchell, Professor of Economics and Director, Centre of Full Employment and Equity, University of Newcastle, *Transcript of Evidence*, 12 March 2004, p. 4; Centre of Full Employment and Equity, *Submission No. 60*, p. 4

political constraints and perhaps the economic constraints that prevent a return to that state of affairs.⁶

- 3.3 CIS also argued that part of the problem is that there needs to be enough jobs available for people to do if Australia is seeking to increase participation in paid work.⁷ There needs to be low skilled and low income jobs made available because of the problems with jobless households.⁸ In many European countries discussion of employment rates (the proportion of the population of workforce age employed) has reached the same importance in public debate as unemployment rates currently do in Australia.⁹

The problem is that we do not have enough jobs. We have been losing jobs – largely because of technology and partly also because we are pricing those jobs out through a high minimum wage. We are losing low skilled, low paid jobs.¹⁰

- 3.4 The Australian Council of Trade Unions (ACTU) called for job creation in the public sector to support services and growth, and in the private sector through R&D and industry policy. ACTU emphasised that promoting new investments could help create jobs, and in particular new investment opportunities in regions of high unemployment should be pursued.

Australia remains one of the least successful countries in the OECD in securing new foreign direct investment in manufacturing or related value added services. In addition, business investment in R&D is well below international benchmarks, as is investment of venture capital in new, rapidly growing companies.¹¹

- 3.5 ACOSS also argued for an increase in the number of jobs by addressing shortages in publicly funded services such as health, education and social welfare, environmental restoration and reducing excessive working hours in return for higher productivity.

6 Professor William Mitchell, Professor of Economics and Director, Centre of Full Employment and Equity, University of Newcastle, *Transcript of Evidence*, 12 March 2004, p. 4.

7 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 40; see also Mrs Mary Jenkins, Secretary, Underemployed People's Union WA Inc and Australian National Organisation of Unemployed, *Transcript of Evidence*, 6 April 2004, p. 39; Australian Council of Social Service, *Submission No. 74*, p. 20.

8 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 40.

9 Australian Council of Social Service, *Submission No. 74*, p. 18.

10 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 51.

11 Australian Council of Trade Unions, *Submission No. 69*, pp. 5, 22

Expanding labour-intensive human services, and similar industries (such as environmental repair) provides another vehicle for increasing employment. Policies designed for this purpose should lead to a permanent boost in employment...¹²

- 3.6 Dr Webster from the Melbourne Institute of Applied Economic and Social Research commented on the possibility of the emergence of a United States style secondary labour market:

... 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.¹³

- 3.7 BSL referred to research that indicates that much of the increase in welfare spending is the result of a lack of full-time jobs, with many people still unemployed after an extensive job search.¹⁴ ACOSS agreed that there was a jobs shortage:

Unemployment and income support reliance are primarily caused by structural problems within the labour market. While we may be facing a labour shortage in the future, there are currently not enough jobs, especially full time jobs, to meet the amount of labour available. The structure of the labour market away from middle-level jobs and towards part-time and casual employment at one end, and highly skilled, highly paid employment at the other end, is creating a growing polarisation within our community and is leaving more families jobless and reliant on income support.¹⁵

- 3.8 CoffEE emphasised the need for policy settings that can generate enough jobs and enough hours of work to address the current underutilisation of hours.¹⁶ ABS calculated that the extra hours that could be worked by those who are unemployed or underemployed and wish to work was 28.6

12 Australian Council of Social Service, *Submission No. 74*, p. 4.

13 Dr Elizabeth Webster, Senior Research Fellow, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, *Transcript of Evidence*, 24 March 2004, p. 12.

14 Brotherhood of St Laurence, *Submission No. 81*, p. 3.

15 Australian Council of Social Service, *Submission No. 74*, p. 3.

16 Ms Sally Cowling, Research Fellow, Centre of Full Employment and Equity, University of Newcastle, *Transcript of Evidence*, 12 March 2004, p. 2.

million hours per week, which would increase the number of hours worked by 8.3 per cent.¹⁷

- 3.9 ACCI commented that joblessness in Australia reflects the insufficient rate at which jobs are being created and a welfare benefits system that distorts the incentives to participate in paid work.¹⁸ However, CIS cautioned that there are problems to the argument that the number of job vacancies is smaller than the number of people registered as unemployed. That line of argument underestimates the number of jobs available as it counts only current vacancies and not those filled internally or vacancies for which no recruitment action is required.
- 3.10 CIS added that an increase in the number of jobs must be coupled with improvements in incentives to take the jobs.¹⁹ CofFEE, however, emphasised that much of the public policy debate has been on the use of financial incentives to induce participation from those outside the labour force or nearing retirement, and not on the failure of active labour market programs to address unemployment.²⁰

The problem with running an exclusively supply-side strategy, an exclusive focus on active labour market programs as the means to address unemployment, is that it needs an analogue on the demand side. It needs jobs in which to help people make transitions.²¹

- 3.11 ACCI believes that employers are frustrated and are not employing additional people even though there is work to be done. The reasons for this includes the costs and regulatory aspects associated with employing someone and the availability of people with the right skills match and job readiness. Both the demand and supply sides of the equation need to be dealt with.²²

17 Australian Council of Social Service, *Submission No. 74*, p. 11 citing Australian Bureau of Statistics, *Australian Labour Market Statistics* (Cat. No 6105.0), July 2003, p. 14.

18 Australian Chamber of Commerce and Industry, *Submission No. 63*, p. 2.

19 Centre for Independent Studies, *Submission No. 75*, p. 1.

20 Ms Sally Cowling, Research Fellow, Centre of Full Employment and Equity, University of Newcastle, *Transcript of Evidence*, 12 March 2004, p. 2.

21 Ms Sally Cowling, Research Fellow, Centre of Full Employment and Equity, University of Newcastle, *Transcript of Evidence*, 12 March 2004, p. 11.

22 Mr Peter Anderson, Director, Workplace Policy, Australian Chamber of Commerce and Industry, *Transcript of Evidence*, 5 November 2003, p. 3.

Job creation strategies

- 3.12 There are a range of views concerning job creation strategies and the value of labour market programs. The Committee received evidence that was highly critical of labour market programs, suggesting that they only temporarily remove people from income support. Other agencies argued strongly for labour market programs as an important transition and training opportunity to assist disadvantaged groups to enter the workforce.

Public services

- 3.13 The number of employees in the Australian Public Service has declined by 30 per cent since 1987 resulting in the loss of 100 000 jobs.²³ The Central Western Regional Development Board expressed concern about the privatisation of government instrumentalities and the potential impact on rural and regional areas. The downsizing of government departments has had an additional negative impact on job numbers as the private sector previously benefited from the government training of employees.²⁴
- 3.14 CoffEE suggested a community development job guarantee to employ low-skilled workers.²⁵ CoffEE makes the point that unemployed welfare recipients are already in the 'public sector' and this capacity could be used to produce socially beneficial outputs and reduce the socially detrimental reactions to unemployment.²⁶ This proposal would assist people in gaining employment and not having to rely on welfare.²⁷

Intermediate labour market

- 3.15 Intermediate labour market (ILM) organisations are established to provide temporary wage employment for the long-term unemployed while

23 United Services Union, *Submission No. 85*, p. 6. See also Ms Lyn Fraser, Research Officer, United Services Union, *Transcript of Evidence*, 12 March 2004, pp. 33-4.

24 Central Western Regional Development Board, *Submission No. 46*, p. 3.

25 Ms Sally Cowling, Research Fellow, Centre of Full Employment and Equity, University of Newcastle, *Transcript of Evidence*, 12 March 2004, p. 2; Professor William Mitchell, Professor of Economics and Director, Centre of Full Employment and Equity, University of Newcastle, *Transcript of Evidence*, 12 March 2004, p. 5; See also Australian Bureau of Statistics (1998), *Australian Social Trends 1998, Work - Paid Work: Public sector employment*.

26 Centre of Full Employment and Equity, *Submission No. 60*, p. 3.

27 Professor William Mitchell and Ms Sally Cowling, Centre of Full Employment and Equity, University of Newcastle, *Transcript of Evidence*, 12 March 2004, p. 5.

providing support to move to the mainstream labour market.²⁸

Internationally there are a number of examples where this approach has been successful and there are now a few operating in Australia.

