

PART 2

ENGAGING OUR POTENTIAL

The Economic and Social Necessity  
of Increasing Workforce Participation

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A decorative graphic on a light blue background. It features a faint grid of horizontal and vertical lines. Overlaid on this grid are several overlapping circles in shades of blue, green, and yellow. There are also some white, leaf-like shapes scattered around the circles. The word 'CONTENTS' is written in white, uppercase letters to the right of the main cluster of circles.

CONTENTS

## Introduction

### **Prosperity, but not for everyone**

The Business Council of Australia (BCA) is an association of the CEOs of 100 of Australia's leading corporations, representing a combined workforce of more than one million people. It was established in 1983 as a forum for Australia's business leaders to contribute to public policy debates to build a prosperous Australia.

The BCA develops and contributes to policy directions in a diverse range of areas such as education, innovation, climate change, infrastructure, taxation, federal–state relations, regulation and workplace relations. Workforce participation is an important part of the BCA's agenda and is recognised as a vital component of the BCA's aspiration to make Australia the best place in the world in which to live, learn, work and do business.

After 15 years of continuous economic growth, there is a unique opportunity to consolidate high levels of prosperity and pass its benefits on to future generations of Australians. To do this, business and governments need to build on current gains by looking at new challenges and opportunities.

Over the past decade, the economy has grown by 40 per cent. Unemployment is at 30-year lows. Average household wealth has multiplied. But this is not the whole story.

INTRODUCTION

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Many Australians are not part of mainstream economic growth. Despite one of the longest periods of sustained growth and prosperity in the nation's history:

Nearly three million people of working age (and not in education) remain outside the labour force, a significant number of whom have the potential to be employed.<sup>1</sup>

One in nine Australians aged 50 to 64 is on the disability support pension, including one in five men aged 60 to 64.<sup>2</sup>

One in seven Australian children live in jobless households (i.e. households in which no residing parent is employed).<sup>3</sup>

The participation rate for adult Indigenous Australians is about three-quarters of that of non-Indigenous Australians.<sup>4</sup>

There are around 2.3 million Australians of working age on welfare benefits.<sup>5</sup>

There are just five workers paying income tax for every one person reliant wholly or mainly on welfare payments, compared to 22 workers for every welfare participant in the mid-1960s.<sup>6</sup>

Population ageing will lead to the departure from the workforce of increasing numbers of Australians. This means that sustained growth and prosperity will potentially be constrained by chronic labour and skills shortages.<sup>7</sup>

Ironically, it is those Australians who have not so far benefited from strong economic growth who will play a key role in the country's future prosperity.

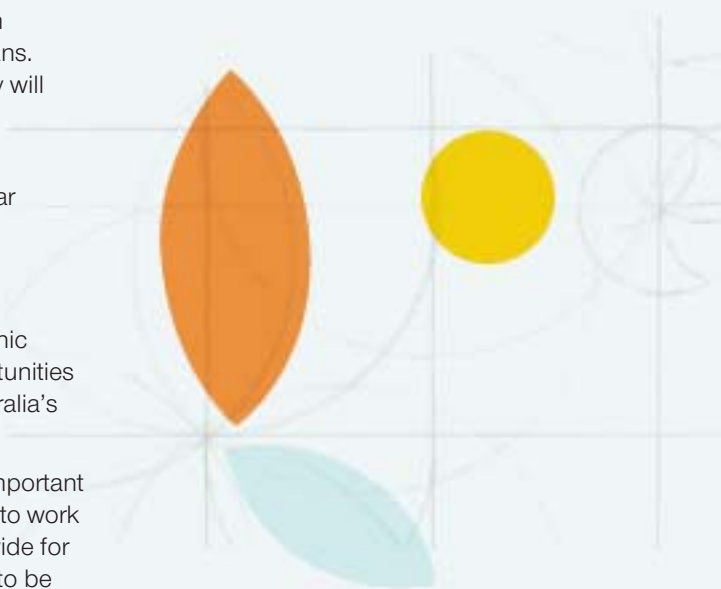
Removing multiple barriers to participation and employment will not only assist in reducing chronic labour shortages but will also provide real opportunities for these individuals to directly benefit from Australia's long-running prosperity.

This is not just an economic issue. It is also an important equity issue. Limiting opportunities for individuals to work restricts their living standards, their ability to provide for themselves and their families and their potential to be part of the wider community.

### **Challenging the assumptions about workforce participation**

The focus on the unemployment rates obscures the pressing challenges we face. Claims that Australia is nearing, or at, 'full employment' ring hollow given the large number of Australians who are able or want to work and cannot find suitable or stable employment.

Ensuring we engage as many of these people as possible in the workforce necessitates a major shift in the way we define and measure the performance of Australia's labour market. In today's world of capacity constraints and supply shortages, the foundation of the debate about employment policies and their effectiveness needs to move from labour demand, as measured by unemployment rates and employment numbers, to one that also encompasses labour supply.



## INTRODUCTION

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**‘Pro-growth policies, focused on participation and productivity, offer the best prospects of meeting the looming fiscal challenge without compromising the living standards of future generations.’**

Ken Henry, Secretary, Department of the Treasury

Quoted in J. Abhayaratna and R. Lattimore, *Workforce Participation Rates – How Does Australia Compare?* Productivity Commission Staff Working Paper, December 2006, p. 55.

**‘Paid work is the means through which many people obtain the economic resources needed for day to day living, for themselves and their dependants, and to meet their longer-term financial needs. Having paid work contributes to a person’s sense of identity and self-esteem.’**

ABS Catalogue No. 1370.0, *Measures of Australia’s Progress 2006*, p. 19.

In order to challenge many of the assumptions that underpin employment policies, we need to reorient our thinking and set a new goal: to make Australia a ‘full participation economy’ by increasing participation levels for key groups currently outside the workforce in the medium and long term, and in the process, widen and deepen overall participation rates.

This will require:

- + Recognition that broad-based employment policies focused on aggregate outcomes lack the precision required to address the often complex barriers to participation for many potential workforce participants. (The recent welfare-to-work reforms represent a positive development in this respect.)
- + A sustained effort to develop and implement structured and multifaceted policies and programs that target specific barriers to the participation of different groups.
- + Setting realistic but ambitious targets and timelines to assess the results of policies and programs.

### **The need to focus on participation in addition to employment**

In order to cover the broader issue of those who are not working and, for a range of reasons, are not seeking employment but have the potential to work, the BCA has focused its efforts on participation rather than the more limited employment definition.

