

House of Representatives Standing Committee on Employment and
Workplace Relations Inquiry

INCREASING PARTICIPATION IN PAID WORK

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We currently employ a bigger proportion of the working-age population (70%) than ever before. Nevertheless, to increase participation in paid employment even further, we would need *both* to increase the supply of jobs *and* to improve the incentives for people to take them.

The supply of jobs can be increased by further labour market reform. The incentive to take paid work can be improved by a combination of tax and welfare reform. This submission addresses each of these objectives in turn.

1. Improving the supply of jobs: Labour market reform

1.1 Is unemployment simply a matter of too few jobs?

1.1.1: There is a tendency among social policy lobbyists to exaggerate the scale of the demand-side problems in the labour market. In particular, it is repeatedly argued that unemployed people cannot be expected to find work because the number of job vacancies is much smaller than the number of people registered as unemployed:

“One key issue is there simply aren’t enough jobs around. There are 8 to 10 people for every job vacancy” (Stephen Ziguras of the Brotherhood of St Laurence, quoted in *Sydney Morning Herald* 11 December 2002)

“We’ve got 750,000 people registered unemployed... we have 70,000 job vacancies. I think that’s all you need to know” (Sue Richardson, academic, in *Rebuilding the safety net*, Business Council of Australia, Melbourne, 2000, p.54)

“If there are 700,000 plus unemployed people at any one time and only 100,000 or so jobs (many of which don’t fit the location or skills of the unemployed), then... the fault does not lie with the individual. It lies with the inability of the market to reach and sustain acceptable levels of economic participation for disadvantaged Australians” (John Meahan, Acting President of St Vincent de Paul Society, in a Society media release, 12 March 2002).

1.1.2: A recent CIS paper identified at least three things wrong with this argument.¹ First, it underestimates the actual availability of jobs, for the ABS survey of employers (on which these claims are based) asks businesses about their current vacancies but ignores jobs that are filled internally, jobs that are filled immediately they become vacant, and vacancies for which no recruitment action has been taken. This rules out a lot of positions and we know that one-third of unemployed job seekers end up finding a job through networks and contacts². Secondly, it is a static analysis which is blind to the new vacancies which are being created all the time as a result of rapid turnover of people and jobs. Job vacancies turn over completely on average every fortnight. Even with 16 people chasing every job (a figure much higher than even the welfare lobby's worst estimate), Peter Dawkins calculates that there is a greater than even chance of an unemployed person becoming employed before six months have elapsed.³ Thirdly, it ignores the fact that, by changing the supply of labour, the current pattern of employer demand is also likely to change (before the 1996 welfare reform in America, for example, many critics insisted there would be insufficient jobs to soak up the people coming off welfare, but as things turned out, millions of former welfare claimants found jobs that nobody knew existed).⁴

1.1.3: Welfare organisations seem reluctant to address these points – responding to the CIS paper, for example, the Brotherhood of St Laurence simply ignored them and reiterated the familiar claim:

“The Centre for Independent Studies report...is glossing over the social and economic realities around the lack of jobs... The reality is there is only one job for every six job seekers.” (Media Release, 11 September 2003).

Of course unemployment is *partly* a problem of under-supply of jobs (particularly in parts of regional Australia, and in certain segments of the job market) – but there is a wilful refusal on the part of many welfare groups and academics to accept that motivational factors might *also* be important. This ideological blindness is in our view a major obstacle to progress in this area.

1.1.4: The OECD notes that, during recessions, it comes to be accepted that there is a shortage of jobs and that the unemployed should not be pushed too hard. But when the economy picks up and jobs again become available, it is important that the idea that there are no jobs for the unemployed to do should not be allowed to persist. This is what seems to have happened in Australia.⁵

1.2 'Active labour market programs' do not work

1.2.1: Some commentators suggest increasing employment by means of policies known collectively as 'active labour market programmes.' These include direct job creation by governments, job subsidies and training. It is almost certain that policies like these will be recommended to this Inquiry, yet international evidence suggests they are very expensive and achieve little or nothing in practice.