- 3.16 The United Kingdom model employs people with a community agency and then transfers them to employment opportunities once they have demonstrated they can do the job. These transitional positions tend to be full-time jobs which are more closely related to employment opportunities than Australia's Work for the Dole projects.²⁹ For example, in Glasgow the Wise Group trains unemployed people to draught-proof houses. It is long-term training which takes really difficult cases and spends the early months getting these people 'sane and balanced' through personal counselling.³⁰ Associate Professors Maude and Beer added that this is a more expensive option than standard labour market programs but there has generally been a higher success rate measured by a reduction in long-term employment.³¹
- 3.17 The Swedish model provides a subsidy to employers to release their lower skilled workers to go to training, and the model also provides a work experience opportunity for long-term unemployed people. Many of the participants acquire long-term employment as a result.³²
- 3.18 Associate Professor Alaric Maude cited the example of an Anglicare project in Sydney which provides an intermediate labour market. The ILM trains unemployed people in work discipline and work skills in a job which is commercially viable. This business partially funds itself by recycling computers for sale, so that people are trained in a real world situation and not a sheltered workshop. This produces a service for which there is a commercial demand and is similar to the work environment they will move into.³³
- 3.19 The ILM approach deals with the long-term unemployed where standard programs do not work and it is more difficult to move them to paid employment. For example, the Commonwealth Rehabilitation Service

28 Associate Professor Alaric Maude and Associate Professor Andrew Beer, *Submission No. 43*, p. 12.

29 Dr Stephen Ziguras, Research and Policy Manager, Brotherhood of St Laurence, *Transcript of Evidence*, 19 March 2004, p. 34.

30 Associate Professor Alaric Maude, *Transcript of Evidence*, 18 March 2004, p. 5.

31 Associate Professor Alaric Maude and Associate Professor Andrew Beer, *Submission No. 43*, p. 12 citing Marshall B and R Macfarlane (2000) *The Intermediate Labour Market: A Tool for Tackling Long-Term Unemployment*, Joseph Rowntree Foundation, York, pp. 40-48.

32 Dr Stephen Ziguras, Research and Policy Manager, Brotherhood of St Laurence, *Transcript of Evidence*, 19 March 2004, p. 34; Brotherhood of St Laurence, *Submission No. 81*, p. 7.

33 Associate Professor Alaric Maude, *Transcript of Evidence*, 18 March 2004, pp. 5, 9.

Australia (CRS) has programs to support all people with disabilities, including mental health problems, to join the labour force. There needs to be a way of preparing people ready to benefit from the CRS program.³⁴

3.20 Associate Professor Maude also notes that in Australian labour market programs:

... local communities have very little scope to influence the employment services delivered in their area, and there are no local partnerships of the type common in Europe.³⁵

3.21 BSL commented that it has successfully implemented the ILM model, by using its status as a 'Group Training Organisation' to employ trainees from disadvantaged backgrounds. BSL has found the funding to be often inadequate and fragmented and to involve substantial organisational resources. BSL have found positions for 100 long-term unemployed people in Fitzroy with funding from existing programs and \$100 000 from their own funds. BSL estimate that the savings from reduced social security payments is about \$1m for this group and that greater funding for targeted programs would be cost-effective and efficient.³⁶

There are several Federal government programs which provide funding for these activities but they tend to be disconnected and uncoordinated. Some have explicit guidelines which prevent participation in more than one program at once (for example JN and PSP except for the 'transition period'). We believe the system would be more effective if these programs were 'joined-up' for job-seekers with the greatest barriers to employment, an approach also suggested by others (e.g. Hanover Welfare Services 2003).³⁷

3.22 DEWR, however, made the point that Job Seeker Accounts, which can be accessed by employment services to assist individuals, already allow a range of options including assisting people in obtaining work experience, training and wages. The Job Network approach is flexible, rather than a one-size-fits-all approach and those sorts of ideas and linkages can work well.³⁸

34 Associate Professor Alaric Maude, *Transcript of Evidence*, 18 March 2004, pp. 6-7.

35 Associate Professor Alaric Maude and Associate Professor Andrew Beer, *Submission No. 43*, pp. 6-7.

36 Brotherhood of St Laurence, *Submission No. 81a*, p. 11.

37 Brotherhood of St Laurence, *Submission No. 81a*, p. 11 citing Hanover Welfare Services (2003) *A new approach to assisting young homeless job seekers*, Hanover Welfare Services, South Melbourne.

38 Mr Graham Carters, Group Manager, Employment Policy Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 26 May 2004, p. 24.

Labour market reform

3.23 DEWR stated that:

In an environment in which Australian industry is being exposed to ever increasing levels of international competition, and where technological change is accelerating, it is crucial that governments examine how they can provide a policy and legislative framework most conducive to creating efficient, flexible and competitive businesses.³⁹

3.24 ACCI added that changes during the 1990s have shown that industrial relations reforms can increase productivity and provide new employment opportunities.⁴⁰ Labour market reform has been one of the factors in conjunction with a range of microeconomic reforms over the last decade that has contributed to Australia's labour productivity performance being very strong:

It is not something that I think you can make an absolutely definitive statement about, but there are some very strong reasons to conclude that labour market reform – not just under the current government, of course; you can go back to enterprise bargaining under the previous government and award restructuring under the structural efficiency principle – has really picked up from the introduction of those changes.⁴¹

3.25 Treasury emphasised that greater flexibility in the labour market can increase job opportunities, and stated that although there has to be a strong proportion of full-time jobs, women and people coming off income support may use part-time or casual work.⁴²

It reflects changing flexibility – the way employers and the private sector operate, and often the way that families and individuals operate in the labour market themselves.⁴³

3.26 The Australian Government is considering options to enhance productivity and changes needed in the economy:

39 Department of Employment and Workplace Relations, *Submission No. 72*, p. 6.

40 Australian Chamber of Commerce and Industry, *Submission No. 63*, p. 15.

41 Mr Scott Matheson, Acting Group Manager, Employment Analysis and Evaluation Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 17 September 2003, p. 9.

42 Mr David Tune, General Manager, Social Policy Division, Treasury, *Transcript of Evidence*, 26 May 2004, p. 15.

43 Mr David Tune, General Manager, Social Policy Division, Treasury, *Transcript of Evidence*, 26 May 2004, p. 15.

There are issues around the way we regulate the economy. Whether we can reduce the regulatory burden is another possible avenue. There are issues around the way we regulate the professions. There may be possibilities to ease up there and perhaps increase productivity.⁴⁴

3.27 The key elements of the Australian Government's legislative program include:

- further reducing the burden of unfair dismissal laws on business, particularly small businesses;
- extending the federal unfair dismissal jurisdiction to cover employees in all incorporated entities;
- requiring a secret ballot before protected industrial action can be taken;
- providing a mechanism for resolving transmission of business complexities in relation to certified agreements;
- providing improved protection against unacceptable industrial behaviour;
- improving compliance by unions with orders and directions of the Australian Industrial Relations Commission and Federal Court;
- further simplifying awards;
- ensuring that adjustments to the award safety net are made with appropriate recognition to the needs of the low paid; and
- simplifying agreement-making procedures.⁴⁵

3.28 ACTU stated that unemployment and income support reliance are primarily caused by structural problems within the labour market. A range of measures including the adoption of appropriate legislation, the creation of an environment that is more conducive to the elimination of discriminatory employment practices, implementation of more family friendly policies and the need for the re-regulation of the labour markets, are necessary to increase employment opportunities and encourage workforce participation.⁴⁶

44 Mr David Tune, General Manager, Social Policy Division, Treasury, *Transcript of Evidence*, 26 May 2004, p. 14.

45 Mr Graham Carters, Group Manager, Employment Policy Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 17 September 2003, p. 6; Department of Employment and Workplace Relations, *Submission No. 72*, p. 7.

46 Australian Council of Trade Unions, *Submission No. 69*, p 5.

- 3.29 BSL commented that Australia's investment in labour market programs is significantly less than that of other countries in the OECD. A greater level of investment in programs to provide training, work experience and post-placement support is necessary to assist the most disadvantaged job seekers to participate in employment.⁴⁷

Deregulation

- 3.30 One approach suggested to encourage flexible work options is a reduction of regulation imposed on those seeking to negotiate mutually beneficial wages and conditions.⁴⁸ Further, DEWR stated that both employers and employees require flexibility in working arrangements and that these agreements are better worked out at the individual workplace level so that they are mutually beneficial.