Employment figures only show part of the labour market picture (see Exhibit 1). Those not actively looking for work are classified as 'not in the labour force' which means that the unemployment figures do not represent the full extent of people who would like to be employed, and certainly under-represent those with the potential to be employed. Policies are needed to address both participation and unemployment.

In focusing on lifting participation, the first priority is to encourage people to move from non-participation to looking for work.

By entering the labour force and seeking employment, individuals facing barriers to employment can receive assistance and support to address those barriers.

Ultimately, the objective in getting people into the labour force is for them to be successful in gaining and retaining employment.

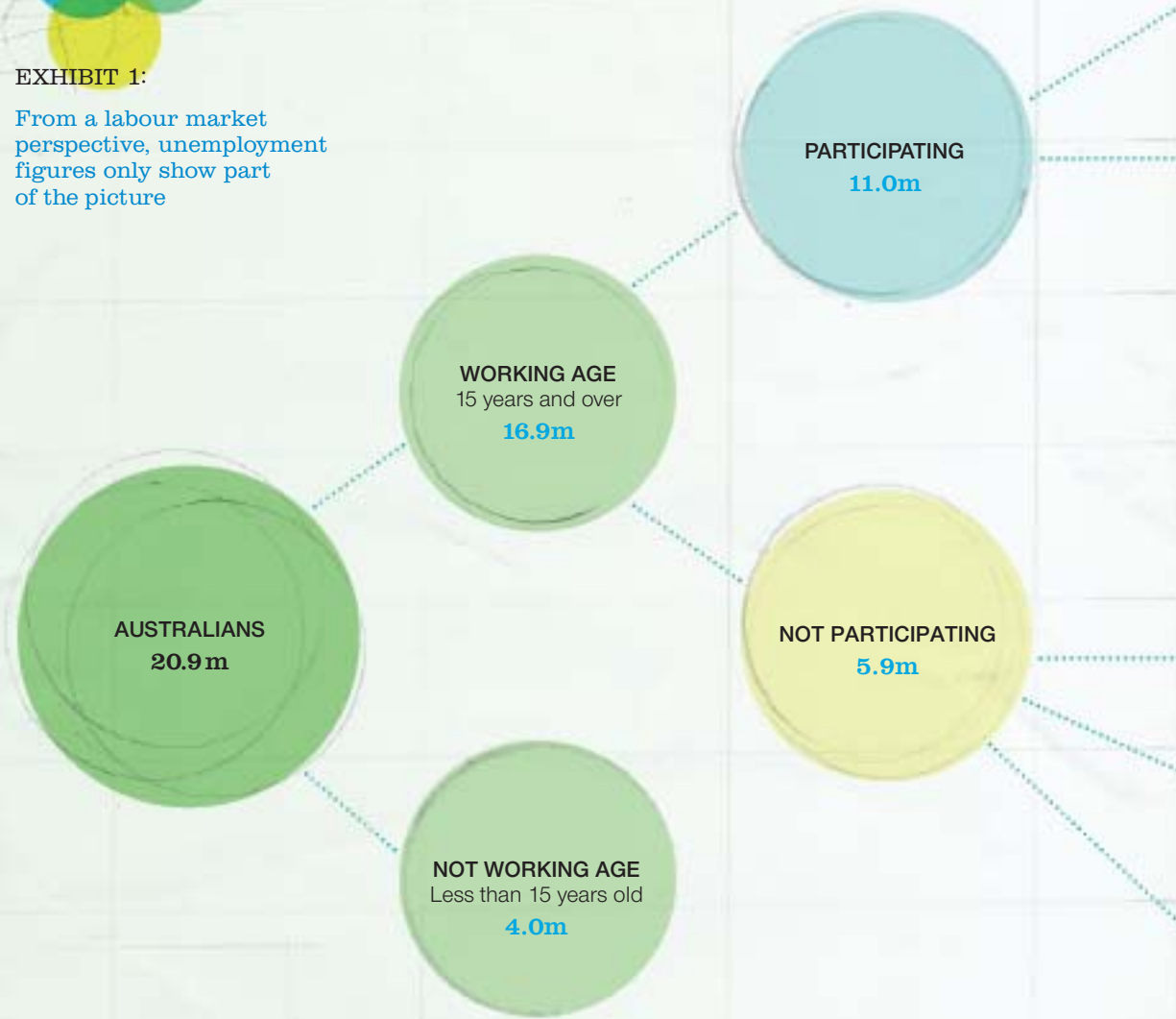
In terms of the outcomes sought, therefore, we focus on measured rates of participation (see Figure 1, p. 56) as a stepping stone to improving the employment-to-population ratio (see Figure 2, p. 56) which is the final measure of success.

In addition to low participation, Australia continues to have unacceptably high rates of unemployment among specific groups and in specific regions (and in fact unemployment and low participation often go hand in hand, as the former discourages others in the groups from looking for work). In focusing on lifting participation, the BCA is not downplaying unemployment as a priority; the end goal is improved employment outcomes.