1.2.2: A review of *employment subsidies* in France, Germany and the Netherlands as well as the US and the UK found that they 'tend not to be effective with harder-to-serve groups' such as the long-term unemployed.⁶ Employers are often reluctant to take up targeted subsidies, for they are primarily concerned to appoint the right candidate, and they often worry about the quality of people who need government subsidies to induce anybody to employ them. 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 unemployment rolls into subsidised jobs, but other people are then deprived of jobs they would otherwise have got). This means employment subsidies are a very expensive and inefficient way of expanding the demand for labour (for every hundred jobs that get subsidies, only ten new ones are actually created).⁷

1.2.3: A different approach is to employ long-term unemployed people in specially-created *public sector jobs* as a stepping stone to finding alternative employment. But international evidence suggests that giving people work experience by employing them in the public sector has a 'negligible' impact on their long-term job prospects and rarely provides them with the skills and experience that other employers are looking for.⁸ The OECD finds that public sector job creation "has been of little success in helping unemployed people get permanent jobs in the open labour market," and it recommends that any use of this strategy "should be short in duration and not become a disguised form of heavily subsidised permanent employment."⁹ Provided as part of a 'Workfare' strategy, government jobs can play a role in unemployment programs, but they rarely lead to more permanent employment.¹⁰

1.2.4: A third strategy is to pump more money into *training* the unemployed, but this too is rarely effective (even though it is repeatedly urged by Australian welfare lobbyists). OECD evidence suggests that only one group among the unemployed clearly benefits from training, and this is mature-age women seeking to return to the labour force after a period spent raising children. They are generally highly motivated and they benefit from the opportunity to brush up on their rusty skills. For others, training achieves little, and it is a complete waste of time and money when it is

directed at the young unemployed.¹¹ While basic literacy and numeracy skills can help improve people's employability, government training schemes rarely achieve more than a 5 to 15% return.¹²

1.2.5: Nearly all serious reviews of active labour market programmes find that they do not work, or that they create work for a small number of people at a very large cost. The Productivity Commission concludes that "they have variable, but usually small, effects on the employment and earnings of participants."¹³

1.3: Labour market reform to stimulate more jobs

1.3.1: The best way to increase the supply of jobs is through further labour market reform.¹⁴ In particular, we need to change the unfair dismissal laws, reassess the minimum wage and abolish the award system.

1.3.2: 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. Federal and state unfair dismissal laws are currently costing us more than 77,000 jobs.¹⁵

1.3.3: The award *minimum wage* also hinders job generation. Australia's minimum wage is the second-highest (behind France) among OECD countries, and its impact is felt mainly in the destruction of low-skilled jobs – the very jobs that many of those coming off welfare could be expected to compete for. 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.¹⁶ 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. As we shall see later, an increased personal tax-free threshold would more than compensate for any earnings foregone.

1.3.4: The *award system* as a whole also requires an overhaul. A decade after the introduction of enterprise agreements, more than one in five workers still depend entirely on awards.¹⁷ The award system frustrates productive operations of enterprises in two ways. First, a single award, in the majority of cases, applies to a large number of enterprises and does not take into account the particular circumstances faced by particular enterprises. The same pay structure, for example, is imposed on employers in low cost regional locations as in high cost metropolitan ones, which is

one reason why employment is haemorrhaging from regional Australia. Secondly, the award system is adversarial by nature. Employers and workers are encouraged to regard each other as opposing parties rather than as partners working toward common goals. The award system is doing more harm than good and should be replaced by a common-law contractual regime based on free bargaining. Workers could still seek union representation, if they so wished, and legislative instruments—a minimum wage law, for instance—could still operate where appropriate.¹⁸

2. Improving work incentives: Tax and welfare reform

2.1 Problems with an Earned Income Tax Credit (EITC)

2.1.1: The “five economists” have argued that employment could be stimulated by freezing minimum wages at their current levels and compensating by topping-up those on low wages with a ‘tax credit’ paid by the government. This idea has attracted a lot of support, but it has serious problems.