Flexible labour market arrangements are one of the crucial determinants of an economy's capacity to take advantage of growth opportunities in the information technology age.⁴⁹

- 3.31 It was argued that the main constraint on increasing participation in paid work is the level of regulation which keeps employment at a lower level.⁵⁰ The Institute for Private Enterprise (IPE) added that this redistributes income from the lower to the higher income groups and encourages a resort to social welfare benefits.⁵¹ IPE commented that:

Even international economic organisations such as the OECD and the IMF, which are normally hesitant about recommending specific policy changes, have increasingly proposed reduced regulation of employer and employee relations and the provision of greater freedom for employers and employees to negotiate the terms and conditions of employment.⁵²

- 3.32 Changes in the Australian labour market due to globalisation have brought about a need to adopt more flexible workplaces.⁵³ The

47 Australian Council of Social Service, *Submission No. 74*, p. 3.; Brotherhood of St Laurence, *Submission No. 81*, p. 7.; United Services Union, *Submission No. 85*, p. 7 citing OECD 2002, *Society at a glance*, OECD, Paris

48 Treasury, (2004) *Australia's Demographic Challenges*, p. 13; OECD (2005) *Economic survey of Australia 2004*, Policy Brief, pp. 2.

49 Department of Employment and Workplace Relations, *Submission No. 72*, p. 6.

50 Institute for Private Enterprise, *Submission No. 44*, pp. 1-2; H.R. Nicholls Society Inc, *Submission No. 100*, p. iii.

51 Institute for Private Enterprise, *Submission No. 44*, p. 2

52 Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, p. 38; OECD (2005) *Economic survey of Australia 2004*, Policy Brief, pp. 2-3.

53 Department of Employment and Workplace Relations, *Submission No. 72*, p. 6.

deregulation of the labour market that accompanies globalisation has the effect of a rapid growth in the services sector, particularly in the non-importing areas.⁵⁴ ACCI believes that:

... removing regulatory impediments to workplace efficiency and the raft of on-costs associated with award requirements will generate increased labour demand and greater labour productivity, leading in turn to better employment outcomes.⁵⁵

3.33 There is a need to create more positions that will encourage mature age workers and parents into the workforce and establish more family friendly workplaces and practices. It is the Australian Government's view that workplace reforms:

... should remain as flexible as possible and that the legislation supporting it be as minimal as possible to basically optimise the opportunities for individual workplace agreements and arrangements to be developed to suit the employer and employee. ... we have quite recently opened the new Workplace Advisory Service to better promote these flexibilities which can be included in certified agreements or workplace agreements.⁵⁶

3.34 Greater flexibility may change the culture of the private sector to make it more responsive.⁵⁷ While an award condition may be appropriate for one business, it may impede the efficiency of practices in other workplaces, and these awards apply for an indefinite period irrespective of any change in circumstances.⁵⁸ There is currently a proliferation of awards.⁵⁹

3.35 ACCI supported decentralisation, which gives primacy to the interests of the employer and employee parties in the employment relationship. ACCI added that:

Further decentralisation of the industrial relations system will allow businesses to adopt efficient workplace practices and boost worker productivity. But perhaps of greater importance is that

54 St Vincent de Paul Society National Council, *Submission No. 98*, p. 9.

55 Australian Chamber of Commerce and Industry, *Submission No. 63*, pp. 1-2.

56 Mr Graham Carters, Group Manager, Employment Policy Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 17 September 2003, p. 6.

57 Mr David Tune, General Manager, Social Policy Division, Treasury, *Transcript of Evidence*, 26 May 2004, p. 14.

58 Australian Chamber of Commerce and Industry, *Submission No. 63*, pp. 11-13. See also Mr Richard Calver, National Director, Industrial Relations, Master Builders Australia, *Transcript of Evidence*, 3 March 2004, p. 16.

59 Mr Richard Calver, National Director, Industrial Relations, Master Builders Australia, *Transcript of Evidence*, 3 March 2004, p. 16.

restraint is exercised in the determination of increases in the award safety net, lower labour costs will enable business to employ more workers and make substantial in-roads into the current level of unemployment.⁶⁰

- 3.36 The Australian Sugar Milling Council Pty Ltd commented that there are numerous regulations imposed by both State and Federal Governments that deter companies from engaging additional labour.⁶¹ It was argued that if employers face fewer costs and fewer risks, they are more likely to employ additional people.⁶²
- 3.37 In terms of changes in the industrial landscape, about 27 per cent of agreements in Victoria are collective agreements without union involvement. The AIG would like to see better industrial relations-workplace relations systems in place which encourage resolution within enterprises and give incentives to investment and job creation.⁶³
- 3.38 CIS also argued that the award system needs to be overhauled as more than 20 per cent of workers still depend entirely on awards.⁶⁴ CIS argued that the award system frustrates productivity as it does not take into account the circumstances of a particular enterprise and is adversarial in nature.⁶⁵
- 3.39 The H.R. Nicholls Society referred to the low unemployment rates in the United States and argued that people in Australia are locked out of the labour market by regulation while people in the US have the opportunity to get a job even if they are unskilled.⁶⁶ In the US, the minimum hourly rate is set by Congress.⁶⁷
- 3.40 The H.R. Nicholls Society would like to see Australian Workplace Agreements much more accessible to workers and employers, and thus

60 Australian Chamber of Commerce and Industry, *Submission No. 63*, p. 11.

61 Australian Sugar Milling Council Pty Ltd, *Submission No. 45*, p. 9.

62 Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, pp. 39, 42.

63 Mrs Heather Ridout, Deputy Chief Executive Officer, Australian Industry Group, *Transcript of Evidence*, 27 January 2004, pp. 7-8.

64 Centre for Independent Studies, *Submission No. 75*, p. 4 citing Australian Bureau of Statistics, *Employee Earnings and Hours*, ABS (Cat. No. 6306.0), May 2002, Table 25.

65 Centre for Independent Studies, *Submission No. 75*, pp. 4-5. For the details of the proposal, see *Exhibit 36*, Kayoko Tsumori, (2003) *Poor Laws (3): How to reform the Award System and create more jobs*, CIS Issue Analysis Paper No. 41, November 2003, Sydney: Centre for Independent Studies.

66 Mr Ray Evans, H.R. Nicholls Society Inc., *Transcript of Evidence*, 20 February 2004, p.13.

67 Mr Ray Evans, H.R. Nicholls Society Inc., *Transcript of Evidence*, 20 February 2004, p.19.

contribute to the reduction in unemployment. Alternatively, the Society suggested that in regions where unemployment is particularly high:

... special free-labour-market zones should be designated to free those people without jobs to determine where their interests lie unconstrained by regulations put in place by people remote from them both geographically and in terms of real appreciation of their plight.⁶⁸

- 3.41 IPE added that the argument about the imbalance of bargaining power between employers and employees, with the employee being disadvantaged, is fallacious.

The labour market operates in an environment where labour demand and supply are equated by competition for the labour services of over 10 million workers, between over a million businesses.⁶⁹

- 3.42 The H.R. Nicholls Society added that there are millions of employers and small businesses from which employees could choose, and that it is only in a monopoly situation that there is an imbalance of power.⁷⁰

... since at any given time there are numerous jobs on offer and numerous people looking for jobs, there is no power imbalance *at the time an employment relationship is formed*. Either party can reject terms demanded by the other if they believe they fall short of competitive terms available elsewhere.⁷¹

- 3.43 IPE believes that there needs to be an advisory service. This would increase the capacity of people to negotiate on their own behalf as a result of the various changes in the economy and education. In London, the Advisory, Conciliation and Arbitration Service is a voluntary organisation that has been successfully providing this service to both employers and employees.⁷²

- 3.44 The Institute cautioned that there would need to be a change of culture before deregulation would result in another 2 million people being

68 H.R. Society Inc, *Submission No. 100*, p. ii.

69 Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, pp. 38-39.

70 Mr Ray Evans, H.R. Nicholls Society Inc., *Transcript of Evidence*, 20 February 2004, p.16.

71 H.R. Nicholls Society Inc, *Submission No. 100*, p. 16.

72 Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, p. 39.

employed. It would take some time to educate employers, employees and unions and to adapt to the new system.⁷³

3.45 USU commented that re-regulation of the labour market is needed to stop the decline of quality jobs and reductions in worker entitlements.⁷⁴ ACTU call for an extension of regulations for working hours as well as casual and part-time employment to labour hire and contracting firms.⁷⁵

3.46 SDAEA commented that there is no evidence that workplace regulation adversely affects employment and there are benefits to employees from the presence of unfair dismissal laws. The setting aside, or removal of these laws, should only occur, if at all, if there is compelling and overwhelming evidence that the presence of these laws is harming, to a significant degree, the Australian economy and people seeking work.⁷⁶

Australian Workplace Agreements

3.47 The Workplace Relations Act promotes agreement in all forms and does not discriminate between agreement making options. It includes certified agreements, Australian workplace agreements and individual agreements, and does not discourage informal agreements.⁷⁷ DEWR added that workplace agreements can provide:

- flexibility in start and finishing times;
- averaging hours over weeks, months and a year;
- staggered starting and finishing times (on a regular or irregular basis);
- flexible working time arrangements;
- greater flexibility in utilising rostered days off;
- cashing out of some leave entitlements;
- annualised salaries incorporating penalty rates and overtime components;
- flexibility in rest and meal breaks; and

73 Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, pp. 44-45.

