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"Tackling the Challenge of Ageing with a Broader Participation Agenda"**

Thank you Greg (Meek) for the introduction and to CEDA for the opportunity to speak with you today.

I was recently asked to characterise Labor's approach to participation. It was put to me that the Howard Government's approach is to use new welfare rules to free up a supply of cheaper, compelled and low-skilled labour to support their drive to lower wages under the new industrial relations regime. I was asked, is Labor's approach the direct opposite, to focus on those in the workforce who are highly skilled and who are retiring early – the tree change/sea change set, if you will – and make them work longer.

I answered that Labor's approach is about leaving no stone unturned in the effort to build a high-skill, high-wage workforce. We believe that a great deal of Australia's greatest natural resource, its people, remain underappreciated. Australia is not making the most of what we have. Labor believes the new industrial and welfare regimes are the starter's gun in a race to the bottom.

I have two main reasons why I think this must change. First, our national prosperity depends on it. Second, while people are living longer, life is still short and people should be able to live full and fulfilling lives. I believe that people need to feel that they are contributing, like they are helping others and that they can rely on themselves and their loved ones to get through life.

You've spent time this morning covering the major economic and social aspects of intergenerational challenges in Australia. I don't need to repeat the arguments, other than to say that we in the Labor Party are acutely aware that Australia's ageing population presents major challenges and one of the key concerns is the state of the labour market.

In the Australian context, dealing with an ageing population does not have to mean simply making people work longer – although of course we welcome people choosing to do that, and we are developing initiatives to support this choice. It means bringing more people into the workforce.

The real state of the labour market

We hear much these days about the tightness of the labour market. Certainly, in recent years and months, more people have gained work and the official measure of unemployment has dropped. Without doubt, this is good news.

However, it is foolhardy to think that the labour market is at full stretch, that we now have no more people left to employ.

The headline rate of unemployment, like all headlines, only tells a very small part of the story.

Even that story tells us that there are over 500,000 Australians who are actively looking for work and can't find any. This is not a number that can be tossed aside lightly.

The same set of monthly data shows us that teenage unemployment is stuck at 20 per cent: one in five Australian teenagers who wants a full time job can't get one. 60,000 Australian teenagers are not in education and are not working. In total, nearly 130,000 teenagers can't get a job at all – full time or part time. The squandering of potential here is obscene, but with 300,000 Australians turned away from TAFE in the past ten years, not altogether unexpected.

Once a year, the Australian Bureau of Statistics releases some other important data which helps us write the rest of the story, and these releases acknowledge one of the most common concerns raised with me by constituents: that to be classified as employed in the monthly figures, you need only be working for one hour in the reference week. One hour's work a week is not sustainable at most salaries and it certainly doesn't do much for national productivity.

Clearly, most working people work more than that, but we know from data released annually by the ABS that one in five people who are working part time want more work than they can get. That's 600,000 working Australians who are not participating as fully in the labour market as they would like to.

Add to that the fact that there are a great many people who are completely jobless but don't show up in the monthly figures at all because they don't meet the definition. According to the ABS, 1.2 million Australians do not have a job, would like to work but don't meet the definition of unemployment.

So if we tally these numbers up, we have well over two million Australians who are either officially unemployed or want more work than they can get. Suddenly, the story reads quite differently and the labour market is looking a bit less tight!

But there is a twist in the plot: another set of numbers that provides quite damning evidence of what's really going on. Look at long term welfare dependency. Despite the fact that official unemployment has dropped, over the life of the Howard Government, long term reliance on the unemployment benefit has actually increased. The number of Australians dependent on unemployment benefits for over two years has ballooned from 172,126 people in June 1995 to 246,081 in June 2005.

Over 121,000 Australians have been stuck on the dole for the past five years – another significant increase.

This is from the party that promised to end what it calls 'dole bludging'. The biggest welfare fraud has been perpetrated by the Howard Government.

As well as the unemployment benefit, there are other payments that people who are of working age can access. The figures here are extremely concerning. The number of people on working age payments has stayed largely stagnant: at last count there were almost 2.05 million Australians of working age on income support payments, just 100,000 fewer than ten years before.

So while the ABS tells that the numbers of unemployed has dropped quite substantially, welfare dependency has barely dropped at all.