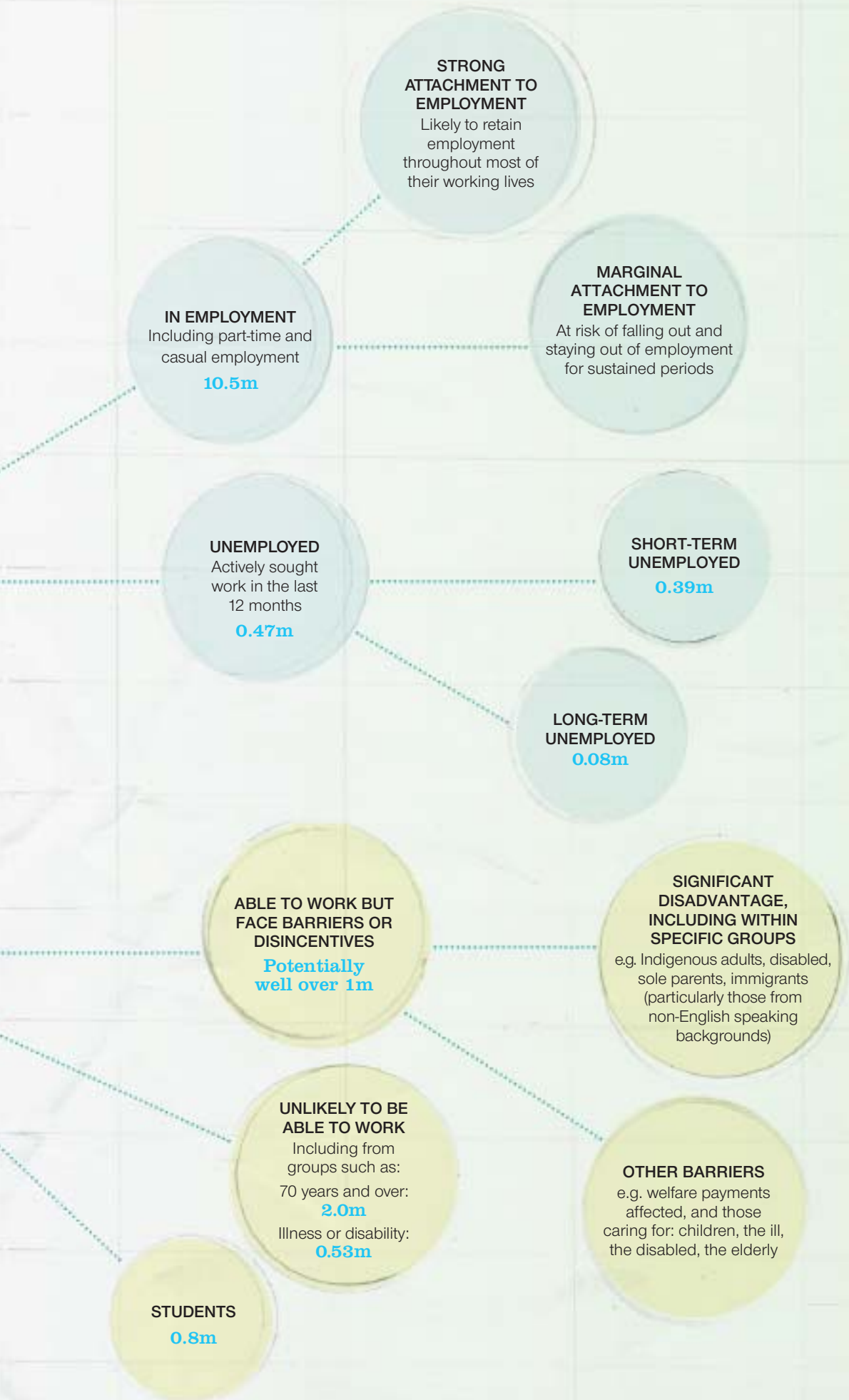


**EXHIBIT 1:**

From a labour market perspective, unemployment figures only show part of the picture







## INTRODUCTION

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**The BCA Workforce Participation Roundtable**

In May this year, the BCA convened a roundtable of business, community, welfare, employment and government leaders to discuss the issue. The discussions highlighted both the need and desire for new thinking and approaches to lift workforce participation, as well as the economic and social importance of bringing more people into the workforce.

Participants agreed it is now time to fundamentally rethink the employment and participation equation and develop a new cooperative framework between governments, business and the community to raise workforce participation levels.

**Through the representations of community and welfare groups, the roundtable heard how the aspiration of many in the community to join the workforce is being frustrated by barriers to participation.**

The roundtable discussions acknowledged the long history of efforts to boost opportunities for groups facing a range of barriers to participation and employment. More recently, substantial research has been undertaken on the impacts of population ageing and the benefits of lifting participation, with federal and state governments elevating their approaches to the issue, including through COAG.<sup>8</sup>

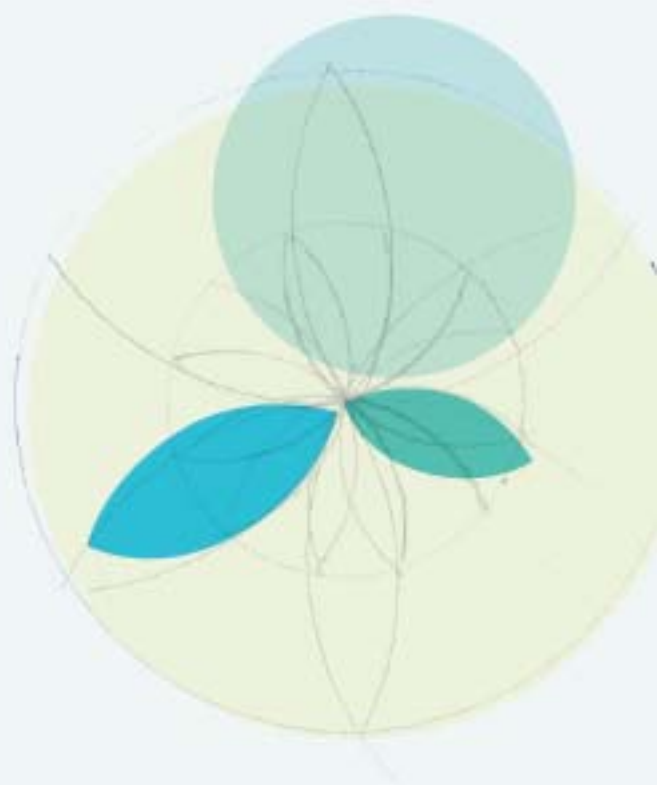
Nevertheless, there is considerable scope for improvement, and it is clear that business can be more closely involved in order to improve participation outcomes.

There are many examples of businesses and business groups that have made significant contributions in this area already. There is a need for a more strategic and coordinated approach between business, government and the community, building on what has been learned to date.

The business sector provides the vast bulk of employment opportunities; it can help to develop the strategies needed to increase and maintain higher rates of participation and employment.

This paper:

- + Outlines why we need a fundamental change in our assumptions and our approach to employment and participation if we are to effectively engage those who remain outside, or on the periphery, of the workforce.
- + Identifies the segments of the community that, despite labour shortages, are continuing to miss out on participation and employment opportunities.
- + Highlights policy priorities and methods to raise participation and employment.
- + Provides the basis for future BCA policy work and consultations.