74 United Services Union, *Submission No. 85*, p. 7.

75 Australian Council of Trade Unions, *Submission No. 69*, p.11.

76 Shop Distributive & Allied Employees' Association, *Submission No. 79*, p 70.

77 Mr Scott Matheson, Acting Group Manager, Employment Analysis and Evaluation Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 17 September 2003, p. 8.

- provisions to assist with balancing work and family responsibilities.⁷⁸

Minimum wages

- 3.48 ACCI believes that minimum wages have acquired an 'inappropriate momentum' and that the increases are 'inherently contrary to sound labour market and economic outcomes'.

Employers continue to be subject to multiple federal and state awards containing multiple wages points. The Australia industrial system still provides for many thousands of wage classifications each with their own minimum wages. No other major international trading economy has such a system, and Australian minimum wages policy appears to be at odds with international best practice.⁷⁹

- 3.49 Australia has one of the highest minimum wages, relative to the average wage, in the world and Australia's minimum wage is the second highest of the OECD countries behind France.⁸⁰ ACOSS argued that in Australia there will always be a minimum wage, the question is the level.⁸¹ H.R. Nicholls Society commented that the minimum wage is the basis on which the cost of other regulations is superimposed.⁸² The minimum wage system is predicated on the needs of a single adult to maintain a reasonable standard of living. Family payments are a supplement to household incomes where there are children and there are tax concessions for a dependent spouse.⁸³

... in the US economy, which arguably has the most flexible labour market ... you see a lot less part-time employment than you do in other countries, especially Australia. Then if you look at Australia's minimum wage to medium-wage proportion, we are the second highest in the OECD. While most surveys show that people in part-time work want those sorts of hours and do not

78 Department of Employment and Workplace Relations, *Submission No. 72*, pp. 6-7.

79 Australian Chamber of Commerce and Industry, *Submission No. 63*, pp. 13-14.

80 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 41; Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, p. 40.

81 Mr Philip O'Donoghue, Acting Director, Australian Council of Social Service, *Transcript of Evidence*, 28 January 2004, p. 12.

82 H.R. Nicholls Society Inc, *Submission No. 100*, p. iv.

83 Mr Philip O'Donoghue, Acting Director, Australian Council of Social Service, *Transcript of Evidence*, 28 January 2004, p. 5.

want any more, it also suggests that employers may be responding to the rigidity still within the Australian labour market.⁸⁴

- 3.50 There is mixed evidence as to whether lowering or removing the minimum wage would have a significant effect.⁸⁵ ACTU opposes the freezing or restraining of minimum wages to create more jobs and to contain inflation. ACTU stated that although income restraint could help reduce unemployment, lowering minimum wages 'may not be the solution'.⁸⁶
- 3.51 ACTU dispute the argument that freezing minimum wages would create more jobs and contain inflation. Instead, they recommend regular adjustments of the award minimum wages.⁸⁷
- 3.52 In the United Kingdom, the Low Pay Commission recommends a minimum wage but it has been argued that this has been set at about the market wage so there have been very few adverse effects.⁸⁸
- 3.53 While supporting the freezing of a minimum wage, the CIS caution against a high award minimum wage which they suggest hinders job creation:

It is often claimed that a high minimum wage is necessary to meet the 'needs of the low-paid' and alleviate poverty, but 40% of adults receiving the minimum wage or less in 1994-95 were living with higher-paid adults and were sharing a relatively high standard of living.⁸⁹ A high minimum wage can perpetuate, rather than alleviate, poverty by increasing unemployment. At the very least, we need a mechanism, similar to Britain's Low Pay Commission, to set the minimum wage at a level that would not deter job creation ... an increased personal tax-free threshold would more than compensate for any earnings foregone.⁹⁰

84 Mr Dehne Taylor, Manager, Labour Market Unit, Treasury, *Transcript of Evidence*, 26 May 2004, p. 15.

85 Mr Philip O'Donoghue, Acting Director, Australian Council of Social Service, *Transcript of Evidence*, 28 January 2004, pp. 12-13;

86 Australia Council of Trade Unions, *Submission No. 69*, pp. 18, 21-22.

87 Australia Council of Trade Unions, *Submission No. 69*, pp. 15, 18.

88 Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, p. 45.

89 Sue Richardson and Ann Harding, (1998) *Low Wages and the Distribution of Family Income in Australia*, Discussion Paper No. 33 (Canberra: National Centre for Social and Economic Modelling, September 1998), pp. 14-16.

90 Centre for Independent Studies, *Submission No. 75*, p. 4.

- 3.54 CIS suggested that freezing the minimum wage would generate more jobs at the lower end of the market.⁹¹ Further, Australia needs to take into account local and regional variations in labour market conditions:

It is absurd to force employers in an area of relatively low housing costs and high unemployment to pay the same wages and conditions to unskilled workers that they would have to pay in an area of high housing costs and low unemployment ... We need serious thinking about labour market reform.⁹²

- 3.55 It is important that the minimum wage be set at a level that does not deter job creation, allowing Australian companies to compete internationally and is applicable to Australia's industrial and political system. The AIG called for changes to the current approach of setting the minimum wages because of the impact on the employment prospects of the low skilled and potential workers.⁹³ The minimum wage is about \$22 000 and unemployment benefits are about \$10 000 so there is an enormous gap.⁹⁴

- 3.56 Australian companies compete with low wage countries such as China.⁹⁵ In attempting to be internationally competitive, the major cost is labour, and on-costs can reach 40 per cent.⁹⁶ The Society for Australian Industry and Employment argued that cheaper wages to make Australia more competitive would not be acceptable given the differential between wages in Australia and countries like China. The Society for Australian Industry and Employment added that to reduce it by only ten per cent would have no impact.⁹⁷

... the objective of international trade is to improve the standard of living. Therefore, a reduction in local wages, in my opinion, is a counterproductive move. Protection, unfortunately, although it has been a dirty word, is becoming more used these days. Protection of

91 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 44

92 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 41.

93 Mrs Heather Ridout, Deputy Chief Executive Officer, Australian Industry Group, *Transcript of Evidence*, 27 January 2004, p. 2.

94 Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, p. 40.

95 Society for Australian Industry and Employment Inc, *Submission No. 48*, p. 1.

96 Australian Sugar Milling Council Pty Ltd, *Submission No. 45*, pp. 7-8; see also Central Western Regional Development Board, *Submission No. 46*, p. 3;

97 Mr Ernest Rodeck AM, Honorary Chairman, Society for Australian Industry and Employment, *Transcript of Evidence*, 20 February 2004, p. 50.

the Australian standard of living can be obtained without reducing wages.⁹⁸

Unfair dismissal laws

- 3.57 IPE believes that unfair dismissal is a significant inhibitor of employment by small business.⁹⁹ CIS claimed that if the unfair dismissal legislation were introduced 77 000 jobs would be created in the small business sector.¹⁰⁰

The existing *unfair dismissal laws* discourage employers from taking on new workers because it is costly to dismiss them if they later turn out unsatisfactory. This is particularly true for small-business employers, who, unlike their bigger-business counterparts, may lack the resources necessary to cope with unfair dismissal allegations.¹⁰¹

- 3.58 ACCI also considers that the unfair dismissal laws are an unreasonable burden on employers:

Its subjective, costly and litigious character creates uncertainty in the minds of employers when facing the necessary decisions to discipline or terminate staff ... The behaviour of agents acting on behalf of the applicants must be monitored to ensure that it is both ethical and supportive of a good workplace relations system.¹⁰²

- 3.59 AIG supports changes in the unfair dismissal system and suggested that a person working in a company that employs 20 people should not have more rights than a person in a company which employs 19 people. There needs to be a practical solution such as longer probationary periods and a reduced procedural fairness provision.¹⁰³
- 3.60 CIS suggested that the argument about unfair dismissal does not matter for big employers as they can carry the cost. Small employers may seek to

98 Mr Ernest Rodeck AM, Honorary Chairman, Society for Australian Industry and Employment, *Transcript of Evidence*, 20 February 2004, p. 52.

99 Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, p. 41.