After ten long years, and a whole lot of talk on welfare dependency, that's not a lot of progress. Australians are entitled to ask why it is that despite all the talk, and despite the increase in employment, there are so many people dependent on the dole and other welfare payments for so long.

The point is that there are people around who could be working but they are not – yet we hear of chronic skills shortages. Clearly, the major missing link is skills.

Ten lost years

Over the past ten years, the Howard Government's approach to participation has been characterised by populist criticism of people who are not working, rather than real efforts to fix the problem. Increases in employment have largely been the result of economic growth. Much of the foundations for this growth were laid by previous Labor governments and driven in recent times by continued growth in the world economy and the commodities boom.

The cornerstone of the Howard Government's employment policies has been Work for the Dole. The principle of requiring unemployment payment beneficiaries to engage in activity is worthy. But working for the dole is just not as good as working for an income, and almost seven in ten participants remains jobless. The factors underlying the poor outcomes in this program are a lack of accredited training in areas of demand, and the focus on working for the dole rather than looking for a real job.

More recently, the Howard Government has embarked upon its so-called Welfare to Work changes. These are theoretically about moving people who are on welfare payments, particularly single parents, people with a disability and the long term unemployed, into paid work. However, the policy's design actually does a lot of damage to that worthy cause - full, as it is, of anomalies and absurdities that must be tackled.

Nobody could realistically argue that we shouldn't be trying to move people from welfare to work. Australians believe that people should work if they can. Continuing welfare dependency among people who can work is socially and economically unsustainable. But these changes simply apply new activity requirements to particular groups, and dump people onto lower welfare payments. Some people who would have received the Parenting Payment or the Disability Support Pension will instead get the dole – essentially shuffling people onto different Centrelink databases. This looks rather like they're sticking with the approach that has seen total welfare rolls stagnate.

Setting aside the obvious drawbacks with leaving our poorest families with even less, setting aside the fact that moving people onto the dole leaves them with effective marginal tax rates in the order of 75 per cent, do we honestly think that getting people to apply for jobs that they are not qualified for will solve the problems of a skills crisis and an ageing population?

It's not just that skills training and education are not a priority under these changes: they are actively discouraged. A much under-reported fact of these changes is that there is an increased *d*/isincentive to train or study.

Under the old rules, single parents and people with a disability had access to a Pensioner Education Supplement, a highly valued additional payment that helped cover the costs of study. Many single parents used this money to study while their children were young and in early schooling, so as the children became more independent they would be in a position to work. Under the new rules, when these groups are on the dole, they can't get this help.

The new rules actively remove support for many jobless people to gain skills.

There is also no real option for people to study part time. You either seek part time work (on the dole) or study full time (on Austudy, with even less income support), or you work part time and study on top of that. Given the circumstances of the people we're talking about, this is unrealistic. If a single mother wanted to study nursing part time – surely an ambition we ought to encourage – she wouldn't be able to do it. She would either have to study full time – which for a course like nursing would take her out of the home for study obligations well in excess of fifteen hours a week – or study part time on top of her fifteen hour job search obligation. In either approach, who's caring for the kids when they're not at school?

When you consider that the Howard Government has been told that 60 per cent of jobless single parents have a Year 10 education or less, you'd have to wonder what job prospects these people are going to have – and how much they will be able to do their bit in addressing our nation's challenges.

Feeling this policy inadequacy breathing down his neck, the Prime Minister recently released his so-called 'better late than never' skills package. But none of the nation's 60,000 unemployed teenagers will benefit from this. It did not contain a single dollar to encourage people under the age of 25 to start or complete an apprenticeship – by which stage they may be long term unemployed. And it will only help 30,000 people, when ten times that number have been abandoned in the past ten years.

Put simply, the Howard Government does not have a handle on what it will take to tackle the skills crisis and the ageing population.

The Howard Government's spin machine may be working over-time but the labour force remains underutilised.

Labor's approach to participation

Addressing the challenges of our labour market is the key to solving the problem of an ageing population, but there is no single solution to the problems of our labour market.

However, there is no doubt that the biggest issue that is preventing the abundant supply of labour filling the growing demand is skills. Ask any employer.

We need to better utilise the tool of mutual obligation. The question is, are we getting as much out of it as we can? Are people's obligations really designed to help them and to help the economy?