## The BCA Workforce Participation Roundtable

### Co-Chairs

Mr Michael Chaney AO  
President  
Business Council of Australia

Mr Charlie Lenegan  
Managing Director  
Rio Tinto – Australia and  
Chairman,  
BCA Employment and  
Participation Task Force

### Facilitator

Mr Peter Thompson  
Director, Centre for Leadership

### Participant

DR MARK BAGSHAW

MR GARY BANKS AO

MS JILLIAN BROADBENT AO

MS CINDY CARPENTER

MS NATALIE CARR

MR GRAHAM CARTERS

THE HON. FRED CHANEY AO

MR CHRIS DRUMMER

MR DICK ESTENS

MR IAN FITZGERALD

MR NORMAN GRAY AM

MR PATRICK GRIER

MR TOBY HALL

PROFESSOR IAN HARPER

MS ELAINE HENRY OAM

MR GERRY HUESTON

MR ROHAN MEAD

MR TERRY MORAN AO

MR TONY NICHOLSON

MR SEAN ROONEY

PROFESSOR PETER SAUNDERS

MS JANE SCHWAGER

MS ANN SHERRY AO

MS SALLY SINCLAIR

DR JOHN SPIERINGS

MR JOHN STEWART

MR DAVID THOMPSON

MR ROGER WILKINS AO

PROFESSOR MARK WOODEN

MR DAMIEN WOODS

Position	Organisation
Business Development Executive	IBM Australia and New Zealand
Chairman	Productivity Commission
Director	Reserve Bank of Australia
Executive Director Human Resources and Marketing	Corrs Chambers Westgarth
Human Resources Adviser	ABN AMRO Australia and New Zealand
Deputy Secretary Workforce Participation	Department of Employment and Workplace Relations
Former Deputy President	National Native Title Tribunal
General Manager Community and Government Relations	MBF Australia Limited
Chairman	Public Aboriginal Employment Strategy
Head of Strategy and Metrics, People and Performance	Westpac Banking Corporation
Managing Director	Thales Australia
Managing Director	Ramsay Health Care Limited
Chief Executive Officer	Mission Australia
Executive Director	Melbourne Business School
Chief Executive Officer	The Smith Family
President	BP Australasia
Group Managing Director	Australian Unity
Secretary	Department of Premier and Cabinet Victoria
Chief Executive Officer	Brotherhood of St Laurence
Director, Sustainable Communities Initiative	CSIRO
Social Research Director	Centre for Independent Studies
Chief Executive	Nonprofit Australia
Group Executive	Westpac Banking Corporation
Chief Executive Officer	National Employment Services Association
Director	Dusseldorp Skills Forum
Group Chief Executive Officer	National Australia Bank Limited
Chief Executive Officer	Jobs Australia Limited
Head of Government and Public Sector Group	Citi Australia and New Zealand
Professorial Fellow and Acting Director	Melbourne Institute of Applied Economic and Social Research
Manager, Business Advisory Services	Ernst & Young Australia

This table lists the individuals who took part in the roundtable discussion on 23 May 2007.

## Where things stand

### Trends in workforce participation

Strong economic growth and policy changes aimed at supporting higher participation have increased the share of people looking for and gaining employment (see Figures 1 and 2).

The increase in the share of people participating and employed reflects a strong and steady improvement in participation and employment outcomes for women. The share of men participating and/or employed, on the other hand, has fallen over time, although this trend has stabilised and reversed somewhat in recent years.

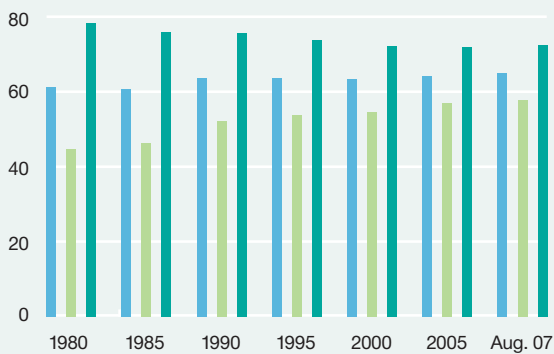


Figure 1 Workforce Participation Rates (%)

■ Total
 ■ Female
 ■ Male

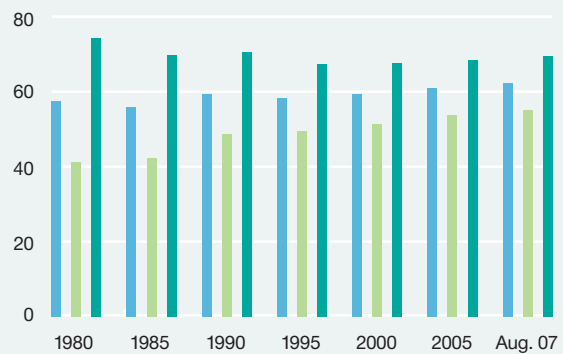


Figure 2 Share of Population Employed (%)

## Gaps in workforce participation

Increases in participation and employment have been important to Australia's economic growth. Increasing the number of people participating in the labour market not only provides the benefits of a larger workforce, but acts as a major lever to improving the living standards of the individuals participating. It also has the potential to reduce demands on welfare services over time.

Despite the existing strong employment and participation environment, there is still significant scope for improvement. It is widely recognised that there are specific groups where workforce participation rates remain particularly low. For example:

- + Participation rates for Indigenous adults across all age groups remain well below those for the non-Indigenous population. In 2006, 67.34 per cent of Indigenous adults aged 15 to 64 were in the labour force compared with 76.3 per cent of the non-Indigenous population.<sup>9</sup>
- + Approximately 45,000 to 55,000 early school leavers are not taking up full-time work, education or a combination of both.<sup>10</sup>
- + Nearly 40 per cent of sole parents are not in the labour force.<sup>11</sup>
- + Immigrants from non-English speaking backgrounds have significantly lower participation rates than those from English-speaking backgrounds (52.6 per cent and 65.9 per cent respectively).<sup>12</sup>

In addition, while Australia ranks reasonably well in terms of aggregate participation rates, there are a number of groups for which rates of participation are markedly lower than in other OECD countries. For example, compared to the 30 OECD countries, Australia has low participation rates among the following groups:

- + Males aged 25 to 54 years: Australia rates 23rd in the OECD, with participation rates below comparable countries such as New Zealand and Canada.
- + Child-bearing aged women, 25 to 44 years: Australia rates 20th in the OECD, with rates well below those recorded in Canada, and below those in the US and UK.
- + Older men and women aged 55 to 64 years (people nearing retirement): Australia ranks 14th for both men and women in the OECD in contrast with New Zealand, which ranks 3rd and 4th respectively.<sup>13</sup>

If, in 2005, Australia had raised its aggregate participation rate to the same level as New Zealand's (from 65.5 per cent to 67.5 per cent), GDP per capita (living standards) would have improved by an estimated 1.75 per cent.<sup>14</sup>

In considering the gaps in participation, the BCA roundtable identified the need for urgent action on three fronts:

- + **Raising aggregate participation:** achieving the greatest improvement in aggregate participation (and therefore the most significant economic impact) through targeting the largest groups of non-participants able to join the labour force in the near term.
- + **Maintaining participation and a focus on retention:** Ensuring individuals currently in the workforce but at risk of dropping out or being made redundant are able to continue in employment (e.g. workers approaching retirement or those with experiences or skills that are becoming outdated).
- + **Addressing multiple barriers:** developing new approaches to facilitate the participation of individuals facing significant or multiple barriers or disadvantages.