100 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 41.

101 Centre for Independent Studies, *Submission No. 75*, p. 4 citing Don Harding, (2002) *The Effect of Unfair Dismissal Laws on Small and Medium Sized Businesses* (Melbourne: Melbourne Institute of Applied Economic and Social Research, The University of Melbourne, 29 October 2002).

102 Australian Chamber of Commerce and Industry, *Submission No. 63*, p. 14.

103 Mrs Heather Ridout, Deputy Chief Executive Officer, Australian Industry Group, *Transcript of Evidence*, 27 January 2004, p. 8.

circumvent the problem by moving to casualisation, paying existing workers overtime or substituting machinery for a worker.¹⁰⁴

3.61 The Central Western Regional Development Board (CWRDB) also supported the view that unfair dismissal laws have contributed to the casualisation of the workforce and stated that contract employment has destabilised the workforce.¹⁰⁵

3.62 SDAEA argued, however, that the relationship between unfair dismissal laws and employment inhibition is unproven and cited the conclusion drawn by the Full Court of the Federal Court of Australia.¹⁰⁶ The Court found that:

Whether the possibility of encountering an unlawful dismissal claim makes any practical difference to employers' decisions about expanding their labour force is entirely a matter of speculation. We cannot exclude such a possibility; but, likewise, there is no basis for us to conclude that unfair dismissal laws make any difference to employers' decisions about recruiting labour.¹⁰⁷

Assistance and incentives

Employer incentives

3.63 ACOSS supports carefully targeted wage subsidies for employers prepared to take on the long-term and disadvantaged job-seekers.¹⁰⁸ The Melbourne Institute of Applied Economic and Social Research also saw wage subsidies as having the greatest impact in terms of getting people into work, while training programs appear to have the least impact. The benefits of a wage subsidy approach is that the employer can get to know the potential employee, while at TAFE (Technical and Further Education) or there is not this opportunity.¹⁰⁹ COTA NSP agreed that the provision of

104 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 46.

105 Central Western Regional Development Board, *Submission No. 46*, p. 3.

106 Shop Distributive and Allied Employee's Association, *Submission No. 79*, p. 71 citing the Full Court of the Federal Court of Australia, 19 November 2001, *Hamzy v Tricon International Restaurants trading as KFC* [2001] FCA 1589, paragraph 70.

107 Full Court of the Federal Court of Australia paragraph 70, 19 November 2001, *Hamzy v Tricon International Restaurants trading as KFC* [2001] FCA 1589, paragraph 70.

108 Australian Council of Social Service, *Submission No. 74*, p. 22.

109 Dr Elizabeth Webster, Senior Research Fellow, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, *Transcript of Evidence*, 24 March 2004, p. 13.

wage subsidies would assist older workers in 'getting a foot in the door', particularly for the most difficult to place mature people.¹¹⁰

- 3.64 About 19 per cent of the funds for Jobseeker Accounts are spent on employer incentives, predominantly wage subsidies. Other items can include pre-employment costs such as medical examinations, clothing and equipment, police checks and workplace modifications.¹¹¹
- 3.65 Dr Webster from the Melbourne Institute of Applied Economic and Social Research added that there is no doubt that the offer of a wage subsidy will get people jobs but in terms of program outcomes, the people participating in a wage subsidy program are only ten per cent more likely than their control counterpart to be employed after the completion of the program. At the end of 18 months there is probably the same probability of two identical people having a job when one has done the program and one has not.¹¹²
- 3.66 CIS did not believe that employer subsidies work as a general strategy and that this money could be more efficiently spent.¹¹³ CIS commented that a review of wage subsidies in France, Germany, the Netherlands, United States of America and the United Kingdom found that they 'tend not to be effective with harder-to-serve groups' such as the long-term unemployed.¹¹⁴ Employers prefer to appoint the right candidate and often worry about the quality of people who need a government subsidy before anyone will employ them.¹¹⁵

The OECD also reports that these schemes suffer from very substantial 'deadweight effects' (government pays subsidies to employers who would have created these positions anyway) and 'displacement effects' (people are recruited from the

110 Council on the Ageing National Seniors Partnership, *Submission No. 86*, p. 11.

111 Mr Graham Carters, Group Manager, Working Age Policy Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 17 February 2005, p. 13; Mr Finn Pratt, Group Manager, Intensive Support Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 26 May 2004, p. 6.

112 Dr Elizabeth Webster, Senior Research Fellow, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, *Transcript of Evidence*, 24 March 2004, p. 16.

113 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, pp. 40, 46.

114 Centre for Independent Studies, *Submission No. 75*, p. 3 citing Martin Evans, *Welfare to Work and the Organization of Opportunity*, CASE Report No.15, London School of Economics, 2001, p. 49.

115 Centre for Independent Studies, *Submission No. 75*, p. 3 citing John Martin, (2000) 'Labour market programs' In Business Council of Australia, *New Directions: Rebuilding the Safety Net* (Business Council of Australia, Melbourne, 2000), 94-97.

unemployment rolls into subsidised jobs, but other people are then deprived of jobs they would otherwise have got).¹¹⁶

- 3.67 The Physical Disability Council of Australia (PDCA) suggested incentives for employers to take on someone with a disability. This could include subsidised wages for a period of time and case management.¹¹⁷ Employment services funded by FaCS can utilise employer incentives and the Workplace Modification Scheme but wage subsidies are not generally considered necessary.

Either providers believe they can get a job without necessarily providing a financial incentive to the employer – and where they can do that they prefer to do it that way – or, similarly, they will only tap into the Workplace Modification Scheme funds where they believe it is absolutely necessary to ensure the best fit of job seeker to workplace or where the employer has indicated they have some financial difficulty in meeting some of those workplace modification costs.¹¹⁸

- 3.68 PDCA did not personally favour employer incentives, on the basis that the incentives ask employers to do what they should be doing legally anyway.¹¹⁹ Employers Making a Difference (EMAD) believe that offering an employer a financial incentive to take on someone with a disability who is unemployed sends the wrong message.¹²⁰ A better approach would be to offer funding for any necessary workplace modifications that may be required to ensure that the person with a disability is able to operate effectively in that position.¹²¹ On the other hand, the National Ethnic Disability Alliance (NEDA) took the approach that as legislative reform will take a long time, incentives, education and other softer approaches should be there in the absence of legislative requirements.¹²²

116 Centre for Independent Studies, *Submission No. 75*, p. 3 citing John Martin, (2000) 'Labour market programs' In Business Council of Australia, *New Directions: Rebuilding the Safety Net* (Business Council of Australia, Melbourne, 2000), 94-97.

117 Physical Disability Council of Australia Ltd, *Submission No. 76*, p. 1.

118 Mr Carl Princehorn, Director, Participation Strategies, Department of Family and Community Services, *Transcript of Evidence*, 26 May 2004, p. 9.

119 Ms Susan Egan, Executive Officer, Physical Disability Council of Australia, *Transcript of Evidence*, 31 March 2004, p. 10.

120 Ms Suzanne Colbert, Chief Executive Officer, Employers Making a Difference, *Transcript of Evidence*, 27 January 2004, p. 38.

121 Ms Suzanne Colbert, Chief Executive Officer, Employers Making a Difference, *Transcript of Evidence*, 27 January 2004, p. 38.

122 Ms Lou-Anne Lind, Executive Director, National Ethnic Disability Alliance, *Transcript of Evidence*, 31 March 2004, p. 10.

Taxation measures

- 3.69 Earned Income Tax Credits (EITC) were introduced in the United States in the late seventies and in Britain in 1997.¹²³ The United States provides tax incentives for businesses who recruit a person with a disability in the form of tax credits, tax deductions and tax incentives.¹²⁴
- 3.70 EMAD commented that previously incentives have been in relation to an individual. The introduction of tax credits for organisations who demonstrate a genuine structural change in relation to the employment of people with a disability would show that that approach is valued by the Australian community.¹²⁵ EMAD argued that tax input credits would encourage employers to employ people with a disability, and acknowledges that there may be additional costs.¹²⁶
- 3.71 ACOSS argued that an EITC system could be costly and low-paid workers may be worse off as they may not be entitled to tax credits. This in turn may remove incentives for people to participate in the workforce. The United States of America and British experience show that, as labour costs are shifted from employers to government, and public demand for the tax credits increases, the cost of these subsidies rises exponentially. The cost of the United States of America EITC increased four-fold over the 1990s, and the cost of British Working Families Tax Credit is estimated to double from 2001 to 2005.¹²⁷
- 3.72 If tax credits were introduced, employers would still need to meet the employment costs initially, would not recover the full costs and there would be administrative issues.¹²⁸ Tax credits appear to work well in the United Kingdom because of the low levels of literacy and numeracy but this is not a problem in Australia to the same extent.¹²⁹
- 3.73 The Australian Federation of Deaf Societies also commented that even though tax credits are available in the United States of America, only

123 Professor Peter Saunders, Social Research Director, Centre for Independent Studies, *Transcript of Evidence*, 27 January 2004, p. 44.

