

# **The core of the short term demographic problem**

## **Age Discrimination**

Ross Venner F.C.A.

### **Public inclusion and private exclusion**

One of the essential elements in ameliorating the demographic challenges facing Australia is to increase the participation of older workers. This is recognised at the highest level. In 2001 Prime Minister John Howard said “By 2010 we will need golden collars to keep sixty year olds in the workforce until they are seventy.” That day I was dealing with the aftermath of one rejected older worker’s suicide.

Two years before Mr Howard’s speech, Drake International presented research to Parliament which showed that none of the 500 participants in a survey of large employers which they had conducted would consider hiring a manager aged over fifty. Anecdotal evidence suggests that less skilled older workers are even more disadvantaged.

These two contrasting positions starkly highlight the discontinuity between the broad economic requirement and corporate practice today. How many of the fifty-four year olds spurned today could be reincarnated as sixty year olds to fill the gaps in the labour force in 2010? At its most brutal a significant number will be dead, others will be too demoralised to return to work and the skills of many of the remainder will be too degraded to be of material value.

### **Motivation for age discrimination**

Even if age discrimination is hard to prove, it is illegal and redressing it must start with answering the usual questions employed in the analysis of most offences. Who and Why?

The “who” of age discrimination is answered by the report provided by Drake International, managers! “Why” managers discriminate is easy to understand, older workers have lower status in contemporary corporate culture and whatever the outcome of hiring an older worker one thing is certain, a low status worker has a low status manager. The pressure is sufficiently pervasive that many, perhaps most otherwise law abiding managers ignore this legislation without a second’s thought.

### **Labour market functioning**

Ultimately the labour market comes down to an individual, often quite junior, manager deciding between candidates. The choice will be made on a complex set of criteria, many of them subjective. Any intervention in the labour market designed to promote counter discriminatory behaviour must be effective at this very junior and very private level of the decision making process. At this micro level the labour market is not value free. Objections to market intervention assume that the market is impartial. Since this contention is demonstrably false there can be no logical objection to incorporating additional influences in the market to cause the individual decision maker to incorporate in their assessment of personal advantage, the larger interests of the community. Present market interventions have enjoyed limited success. I submit that the explanation is that the benefits they distribute fall to the corporate “bottom line” and are not shared by the decision makers they seek to influence.

### **Alternative market interventions**

Effective intervention in the labour market must influence the behaviour of junior as well as senior decision makers. Can this be achieved? Two elements are essential; an unambiguous measure of the contribution to the communities employment pool and a mechanism to reward positive employment outcomes.

#### ***Measuring employment outcomes***

A practical measure of employment must be simple, unambiguous and provide scope to reflect the community interest in the outcome. The aggregate of employee weeks can be computed easily as part of the process of preparing PAYG summaries. The calculation requires no special training or computer software. A supplementary score is proposed to reward recruitment decision which favour disadvantaged workers. Two tables which together provide a model for weighting this result for positive outcomes are shown in the Appendix.

The result is a single numeric value the “Weighted Employee Weeks” (“points”) generated by the entity over the fiscal year.

#### ***Trading employment outcomes***

Management’s task is to increase the “bottom-line”. Effective policy must therefore distil to a financial outcome at that same bottom-line.

The creation of a simply numeric measure of employment offers a clear demarcation between positive and negative outcomes, a fulcrum. Entities with lower aggregate points than the preceding year could buy surplus points from entities generating an increase. The incentive to undertake this trading would be a significant financial penalty for a decline in aggregate points.

The penalty proposed would be restricting the amount of individual employees’ salaries which could be offset against the income of the entity in the calculation of business income tax liabilities. Disallowance could apply to salaries in excess of \$50,000. The provision of this restriction or threshold has several effects:-

- Most small businesses will be protected from the penalty provision while having the opportunity to benefit from any employment growth which they generate.
- Businesses in acute distress are protected because they have losses rather than profits.

Such a policy impacts at the level of line managers whose recruitment decisions are the active tool of age discrimination. In particular the policy provides a cogent defence for “taking a risk on an oldie (or other disadvantaged candidate)”. A particularly damning accusation often directed at junior managers in these circumstances.

It is normal management practice to align the goals of all stakeholders in a business. The model outlined here seeks to ensure that, as regards employment at least, an economic signal is provided to recruiters reflecting the interests of the wider community.

## Appendix – Specimen Tables

### Summary

The tables below are structured to promote permanent employment and make such employment available to stereotypically disadvantaged groups, particularly older workers. The scores attributed in the tables can be readily amended to reward job creation in, for example, depressed geographical regions or other priority areas. This provides scope for political participation in shaping the employment market.

When an employee with service greater than one year leaves an entity, the weighted score rewarding their longer service is lost (table 1). The entity can regain those points by means of a favoured recruitment selection (table 2) or by buying the required points in a free market thereby transferring value to job creating enterprises.

All figures measure “weighted employee weeks” or points.

**Table 1 – Incentives to promote Full Time / Permanent employment**

| Description                                  | Week | Month | Quarter | Year |
|--|------|-------|---------|------|
| Full time employment                         | 1    | 4     | 13      | 70   |
| Full time – Eligible for disadvantage Points | 1    | 4     | 15      | 90   |
| Part time Permanent employment > 20 hrs      | ½    | 2     | 6½      | 35   |
| Full time Casual employment > 34 hrs         | ½    | 2     | 6½      | 35   |
| Part time or casual (disadvantaged)          | ½    | 2     | 7½      | 45   |

**Table 2 – Incentives to promote disadvantaged candidates**

| Disadvantage                         | Points   | Aggregate Points |
|--------------------------------------|----------|------------------|
| <b>Over 50</b>                       | <b>2</b> | <b>3</b>         |
| <b>Over 58</b>                       | <b>5</b> | <b>15</b>        |
| Unemployed one month                 | 2        | 3                |
| Unemployed two months                | 3        | 6                |
| Unemployed X months                  | X + 1    |                  |
| Non-English Speaking Background      | 3        | 6                |
| Aboriginal or Torres Strait Islander | 3        | 6                |
| Under 22 (Or first job)              | 3        | 6                |
| Example of cumulative disadvantage:  |          |                  |
| 50 YO NESB 3 months unemployed       | 9        | 45               |

Disadvantage Points (Table 2) for any recruit, reduce by one for each week of service.