In addition, it was agreed that there needs to be a greater focus on **preventing disengagement and non-participation**. This includes, in particular, longer-term strategies that prevent circumstances that lead to non-participation, particularly in the area of multiple and sustained disadvantage.

There was a strong consensus among roundtable participants that there needs to be greater recognition and promotion of programs that succeed, and analysis of the underlying causes of program failure. Roundtable participants agreed that further collaboration would be beneficial, and supported the establishment of a working group to develop priorities for an agenda and future work program.

**‘When I get a job I will feel like I am a person.’**

29-year-old female on Newstart Allowance

**‘There are no down-sides, nothing I’d rather do than work.’**

20-year-old male on Youth Allowance

Source: Quoted in M. Horn and L. Jordan, *Give Me a Break! Welfare to Work – A Lost Opportunity*, Melbourne Citymission, June 2006, pp. 35 and 36.

Finally, the roundtable stressed the need for greater recognition of the positive aspirations and goals of those individuals currently not participating in the labour force. Experience suggests that these aspirations are too often underestimated or downplayed.

The next section considers key issues to be addressed to improve participation rates and possible priorities for future work by the BCA.



## Raising aggregate participation

As stated, one reason for raising aggregate participation is to lessen the adverse effects of population ageing on the size of the labour force and economic growth. A focus on participation, underpinned by opportunities for education and training, is required to ensure that labour supply needs are met.

In order to maximise economic growth and share prosperity with as many Australians as possible, the right economic settings are needed. Increased economic growth will lift living standards and promote participation and employment, supporting distributional equity. Increased participation and employment also assists economic growth.

The BCA has highlighted the importance of choosing a strong-growth rather than a low-growth future. Correct macro-economic policies are needed to ensure that economic growth is stable, sustainable and limits downturns and therefore employment losses. The workplace relations reforms over the last 20 years have combined with other crucial reforms, including reduced barriers to trade, the floating of the Australian dollar and improvements to the taxation system, to assist economic growth.

Workplace reforms have been particularly important because, in addition to their impact on productivity in the workplace, economic growth and employment, they directly affect employment options and the capacity of business to provide increased flexibility. This will become increasingly important as the need to attract workers such as mature-age individuals and those with caring responsibilities intensifies as a consequence of Australia's ageing population.



**EXHIBIT 2:**

**Employment and  
Participation Requires  
Economic Stability  
and Growth**

The roundtable concluded that, in order to address labour shortages, the first step is to focus on the largest groups that are most likely and able to increase participation in response to changes in the relative costs and benefits of participation. The most likely target groups in this context are mature-age individuals<sup>15</sup> and women not currently participating.

Some women are the 'generation in the middle', caring both for children and ageing parents.

For women with caring responsibilities the main issues inhibiting participation include the following:

- + Poor incentives resulting from the interaction between the tax and benefits systems that result in relatively little net financial return for work (high effective marginal tax rates, known as EMTRs).
- + Availability, cost, quality and flexibility of care options, particularly child care.
- + Limitations in job design and workplace flexibility, specifically the lack of flexible employment options, including in terms of maternity, parental and carers leave provisions.

Women returning to work from caring may face similar issues to some mature-age workers such as the relevance of skills and experience, and self-confidence.

For mature-age individuals the key issues inhibiting higher rates of participation include:

- + Incentives to retire related to pension and superannuation benefits (e.g. the incentives to continue earning compared to accessing retirement benefits, and the age of eligibility for benefits).
- + Age discrimination based on stereotypes and associated prejudices.
- + Applicability of the skills and experience of those who have been out of the workforce for some time.<sup>16</sup>

## Priorities for action

Against the backdrop of a tight labour market – reflecting a strong economy and emerging demographic pressures – much is being done to lift participation among these target groups.

For example, the federal government has made changes to benefits, superannuation and personal income tax rates aimed at lifting participation, and efforts to raise workforce participation feature on the agenda of the Council of Australian Governments. In addition, for a range of reasons, businesses are being more proactive in this area. Competition for workers means businesses must compete to be employers of choice (see Exhibit 3).

There is also a significant body of research and experience, and the Productivity Commission has committed to undertaking further research on the topic domestically.<sup>17</sup>

However, as discussed earlier, there is a substantial role business can play as part of a coordinated approach to increasing participation.



**EXHIBIT 3:**  
**Competition for workers:**  
**The ACCI/BCA National**  
**Work and Family Awards**

The winner of the 2007 ACCI/BCA Work and Family Awards in the small business category, Benbro Electronics, offers a range of workplace measures including paid carers, external study and bereavement leave, flexible working hours, eight weeks paid maternity leave, workplace modifications for employees with disabilities, and flexible arrangements for employees returning to work from leave as part of ensuring staff loyalty and retention.

In the financial sector, St. George Bank, winner in the large business award category, offers a range of measures to attract and retain staff including grandparental leave, flexible working arrangements for mature-age workers, job sharing, up to six weeks additional purchased leave per annum, and 13 weeks paid parental leave.

Source: The 2007 ACCI/BCA National Work and Family Awards *Winning Workplaces* publication, [www.workplace.gov.au/WorkFamily](http://www.workplace.gov.au/WorkFamily).

RAISING  
AGGREGATE  
PARTICIPATION

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Over the next six months the BCA will identify where it can best contribute. Possible areas for future work include:

- + **Cost of care:** The availability and affordability of appropriate caring options (see Exhibit 4) including the effectiveness of current subsidies and tax arrangements and the incentives for new supply of child care to be made available, including by employers.
- + **Effective marginal tax rates:** The impact of high effective marginal tax rates on participation decisions.
  - Debate continues on what impact high EMTRs have for different groups and whether they are a long-term deterrent to participation.
  - The complexity and diverse range of payments can make it difficult to determine EMTRs and their impact, although detailed estimates are prepared by organisations such as the Melbourne Institute. High EMTRs are a consequence of a targeted and means-tested system of benefits. Understanding the impact of EMTRs in practice is important to understanding how they might be offset.
- + **Diversity:** Better promotion of the benefits of workplace diversity and flexibility.
- + **Discrimination:** For example, the extent to which age-related stereotypes continue to act as barriers to employment for mature-age individuals. In 2006, the most commonly reported main difficulty in finding work for unemployed people aged 45 years and over was ‘considered too old by employers’.<sup>18</sup> This indicates that age discrimination remains an issue.