124 Employers Making a Difference, *Submission No. 70*, p. 4.

125 Ms Suzanne Colbert, Chief Executive Officer, Employers Making a Difference, *Transcript of Evidence*, 27 January 2004, p. 39.

126 Employers Making a Difference, *Submission No. 70*, p. 5.

127 Australian Council of Social Service, *Submission No. 74*, p. 21.

128 Mr Joe Sabolcec, Executive Officer, Australian Federation of Deaf Societies, *Transcript of Evidence*, 28 January 2004, p. 41.

129 Mr Des Moore, Director, Institute for Private Enterprise, *Transcript of Evidence*, 20 February 2004, p. 45.

36 per cent of private sector employees used sign language interpreters compared to 79 per cent of public sector employers.¹³⁰

Tax credits also subsidise low-paying employers who can rely on the government to supplement inadequate wages. Indeed, they encourage fraud, for employers collude with their workers to pay a proportion of the wage 'off the books' so as to maximise tax credit payments.¹³¹

3.74 The Regional Business Development Panel found that people believe that changes to the taxation system could assist the development of regional businesses. The issues raised include the Fringe Benefits Tax, enterprise zones and the declining value of the Zonal Tax Rebate Scheme.¹³² The old system of zone rebate which applied to certain professions has now been diluted to the point it is not mentioned:

It is not just money. People need to feel that they are recognised for taking on that role and going out and working in those areas. There is a form of recognition that you are doing something worth while, not just the money.¹³³

3.75 There is also some scope to promote the existing incentives available to people to be employed and for companies to employ people in rural and remote Australia, and additional incentives may also be of assistance.¹³⁴ Incentives such as taxation incentives may also encourage people to move to rural communities to work.¹³⁵ ACOSS argued that tax concessions and subsidies to encourage employers to operate in disadvantaged localities is a costly way to improve job opportunities.¹³⁶ Further discussion about rural and regional areas occurs later in this chapter.

Small business

3.76 Small business plays an important part in providing employment opportunities in Australia. The National Association of Retail Grocers of

130 Australian Federation of Deaf Societies, *Submission No. 103*, p. 6.

131 Centre for Independent Studies, *Submission No. 75*, p. 5.

132 Regional Business Development Analysis Panel (2003), (Chaired by John Keniry) *Regional Business: A Plan for Action* June 2003, p. 27, 34-35.

133 Dr Ian Gould, President, Australasian Institute of Mining and Metallurgy, *Transcript of Evidence*, 19 March 2004, p. 12.

134 Dr Ian Gould, President, Australasian Institute of Mining and Metallurgy, *Transcript of Evidence*, 19 March 2004, p. 12.

135 Ms Denita Harris, Policy Manager and Industrial Relations Advocate, National Farmers Federation, *Transcript of Evidence*, 18 February 2004, p. 6.

136 Australian Council of Social Service, *Submission No. 74*, p.24.

Australia (NARGA) argued that small business bears a disproportionate burden in relation to compliance costs.¹³⁷ NARGA is working with the Australian Taxation Office on a proposal which may simplify accounting methods for small businesses.¹³⁸ Other issues for small businesses are the deregulation of trading hours and recent rulings in relation to Section 46 of the *Trade Practices Act*.¹³⁹

- 3.77 ACCI noted that employers are concerned about the external labour costs mandated by law, which do not relate to the productivity of the business.¹⁴⁰ The Australian Sugar Milling Council saw imposts on employment such as payroll tax, long service leave, travelling time and a prosperity component as an issue. Employment regulation can make it difficult to manage a seasonal industry.¹⁴¹
- 3.78 The New Enterprise Incentive Scheme provides assistance in small business training, income support and mentoring support for the first year of business operation for the unemployed establishing a business.¹⁴² Some called for a scheme that would provide capital or a finance pool to assist small businesses to grow.¹⁴³
- 3.79 Disability Action Inc suggested that the Australian Government support employment creation through the development of alternative, sustainable industries and niche markets including cooperative ventures for people with disabilities to start their own businesses.¹⁴⁴ In Mayfield near Newcastle there is a pilot program which has established a local

137 Mr Alan McKenzie, Director and National Spokesperson, National Association of Retail Grocers of Australia, *Transcript of Evidence*, 27 January 2004, p. 17; National Association of Retail Grocers of Australia, *Submission No. 82*, p. 3, see also Recruitment and Consulting Services Association Ltd, *Submission No. 31*, p. 18.

138 Mr Alan McKenzie, Director and National Spokesperson, National Association of Retail Grocers of Australia, *Transcript of Evidence*, 27 January 2004, p. 18.

139 Mr Alan McKenzie, Director and National Spokesperson, National Association of Retail Grocers of Australia, *Transcript of Evidence*, 27 January 2004, pp. 20-22; National Association of Retail Grocers of Australia, *Submission No. 82*, pp. 3-6.

140 Mr Peter Anderson, Director, Workplace Policy, Australian Chamber of Commerce and Industry, *Transcript of Evidence*, 5 November 2003, p. 9. See also Ms Linda Gant, *Submission No. 84*, p. 1.

141 Mr Mark Hochen, Chairman, Industrial Relations Committee, Australian Sugar Milling Council Pty Ltd, *Transcript of Evidence*, 10 March 2004, pp. 1-2.

142 Department of Employment and Workplace Relations, *Submission No. 72*, pp. 12-13.

143 Mr Geoff Cripps, *Submission No. 5*, p. 3; Mr Martin Richardson, *Submission No. 4*, pp. 1-4.

144 Ms Monika Baker, Senior Systemic Advocate, Disability Action Inc, *Transcript of Evidence*, 18 March 2004, p. 45.

cooperative to enable people to generate income by creating local products which are sold at the local markets.¹⁴⁵

- 3.80 Appropriate incentives should be in place for companies to train Indigenous and other underemployed groups as there are great opportunities for these groups to find employment in the mining industry. Another disincentive is the lack of opportunities for partners to find adequate work in regional areas.¹⁴⁶
- 3.81 There are a lot of niche opportunities in the export areas, consultancies and the export of more education which are not being taken advantage of.¹⁴⁷ For example, the Australasian Institute of Mining and Metallurgy Inc noted the need to raise international awareness of Australia's Mining Technological Services products and services as one way of increasing participation.¹⁴⁸

Black economy

- 3.82 Corston Pty Ltd raised the issue of competition from the black economy and suggested that allowable tax deductions up to \$1 000 per household, which would mean reporting expenditure to the taxation office, could help eliminate the black economy.¹⁴⁹ They make the point that a legitimate business is required to pay GST, superannuation, workcover, award wages, taxes and other costs, which a black market businesses does not bear. By eradicating black market businesses, they predict the value of their business would triple.¹⁵⁰

Over-employment

- 3.83 Those employed in some discrete areas of the labour market work long hours, such as professionals and executives, the self-employed and pockets

145 Mr Shawn Day, Manager, Economic Development and Tourism, Newcastle City Council, *Transcript of Evidence*, 12 March 2004, p. 26.

146 Dr Ian Gould, President, Australasian Institute of Mining and Metallurgy, *Transcript of Evidence*, 19 March 2004, pp. 11-12.

147 Mr Ken Aldred, President, Society for Australian Industry and Employment, *Transcript of Evidence*, 20 February 2004, p. 52; Society for Australian Industry and Employment Inc, *Submission No. 48*, p. 1.

148 The Australasian Institute of Mining and Metallurgy, *Submission No. 53*, p. 6.

149 Mr Andrew Milchem, Managing Director, Corston Pty Ltd, *Transcript of Evidence*, 18 March 2004, p. 48; Corston Pty Ltd, *Submission No. 14*, p. 3.