2.1.2: Despite its name, an earned income tax credit is simply a welfare cash transfer and it has the effect of discouraging personal initiative just as other welfare benefits do. Tax credits lock full-time workers into dependency on government hand-outs, thereby undermining their self-reliance and making it impossible for many working families to escape welfare dependency by earning more. Because their value tapers off as household incomes rise, workers further up the income scale start to lose substantial proportions of any additional earnings they accrue, for as they pay more tax, so they also lose their tax credit. While encouraging unemployed people into work, this means tax credits discourage people from working longer hours or getting a higher-paid job, and they penalise second earners in low-to-middle income households who find it is simply not worth their while working.

2.1.3: 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. If we go down this road, we will end up spending even more than we do currently on income support (the UK Labour government’s spending on its various tax credits has grown alarmingly, and once granted, it is politically almost impossible to reverse a policy like this and claw the money back).

2.2. Raising the tax-free threshold

2.2.1: Currently the personal tax threshold is \$6,000. This is less than half what a single unemployed person gets in income support and rent assistance (\$12,567), which means the government takes money away from us before we have secured our own basic subsistence (the minimum welfare payment is effectively the government's definition of a subsistence-level income). Inevitably, it then has to give much of this money back in welfare payments so those on lower incomes can maintain themselves and their families. By doing this, the government actually creates welfare dependency where it is not necessary..

2.2.2: A strategy of reducing taxes on low-income workers by raising the personal threshold means full-time workers get to take home a reasonable wage, but we do not destroy jobs (by raising minimum wages), nor undermine work incentives (by topping up incomes with tax credits). There is no better work incentive than keeping hold of every cent you earn.

2.2.3: Tax rates have declined in Australia over the last twenty years yet most of us are losing a bigger slice of our incomes in tax than we were before. This is because tax thresholds have not kept up with inflation. Workers in 1980 did not start paying the top rate of tax (which was then 60%) until they earned around \$35,000 – nearly three times the average income. Today, however, we pay the top rate (47%) on earnings just one and one-third times higher than the average. This 'bracket creep' has also affected the basic rate of tax. In 1980, you did not pay any tax at all until you earned \$4,041 per year (one-third of average earnings). Wages have gone up by 350% since then, but this tax-free earnings threshold has only risen by around 50%, to less than one-seventh of today's average earnings. Every worker now therefore pays tax on a much bigger proportion of their earnings than they used to.

2.2.4: Had the 1980 personal threshold of \$4,041 kept pace with earnings, it would now be over \$14,000. If we restored the threshold to this 1980 level, workers would earn well above subsistence (the welfare floor of \$12,567 for a single person) before paying any tax. At the very least we should raise the threshold to welfare levels to establish the principle that nobody should pay tax until they have earned their own subsistence.

2.2.5: Those who oppose raising the tax-free threshold say it would help all workers, not just those on low pay, and they argue against this, saying that our tax levels are already very low compared with other countries. But while *total taxation* as a proportion of the country's GDP is relatively low (31.5% as compared with an OECD average of over 37%), this is mainly because our indirect taxes are lower. Income taxes on working families, net of transfer payments, are around the OECD average. The OECD¹⁹

calculates an Australian couple with two children living on one average wage lose about 15% of their earnings after stoppages and benefits, which is a bigger deduction than the equivalent American, British, French or Japanese family suffer.

2.2.6: An increased tax-free threshold would partly be paid for by huge savings in the level of current Income Support spending going to working people, for with more money left in people's pockets, we would not need to give them back so much in welfare payments.