The BCA has studied some of these issues in the past as part of a survey of its membership on work–family policies. This analysis resulted, among other things, in the release of guidelines to support the participation and retention of mature-age workers. As part of its future work on increasing participation the BCA will examine how it might work with organisations that have developed toolkits to assist business in establishing participation and retention strategies and measuring progress against these strategies, with the aim of increasing their take-up.<sup>19</sup>

The BCA will also continue to work collaboratively with organisations such as the Productivity Commission and other relevant organisations and stakeholders to ensure that policy settings and developments provide the best possible incentives for participation.

While much of the discussion around caring responsibilities focuses on children and the availability of child care, the broader issue of caring responsibilities (including for children, the elderly and people with disabilities) needs to be considered and addressed, particularly because population ageing will increase caring needs and responsibilities associated with the elderly. Research by the Taskforce on Care Costs (TOCC) has found that:

- + One in four employees with caring responsibilities is likely to leave the workforce in the future because of care costs.
- + One in four employees with caring responsibilities has already reduced their hours of work because of care costs.
- + Thirty-five per cent of employees with caring responsibilities would increase their hours of work if care was more affordable.
- + The cost of care influenced the departure of 64 per cent of employees with caring responsibilities from the workforce.

Source: Taskforce on Care Costs, *Where to Now? 2006 TOCC Final Report*, [www.tocc.org.au](http://www.tocc.org.au).



**EXHIBIT 4:**

**Caring responsibilities extend beyond child care**

## **Maintaining participation: a focus on retention**

Roundtable discussions highlighted the importance of finding ways to retain workers, particularly as they approach retirement age.

Financial incentives related to superannuation and government benefits, poor health, and skill redundancy (and retrenchment) can all significantly influence decisions to retire early and permanently from the workforce.

Recent policy changes (see Exhibit 5) and a strong economy have helped to improve participation rates among mature-age individuals, especially men. These developments have also been supported by improved health among older groups.



**EXHIBIT 5:**  
Recent policy  
changes support  
mature-age  
participation

The availability of the Disability Support Pension (DSP) has impacted on the participation of males, particularly those who have lost jobs in declining industries and older males. About half the men aged 25–64 years old who are outside the labour force are in receipt of the DSP.\*

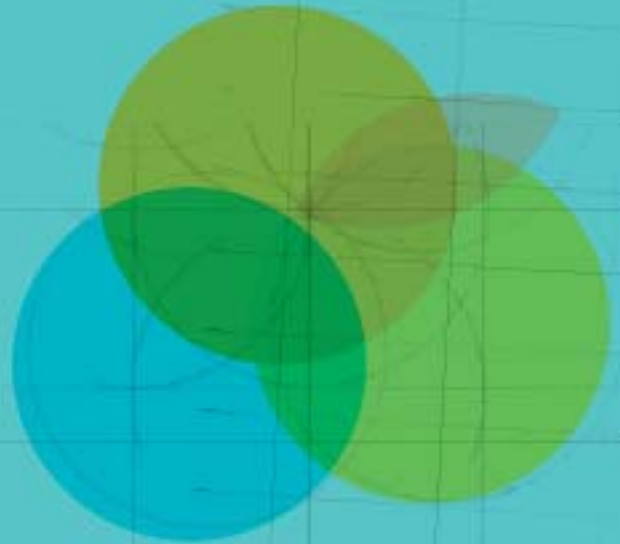
DSP eligibility requirements have been tightened and should support higher participation, although the grandfathering (i.e. exclusion of existing DSP recipients from the changes) means that a significant pool of older males is likely to remain outside of the labour force. In addition, there is currently a disincentive for those permanent pension recipients to volunteer for work, as this triggers a review of their pension. Fear that they may not retain their pension precludes many in this group from volunteering to participate even though they want to work.

The Mature Age Worker Tax Offset was introduced in mid-2004 and provides a tax rebate for people aged 55 or over who choose to remain in the workforce. From July 2005, those aged 55 or over are able to access their superannuation in the form of a non-commutable pension while still working. Since July 2007, superannuation benefits have been tax-free or subject to a reduced rate of tax after age 60.

Sources: \*R. Lattimore, *Men Not at Work: An Analysis of Men Outside the Labour Force*, Productivity Commission Staff Working Paper, Canberra, January 2007, p. xxix. See also S. Kennedy and A. Da Costa, *Older Men Bounce Back: The Re-Emergence of Older Male Workers*, Treasury Working Paper, Department of the Treasury, 2007.

MAINTAINING  
PARTICIPATION:  
A FOCUS ON  
RETENTION

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**Issues and strategies**

In order for these positive trends to be maintained over time it is important to ensure that available incentives continue to support participation and that workers have the skills relevant to rapidly changing technologies and market conditions.

Training and skills development via flexible training pathways, whether on or off-the-job, is vital. Improving training take-up and completion rates among mature-age workers will not only support greater retention, but will also help to maintain productivity and employability. A flexible and responsive education and training system that recognises the needs of mature learners is essential, as is employer recognition of the benefits of education and training.

Mature-age workers can be provided with opportunities for job rotation and career change, and encouraged to take advantage of such opportunities.

A perceived lack of opportunities for career advancement, and age discrimination, results in workers disengaging from work long before retirement, which reinforces perceptions that they are no longer willing or able to contribute as effectively in the workplace.<sup>20</sup> As noted in the previous section, the development of toolkits to assist business in establishing participation and retention strategies, and measuring progress against these strategies, could help to increase retention across a number of groups.



## Addressing multiple barriers

Many of the groups facing multiple or significant barriers to participation and employment are small in absolute numbers. From an economic or labour force perspective, this can mean that they are overlooked. The costs associated with achieving sustained improvements in participation and employment outcomes, and an often narrow consideration or perception of the benefits that flow from this, can reinforce this tendency.

But considered from the perspective of the link with disadvantage, the compounded costs of inaction over time, the impact that even 'isolated' community dysfunction can have more broadly, and the aggregate costs across all such groups, the case for action becomes compelling. The challenge of raising and sustaining improved participation within this area was the key focus of the roundtable. This reflected the fact that most participants considered this to be the area in which progress and outcomes relative to effort have been the most disappointing.