150 Corston Pty Ltd, *Submission No. 14*, p. 3. See also Central Western Regional Development Board, *Submission No. 46*, p. 4 and Nambucca Heads Chamber of Commerce and Industry, *Submission No. 36*, p. 1.

of the wage and salary workforce.¹⁵¹ It was suggested that the capping of hours people could work would open many new employment opportunities¹⁵² and could also prevent the 'burn-out' of experienced staff and improve work-life balance.¹⁵³

- 3.84 It was argued that in France the capping of working hours has not led to a decrease in the level of unemployment and could increase unemployment through increased business costs. Further, the individuals working long hours may choose to do so to maximise their income.¹⁵⁴

Encouraging employment opportunities for people with a disability

- 3.85 There are a number of activities which FaCS suggested to promote the employment of people with disabilities, such as 'champions dinners', the National Diversity Think Tank to create an Australian disability employers forum, International Day for People with a Disability, and the Prime Minister's Employer of the Year.¹⁵⁵
- 3.86 FaCS disability portal will provide current information to employers, service providers and employees with a disability. There are issues to be resolved in relation to employers' awareness of the Employer Incentive Scheme and the employers' preference for acquiring information from one location.¹⁵⁶
- 3.87 ACTU would like to see employers and unions working together to generate additional open employment opportunities for people with a disability.¹⁵⁷ There needs to be enhanced awareness among employers of ways in which these issues can be addressed. The costs are often borne by the employer and this can be a disincentive.¹⁵⁸ Job Network providers use

151 Mr Peter Anderson, Director, Workplace Policy, Australian Chamber of Commerce and Industry, *Transcript of Evidence*, 5 November 2003, p. 8.

152 Shop Distributive and Allied Employee's Association, *Submission No. 79*, p. 57; see also Disability Action Inc, *Submission No. 94*, p. 27.

153 NSW Nurses' Association, *Submission No. 77*, pp. 5-6.

154 Mr Peter Anderson, Director, Workplace Policy, Australian Chamber of Commerce and Industry, *Transcript of Evidence*, 5 November 2003, pp. 8-9.

155 Mr Carl Princehorn, Director, Participation Strategies, Department of Family and Community Services, *Transcript of Evidence*, 26 May 2004, p. 11; Ms Serena Wilson, Executive Director, Department of Family and Community Services, *Transcript of Evidence*, 26 May 2004, p. 12.

156 Ms Serena Wilson, Executive Director, Department of Family and Community Services, *Transcript of Evidence*, 26 May 2004, p. 10.

157 Australia Council of Trade Unions, *Submission No. 69*, p. 16.

158 Mr Andrew Daly, Executive Director, Royal Society for the Blind of South Australia Inc, *Transcript of Evidence*, 18 March 2004, p. 21.

their own resources and tend not to use the workplace modifications program, although it is possible to utilise both schemes in combination.¹⁵⁹

- 3.88 Employers who employ a person with a disability often find this a rewarding experience, and research has shown that there are positive results in terms of decreases in workers compensation and sick leave. The biggest challenge is for those who have not been exposed to disability:

Our research showed that most employers perceive disability as being somebody with Down syndrome, somebody in a wheelchair or somebody with a schizophrenic disorder. That is the linear mental model they have, so obviously their perception of the broad range and diversity of disabilities is not there. I believe that is part of the challenge as well.¹⁶⁰

- 3.89 The Royal Society for the Blind of South Australia (RSB) believes that employers who offer work experience or work trial to people who are blind or vision impaired should have some form of recognition.¹⁶¹

- 3.90 A significant barrier to people with a disability seeking employment is the attitude of employers. NEDA and PDCA stated that employers need to be educated, and also called for legislation requiring larger companies to employ a quota of people with a disability. The fines paid by non-compliant companies could be used to fund employment initiatives similar to the system in the United States.¹⁶²

- 3.91 Disability Action Inc supports a quota system that reflects the level of disability in the community.¹⁶³ A quota system would require employers to engage a number of people with a disability as a set proportion of their workforce. In Germany the quota system has increased the participation in paid work for people with a disability. Disability Action Inc conceded that there were loopholes in the international models where employers and people with disability gained access to employment opportunities to which they were not entitled. Disability Action Inc found that employers

159 Mr Finn Pratt, Group Manager, Intensive Support Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 26 May 2004, p. 7.

160 Mr Carl Princehorn, Director, Participation Strategies, Department of Family and Community Services, *Transcript of Evidence*, 26 May 2004, pp. 10-11.

161 Mr Andrew Daly, Executive Director, Royal Society for the Blind of South Australia Inc, *Transcript of Evidence*, 18 March 2004, p. 21.

162 Ms Lou-Anne Lind, Executive Director, National Ethnic Disability Alliance, *Transcript of Evidence*, 31 March 2004, p. 2.

163 Ms Monika Baker, Senior Systemic Advocate, Disability Action Inc, *Transcript of Evidence*, 18 March 2004, p. 38; Disability Action Inc, *Submission No. 94*, pp. 24-25.

did not react favourably to the suggestion of quotas and that it can cause a lot of community resistance and opposition.¹⁶⁴

- 3.92 RSB raised the issue of employers being required to employ people with a disability through a quota system:

... once people go onto a quota system, they tend to take what we call the easier disabled person. They may take an amputee or someone like that, who may be easier to employ than a person in a wheelchair or a person who is totally blind. So I do not think having a quota type system is really a good fit. It tends to be patronising rather than encompassing.¹⁶⁵

- 3.93 RSB further commented that:

Forcing employers to employ people with a disability does not work either; indeed, with a quota system introduced in the UK, it is my understanding that the organisations have opted to be fined rather than comply. As a person who manages in excess of 80 people who are blind or vision impaired, this is a fallacy and proactive measures, which include education or community education and the introduction of universal design principles, will overcome this and result in a highly productive and motivated employee.¹⁶⁶

Occupational health and safety

- 3.94 SDAEA also commented on the importance of health and safety for all Australians as an issue that could encourage job seekers as people will not wish to work in positions that pose a risk to their health and wellbeing.¹⁶⁷ The Thuringowa City Council commented on the challenge of integrating the inevitable health complications of an ageing workforce and the need to ensure productivity in a competitive market.¹⁶⁸

The occupational health and safety concerns of companies are real. We could give you a number of examples of where companies face quite significant issues with older workers in that regard. We have

164 Ms Monika Baker, Senior Systemic Advocate, Disability Action Inc, *Transcript of Evidence*, 18 March 2004, p. 38.

165 Mr Tony Starkey, Access Officer, Royal Society for the Blind of South Australia Inc, *Transcript of Evidence*, 18 March 2004, p. 30.

166 Mr Andrew Daly, Executive Director, Royal Society for the Blind of South Australia Inc, *Transcript of Evidence*, 18 March 2004, p. 22.

167 Shop Distributive and Allied Employee's Association, *Submission No. 79*, p. 6.

168 Thuringowa City Council, *Submission No. 83*, p. 4.

to strike a balance, because employers have big liabilities in this regard.¹⁶⁹

Australian companies moving jobs offshore

- 3.95 Concern was expressed at the extent to which companies are offshoring IT jobs that could be available to Australians.¹⁷⁰ Further, one in five manufacturers is also considering moving jobs offshore, and there has already been a significant contraction in Australia's manufacturing base.¹⁷¹ The mining sector is another area where major corporations are moving their exploration efforts overseas, which will impact on Australia's future rural and remote employment opportunities as well as on services that support these operations.¹⁷²
- 3.96 The Boston Consulting Group indicated that by the year 2020 there will be 500 000 jobs in Australia with no one to fill them.¹⁷³ The Australian Institute of Management suggested that Australia will need to decide which industries it will support and which ones will need to go offshore to countries with available labour.¹⁷⁴

Rural and regional areas

- 3.97 Regional businesses contribute half of Australia's income from export and Australia's future prosperity and social well-being will benefit from thriving and dynamic regional businesses.¹⁷⁵
- 3.98 There were approximately 450 000 jobs in the agricultural industry prior to the drought and this number was steadily increasing, with a 2-3 per cent

169 Mrs Heather Ridout, Deputy Chief Executive Officer, Australian Industry Group, *Transcript of Evidence*, 27 January 2004, p. 14.

170 Mr Geoffrey Pain, Committee Member, Underemployed people's Union WA Inc and Australian National Organisation of Unemployed, *Transcript of Evidence*, 6 April 2004, p. 40.

171 Mr Ken Aldred, President, Society for Australian Industry and Employment, *Transcript of Evidence*, 20 February 2004, p. 47.

172 Dr Ian Gould, President, Australasian Institute of Mining and Metallurgy, *Transcript of Evidence*, 19 March 2004, p. 13.

173 Australian Institute of Management, *Submission No. 3*, p. 1.

174 Australian Institute of Management, *Submission No. 3*, p. 1, Attachment – Media Release, 19 June 2003, AIM and Dare Concepts, p. 2.