A key aspect of our approach to participation is to harness mutual obligation in the national interest, as distinct from the political interest of a minister trying to get a headline. People shouldn't get a free ride, but nor should they be tied up doing things that don't lead to a job.

We also need to recognise that there is a 'hard core' of very long term unemployed and very long term welfare recipients who face enormous problems in finding work. Many of these people are alienated from the community after a lifetime of negative messages. Last Friday I gave a speech where I outlined our approach to helping these people overcome their problems in finding work. If their deep alienation underlies their disengagement with employment, it is this alienation that we need to tackle. We need to tailor services to recognise the reality of those who have been left behind by this labour market. We need to reverse the drive to hopelessness, despair and depression, and help people believe that they are not inferior and they can control their own destiny.

Labor's approach will be to tackle the reasons people aren't working, and we'll deliver practical solutions. We'll tackle the mismatch between the skills required by employers and the skills available among the jobless. We'll tackle the issue of incentives. We'll deal with those highly practical issues that act as real-life barriers to employment.

Integrating work and training opportunities

Let me focus on one key philosophical difference that is driving our policy approach in this area. Howard Government ministers have dubbed their approach "Work first", which is essentially a rip-off of the approach in some parts of the United States.

The theory is that people should focus on getting a job as their one and only priority because any job is better than no job and a job is a foothold to a career.

If this theory were being properly implemented, it would mean that mutual obligations for people who receive income support are geared towards job hunting and the Job Network's activities are geared towards job matching. In practice, the Howard Government's system design doesn't do this very well and activities are often required for their own sake, rather than to support employment.

Now I think there is a lot to be said for 'getting a foot in the door' – but you need to open the door first. The problem with embracing this approach as the panacea for the labour market is that it denies reality and it denies the lessons learned in other countries.

For example, analysis of welfare reform in various states in America shows that the most successful welfare to work programs were those that used a mix of services – including education and training – and had an emphasis on the need to find work. This analysis supports what Job Network members tell me is most effective.

Some people should begin looking for work straight away, some people should look for work while they try to build their capacity, others still should get themselves into a position of better employability by gaining qualifications. We need to get out of the rigid, unthinking model we currently have and better tailor approaches to the circumstances of job seekers.

This balanced approach recognises that people who can work should work, and understands that people only get a job if they have the skills an employer needs.

Put simply, it takes different strokes to find work for different folks.

Previously Labor has declared that young people should be learning or earning. Australia now needs to extend that approach to other people of working age if we are going to tackle our ageing population.

Mature age employment

While I believe that tackling the ageing population requires a focus on all groups in the community who are underrepresented in the labour force, including young Australians who have a lifetime of potential ahead of them, we should also consider what we do to encourage greater employment among older workers.

This is an issue that warrants a whole speech in itself, and I would like to talk with you about this again in greater detail. Older workers often have a great deal to offer, but struggle from something of an image problem not of their own making. Quite wrongly, many employers perceive there is little value in a mature worker, but often their best and most productive years are ahead of them.

In some cases, mature workers have lost their jobs because they are unable to maintain the hard physical work they once did. But these people still have a lot to teach others. In other cases, their skills are no longer relevant – but they have the potential to learn new skills, with the right support.

I've met many mature Australians who are struggling to gain employment. A common story is that of the highly skilled worker whose employer restructures their business, leaving the mature worker redundant. Often in their 40s or 50s, and despite their skills and experience, these people struggle to gain employment again – many employers won't even consider them.

The permutations of mature age employment policy are many and varied. The core of the Howard Government's approach, however, has been to focus squarely on financial incentives for older people to keep working. The success of these measures is yet to be seen, but they don't adequately resolve the issues at the demand end, nor do they address issues of capacity.

Conclusion

Australia clearly needs a broader participation agenda if we are going to tackle our ageing population. We cannot rely on any single group of unemployed people – and we don't have to. There are many in our community who would like to work more, many who would benefit from work. The diversity of the problems and opportunities means we need a complex and coherent set of policies that embrace the principle that people who can work should work, and understand the reality that people only get a job if they have the skills an employer needs. If our future is to be prosperous we need to remain competitive in the world, we need to improve our productivity. For that, we need a highly motivated, highly skilled and well remunerated workforce.