Many Indigenous Australians, sole parents, long-term unemployed, people with disabilities, geographically isolated individuals and individuals from culturally and linguistically diverse backgrounds confront multiple barriers to participation.

ADDRESSING  
MULTIPLE  
BARRIERS

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These individuals will often experience a combination of interrelated problems and intergenerational disadvantage, including:<sup>21</sup>

#### Significant deficiencies in relevant education, training and skills

- + There is a strong correlation between unemployment and low participation and level of education.
- + People who obtain a Year 12 qualification are more likely to continue their involvement in further education and training and be employed. In 2006, Indigenous students were half as likely to continue to Year 12 as non-Indigenous students.<sup>22</sup>
- + Limitations in more general or generic employability skills (such as teamwork, reliability, and communication skills).

#### Poor incentives or financial returns for work effort

- + The interface between wages, taxation levels and welfare benefits can lead to adverse outcomes, such as high effective marginal tax rates.

#### Poor health

- + According to the ABS, in 2006 'own ill health or disability' was cited by 10 per cent of unemployed people as the major obstacle to employment.

#### Limited job availability (i.e. limited employer demand)

- + For business, the perceived and actual risks of hiring individuals without good employment track records provide tangible barriers to employment. The higher the perception of business risk, the less likely it is that business will hire.

- + Perceived and actual costs and risks for business can include insufficient skills or capacity to undertake the work; the costs of workplace modifications or additional services to ensure the employee can participate effectively; and rapid staff turnover.

#### A lack of adequate and stable accommodation

- + Housing instability and homelessness can act as significant barriers to successful welfare-to-work transitions.<sup>23</sup>

The roundtable discussions raised a number of key issues related to the lack of access to and effectiveness of support programs. In particular, participants outlined a long list of criticisms based on their own experiences, including the need for:

- + better targeting of assistance to individual needs;
- + multifaceted approaches;
- + the need for community-based policies and programs;
- + sustained commitments and program investment;
- + streamlined administration and governance arrangements; and
- + greater accountability and measurement of program outcomes.

## Issues and strategies

The purpose of this paper is to promote the economic and social necessity of increased workforce participation and to earmark areas for future scrutiny and involvement by business.

It is clear from the roundtable discussions that a collaborative approach could improve participation among the most disadvantaged groups through a number of areas. A working group of business, government and community groups could make a fundamental contribution by working to strengthen the institutional processes and frameworks through which support and assistance are provided.

The formulation of a framework for good program design, delivery and monitoring processes would significantly enhance the effectiveness of assistance and support programs, and hence participation outcomes. Based on experiences to date, such a framework could articulate the key features of successful programs and steps to be followed, as well as highlight factors that are likely to undermine or limit the achievement of improved and sustained outcomes and measures that have worked to dissipate these factors.

The aim would be to use such a framework to increase the likelihood of success of future programs by establishing the foundations for sound and effective programs and program follow-through.

The framework should incorporate the experiences and needs of providers, administrators and users of the programs, as well as other stakeholders such as state and federal government agencies, community and welfare organisations, the target individuals, and business and employers.

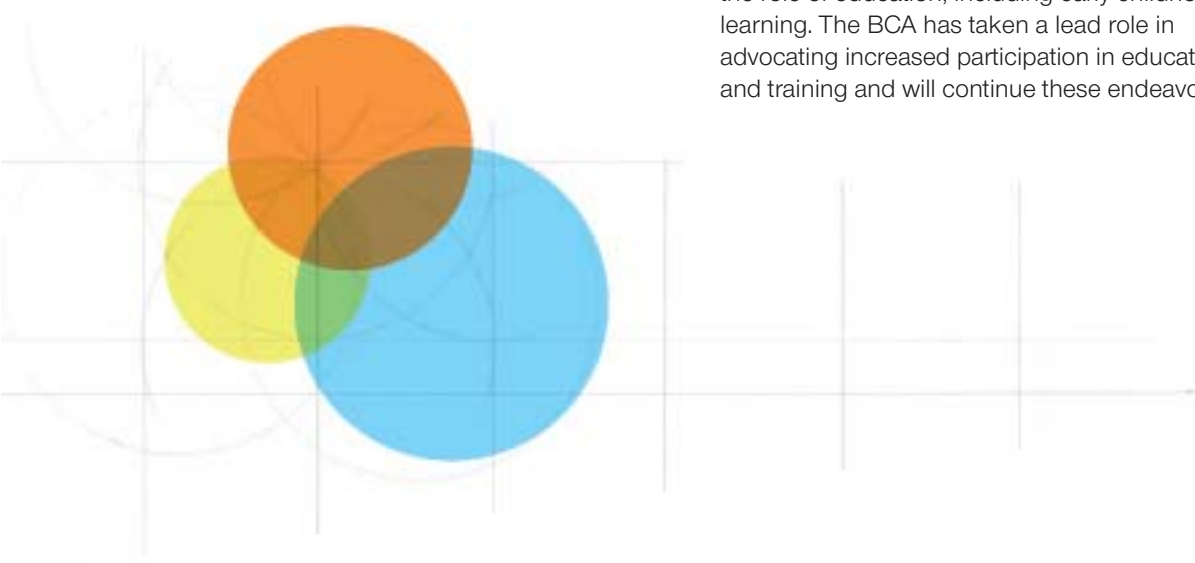
Once such a framework is developed, the dissemination of best practice could be supported by the establishment of a collaborative mentoring program led by those who have hands-on experience in the design, implementation and monitoring of successful programs (both large and small). Resources could be provided collaboratively by the government, business and community sectors. Over time, more rigorous monitoring frameworks could be applied to existing programs with a view to replacing or eliminating those that are ineffective.



## Preventing disengagement and non-participation

While reducing the current pool of individuals not participating in the labour force is an immediate priority, over the longer term it is preferable to reduce the likelihood that people find themselves in such circumstances. This is clearly vital for social reasons but it also makes good economic sense. Funding spent on prevention has significantly higher returns in terms of positive outcomes for individuals and society than funding spent on individuals already caught in unemployment and poverty cycles.<sup>24</sup>

Roundtable participants highlighted the role that early intervention, based on the identification of important risk factors, can play in changing the participation expectations and experiences of individuals later in life. The need to engage with families of individuals at risk was raised as a determinant in the effectiveness of support and assistance. Particular emphasis was placed on the role of education, including early childhood learning. The BCA has taken a lead role in advocating increased participation in education and training and will continue these endeavours.