175 Letter to the Hon John Anderson from Regional Business Development Analysis Panel (2003), (Chaired by John Keniry) *Regional Business: A Plan for Action* June 2003, p. 1.

employment growth nationally.¹⁷⁶ There may be further increases in the number of employees required in rural areas where the younger family members are not working on the property in family operated businesses.¹⁷⁷

3.99 Mission Australia listed geographic remoteness, lack of infrastructure, seasonal demand and lack of transportation as the reasons for labour shortages.¹⁷⁸

3.100 ACTU commented that there is a direct correlation between the absence of a growth strategy and unemployment, and regional development needs a long-term commitment.¹⁷⁹

Places where extreme levels of unemployment are sometimes present include: depressed rural and remote areas; regional manufacturing centres; regional towns that have attracted low-income people from metropolitan centres; and some outer suburbs in capital cities.¹⁸⁰

3.101 ACOSS make the point that new information technologies have the potential to increase employment in regional areas.

Governments can help disadvantaged regions compete for employment opportunities by investing in education and training to improve the region's skill base.¹⁸¹

3.102 The Queensland Government commented on the skills mismatch between the skills of the unemployed and the skills in demand in the area:

A further characteristic of unemployment is the marked spatial variations in unemployment rates giving rise to the co-existence of pockets of persistently high unemployment in some regional and urban areas alongside areas of relatively low unemployment ... The contemporary labour market is also characterised by the contradictory existence of skill shortages in many skilled and professional occupations alongside entrenched unemployment. It is evident that there is a significant mismatch between those seeking employment and actual demand.¹⁸²

176 Ms Denita Harris, Policy Manager and Industrial Relations Advocate, National Farmers Federation, *Transcript of Evidence*, 18 February 2004, pp. 1-2.

177 Ms Denita Harris, Policy Manager and Industrial Relations Advocate, National Farmers Federation, *Transcript of Evidence*, 18 February 2004, p. 6.

178 Mission Australia, *Submission No. 104*, p. 17.

179 Australia Council of Trade Unions, *Submission No. 69*, p. 5.

180 Australian Council of Social Service, *Submission No. 74*, p. 22.

181 Australian Council of Social Service, *Submission No. 74*, p. 24.

182 Queensland Government, *Submission No. 87*, p. 7.

- 3.103 Skills development projects are needed to complement regional development initiatives and the need to link training initiatives and employment outcomes with the local regions. An integrated and coordinated approach to future labour market and skills forecasting is needed in conjunction with industry parties, which links specific training interventions within identified industries.¹⁸³
- 3.104 There has been a reduction in services and amenities in rural communities.¹⁸⁴ For example, the demand for medical scientists in rural and regional areas exceeds the supply. The Australian Institute of Medical Scientists (AIMS) commented that apart from tax concessions to residents in some remote areas, there are few incentives for professionals to relocate to rural areas.¹⁸⁵
- 3.105 Travel and accommodation costs to attend seminars and training are prohibitive and AIMS suggests that these costs make it difficult for those working in rural areas to retain or enhance their skills. AIMS added that with rapid technological advances in the industry, women who have been away from the workplace to raise children, or mature age workers, need retraining to re-enter the workforce. AIMS suggest that measures to assist people retraining in the region will improve participation. The cost of education may also be a factor in decisions on whether to close small rural laboratories.¹⁸⁶
- 3.106 Mission Australia also listed the transport and travel difficulties due to the lack of public transport infrastructure and affordability of private transport as issues.¹⁸⁷ ACOSS argue that improved housing choices and affordable and reliable public transport services would assist people in disadvantaged communities in getting jobs.¹⁸⁸
- 3.107 CIS suggested the reintroduction of regional variations in awards appropriate to the differences in labour market conditions and to enable employers to opt out of awards without potentially high litigation costs.¹⁸⁹
- 3.108 Labour shortages in rural and regional areas are of concern because of the impact on effective productivity of businesses.¹⁹⁰ Farmers have difficulty in

183 Australia Council of Trade Unions, *Submission No. 69*, pp. 7-8.

184 National Farmers Federation, *Submission No. 65*, p. 10.

185 Australian Institute of Medical Scientists, *Submission No. 24*, p. 2.

186 Australian Institute of Medical Scientists, *Submission No. 24*, pp. 2-3.

187 Mission Australia, *Submission No. 104*, p. 17.

188 Australian Council of Social Service, *Submission No. 74*, p. 24.

189 Centre for Independent Studies, *Supplementary Submission No. 75(a)*, p. 1.

acquiring skilled labour as many of the jobs are casual and available only during peak times. Remoteness, perception of the farming industry and lack of access to training are important factors in the difficulties in recruiting skilled labour. The New Apprenticeship Scheme has improved the situation but the National Farmers Federation (NFF) believes that further flexibility is required.¹⁹¹

- 3.109 NFF is also working with DEWR and the Job Network program to create better links between employers and the network to encourage greater participation in seasonal work. NFF cited the example of Hay in New South Wales, where there are attempts to find workers seasonal work with a variety of employers so that they can access 9-10 months of work. This requires the coordination of a number of employers so that they can make the most use of that person at the right time for their particular commodity.¹⁹²
- 3.110 Industry initiatives include the establishment of the Job Outlook web site and the Harvest Trail information service.¹⁹³ The lack of accommodation and transport issues are now being successfully addressed in some areas.¹⁹⁴ Additionally, DEWR reports that the Job Seeker Accounts have been used to assist relocating job seekers including transport or relocation assistance.¹⁹⁵

In summary

- 3.111 The Committee notes that Australia may be facing a labour shortage in specific industries and professions, which may become more widespread. When there is a strong economy with low unemployment, there is a high

190 National Farmers Federation, *Submission No. 65*, p. 6, citing recent studies include *Harvesting Australia Report 2000*, *Labour Market Adjustment in Regional Australia*, *Skills Needs for the Rural Industry*, and Garnett and Lewis, (2002) *Estimating Farm Labour Trends in Australia*.

191 National Farmers Federation, *Submission No. 65*, pp. 6, 9-10.

192 Ms Denita Harris, Policy Manager and Industrial Relations Advocate, National Farmers Federation, *Transcript of Evidence*, 18 February 2004, pp. 1-3.

193 Ms Denita Harris, Policy Manager and Industrial Relations Advocate, National Farmers Federation, *Transcript of Evidence*, 18 February 2004, p. 1. See also the *Harvesting Australia: Report of the National Harvest Trail Working Group*, June 2000.

194 Gulf Savannah Development Inc, *Submission No. 37*, p. 4; Ms Denita Harris, Policy Manager and Industrial Relations Advocate, National Farmers Federation, *Transcript of Evidence*, 18 February 2004, p. 5; National Farmers Federation, *Submission No. 65*, p. 8.

195 Mr Graham Carters, Group Manager, Working Age Policy Group, Department of Employment and Workplace Relations, *Transcript of Evidence*, 17 February 2005, pp. 13-14.

demand for skilled labour.¹⁹⁶ However, evidence to the Committee suggested that there are currently not enough jobs, especially full-time jobs available to meet the needs of the labour available.

- 3.112 A range of approaches to promote job creation were suggested including community development job guarantees, intermediate labour market programs and labour market reform including deregulation, promotion of individual agreements, and the review of minimum wages and unfair dismissal laws.
- 3.113 The welfare system, though designed to assist people to find work, may in fact distort incentives for the unemployed to participate in paid work. Improvements to the welfare system may include refining incentives to encourage employers to recruit more employees, and encourage employees to take up lower skilled work. It was presented to the Committee that wage subsidies may get people jobs in the short-term, but there is a question of long-term viability.
- 3.114 Greater flexibility and family friendly policies may encourage more mature age workers and parents into the workforce. There are a number of incentives in place to encourage employers to employ a person with a disability however, a significant barrier to people with a disability seeking employment is the attitude of the employer. It was reported to the Committee that small businesses use casual employees or pay overtime instead of employing additional staff.
- 3.115 Regional businesses continue to be a major bonus for the Australian economy. However geographical remoteness, lack of infrastructure, labour shortages and lack of transportation reduce the effectiveness of rural and regional areas contribution to economic growth and job creation. New information technologies have the potential to increase employment in regional areas as organisations can conduct their operations away from major cities.
- 3.116 The next chapter continues the theme of a need for labour market reform. It then focuses on the need for a balance between incentives, obligations and assistance.

¹⁹⁶ Mr Benjamin Johnson, Branch Manager, New Apprenticeships Branch, Department of Education, Science and Training, *Transcript of Evidence*, 17 February 2005, p. 23.