## Conclusion and recommendations

Significant improvements in labour force participation and employment outcomes have been achieved in recent years as a direct result of strong economic growth. This has played an important role in helping to spread the benefits of economic growth and prosperity more widely through the community.

Nevertheless, too many people remain disenfranchised and disengaged from participation, employment opportunities and the wider community. This comes at a high individual, community and economic cost – a cost that will become increasingly apparent as our population ages. There is also a risk that reduced social cohesion could erode support for the policies necessary to sustain economic and employment growth.

Significant efforts have been made to address barriers to participation and to achieve improved employment outcomes, and there are examples of very effective programs and positive results. The challenge is to see these examples become the norm and improve employment outcomes for the many who presently find themselves excluded from mainstream opportunities.

Business has made a contribution to lifting participation, including among disadvantaged and isolated communities, but given the complexity of the challenge, a broader and more enduring engagement from business will assist in addressing these issues. The BCA considers there is a need for a more strategic and coordinated approach between business, government and the community building on what has been learned to date. This view was supported and welcomed by government and community organisations who participated in the roundtable discussion convened by the BCA.

Reflecting the need for greater focus on participation as well as employment outcomes, the BCA will:

- + Review policy settings as they relate to the participation of women and mature-age workers with a particular focus on the affordability of, and access to, caring options for dependants.
- + Support the broader dissemination and take-up of best-practice workplace strategies to achieve higher rates of participation and retention among women, mature-age workers and Indigenous Australians, building on the work that a number of businesses have already undertaken.
- + Propose that the working group of participants from the BCA's participation roundtable:
  - develop a framework for best practice program design, delivery and monitoring processes; and
  - consider and recommend other methods that will assist government to develop effective program delivery and outcomes.

## Notes

- 1 There are 10,985,300 persons over the age of 15 in the labour force and an estimated 5,889,200 over the age of 15 not in the labour force (ABS Catalogue No. 6202.0, *Labour Force, August 2007*, p. 7.); of these, the Australian Government Department of Employment and Workplace Relations (DEWR) estimates that there are 800,000 persons in education and training. The estimated number of persons aged 65 years and over is 2,809,891; a number of those are in employment (ABS Catalogue No. 3222.0, *Population Projections, Australia*, Table A9, June 2006 [re-issue]).
  - 2 Data provided by DEWR.
  - 3 ABS data available on request, *Survey of Income and Housing 2003–04*.
  - 4 Steering Committee for the Review of Government Service Provision, *Overcoming Indigenous Disadvantage: Key Indicators 2007*, Productivity Commission, Canberra, 2007, from 'Headline Indicators', p. 39.
  - 5 Data provided by DEWR.
  - 6 P. Saunders, 'Tax, Welfare and Jobs: A First Step to Reform', paper presented to the 'Pursuing Opportunity and Prosperity' conference, Melbourne, November 2003, p. 12.
  - 7 The total labour force participation rate for people 15 and over has risen gradually from 60.7 per cent in 1978–79 to 64.5 per cent in 2005–06. On current estimates the participation rate will fall gradually from 2008–09, reaching 57.1 per cent by 2046–47 (*Intergenerational Report 2007*, Commonwealth of Australia, 2007, pp. 19–21).
  - 8 See, for example, *the Intergenerational Report 2007*, Commonwealth of Australia, 2007; *Economic Implications of an Ageing Australia*, Research Report, Productivity Commission, 2005; D. Gruen and M. Garbutt, *The Output Implications of Higher Labour Force Participation*, Treasury Working Paper 2003–02, Department of the Treasury, 2003; and *Victoria: Working Futures*, report of Victoria's Workforce Participation Taskforce, Department for Victorian Communities, 2005.
  - 9 ABS Catalogue No. 6287.0, *Labour Force Characteristics of Aboriginal and Torres Strait Islander Australians, Experimental Estimates from the Labour Force Survey 2006*, 2007, p. 30.
  - 10 Australian Industry Group and Dussledorp Skills Forum, *It's Crunch Time: Raising Youth Engagement and Attainment*, 2007, p. 17.
  - 11 ABS Catalogue No. 402.0, *Australian Social Trends 2007*, p. 3.
  - 12 *Victoria: Working Futures*, 2005, p. 41.
  - 13 The Productivity Commission Staff Working Paper (J. Abhayaratna and R. Lattimore, 2006) uses cross-country comparisons, adjusting the data to reflect data discrepancies in the treatment of defence personnel, institutionalised populations missing data from some age brackets, and paid maternity leave.
  - 14 *ibid.*, p. 59.
  - 15 Raising the participation rate of men aged 25 to 55 would also produce a significant aggregate impact, although many who are currently not participating are likely to fall within the group facing multiple barriers such as lack of education, disability and long-term unemployment.
  - 16 See *Victoria: Working Futures*, 2005, p. 35.
  - 17 Abhayaratna and Lattimore, p. xiii.
  - 18 ABS Catalogue No. 6105.0, *Australian Labour Market Statistics*, January 2007.
  - 19 See, for example, 'The CEO Kit for Attracting and Retaining Female Talent', Chief Executive Women, 2006.
  - 20 See Business Council of Australia, *Age Can Work: A Business Guide for Supporting Older Workers*, 2003.
  - 21 Statistics are from ABS Catalogue No. 6105.0, *Australian Labour Market Statistics, January 2007*, unless otherwise indicated.
  - 22 *Overcoming Indigenous Disadvantage: Key Indicators 2007*, Productivity Commission, Canberra, 2007, pp. 3–14.
  - 23 Melbourne Citymission, *Give Me a Break! Welfare to Work – A Lost Opportunity*, p. 50.
  - 24 See, for example, J. Heckman, 'The Economics of Human Skills: Evidence and Policy Implications', Research School of Social Sciences, ANU, 2006; Professor M. Keane, 'Quasi-Structural Estimation of a Model of Child Care Choices and Child Cognitive Ability Production', Department of Economics, Yale University, March 2006, and Mission Australia's 'Pathways to Prevention' project, which also notes that programs in the United States have provided benefits in the range of \$7 to \$17 for every \$1 spent. The Smith Family has achieved progress using dual generational learning where educational activities and support address the developmental needs of more than one generation.
- Note: the source for Figures 1 and 2 is ABS Catalogue No. 6202.0.55.001, *Labour Force, Australia, Spreadsheets*, August 2007.

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