2.3 Increasing work requirements in the welfare system: Reform Parenting Payment

2.3.1: Many single parents work full- or part-time, but one-third have no income other than their welfare payment, and another 20 per cent rely on welfare as their principal source of income.²⁰ Professor Bob Gregory at the ANU estimates that single parents on welfare are spending an average of 12 years in the system, for when they leave PPS, they often move to another type of benefit. Over a five year period, Gregory found that only one in five went from welfare into financial self-reliance (either as a result of finding a job, or finding a new partner who was employed). Nearly a quarter spent the whole five years on PPS, and the rest moved between different welfare benefits.²¹

2.3.2: Australia is one of a very few western countries that supports parents on welfare benefits for as long as they have a child below the school-leaving age. In much of Europe, parents are expected to return to work when the child reaches three years of age, and some American states set the age limit even lower than this.²² Australia's policy originated at a time when older women and mothers were not expected to work (and were positively discouraged from doing so), but today, 66 per cent of women aged 15 to 64 are in the labour force, and there is no longer any reason why single mothers should not be working during school hours when their children are not at home.²³

2.3.3: The first three years of life are crucial in developing and enhancing children's emotional and intellectual capacities, and strong parental attachment is a major factor in successful early child development.²⁴ But by the time a child turns five, most of the cognitive 'hard-wiring' has been laid down, the emotional foundations should be in place and the child is required to attend school – which means that, for much of the day, the parent can no longer play a direct role in the child's development.

2.3.4: For a single parent to stay at home, on benefits, for a further ten years after the youngest child starts school does no good either for the child

or the parent. In the USA, researchers have found that continued 'exposure' to welfare dependency significantly damages the educational attainment of adolescents.²⁵ As for the parents, an extended period of welfare dependency means their skills and qualifications erode, their work-readiness decays, their self-esteem plummets, and their income remains lower than would have been the case had they been working. As Jocelyn Pech and Helen Innes suggest: "The social security system might, under the guise of allowing women choice, be helping to entrench some in poverty and disadvantage."²⁶

2.3.5: It is proposed that Parenting Payments (for sole parents and for coupled parents who claim PPP) should be payable in full only while a parent has responsibility for a child under the age of five. Once the youngest child starts school, the expectation should be that the parent will seek part-time work, and the rate of Parenting Payment should be adjusted accordingly. We estimate that, among people currently claiming Parenting Payment and having no other source of income, there are about 110,000 with a child above pre-school age.

2.3.6: There is strong public support for such a change. A 1999 Roy Morgan poll commissioned by the Department of Family & Community Services found that 58 per cent of the population thinks that lone parents should look for work once their youngest child starts school, and the Social Policy Research Centre's 'Coping with Economic and Social Change' survey in the same year found more than half thought sole parents should be expected to work part-time once the youngest child starts school.²⁷ In a recent CIS poll, commissioned from AC Nielsen, only 6 per cent of the population was found to support the present arrangements; 84% think single parents should accept a part-time job by the time their youngest child starts primary school.

2.4: Increasing work requirements in the welfare system: Reform Disability Support Pension

2.4.1: In Australia, as in a number of other countries, the health and longevity of the population has been constantly improving over the last 20 years, yet the number of people claiming disability benefits has risen from 230,000 in 1980 to around 650,000 today. More than 6 per cent of the labour force is now classified as 'disabled',²⁸ and it is estimated that the number of people on DSP will reach three-quarters of a million by 2006.²⁹ The cost of the Disability Support Pension is currently around \$6 billion per annum.³⁰

2.4.2: Some welfare organisations claim that this increase reflects a real increase in disability in the population³¹, but this seems implausible. Some of the increase can be explained by changes in the definition of the eligible

population and there may also be some effect from medical advances (which are keeping people alive who might previously have died), and from the growth of single-person households (people living alone are more likely to be on a pension). But the key factor in the increase is that eligibility criteria have been loosened and confused as people who would once have been registered as unemployed now get classified as disabled and unfit for work. Jobless people – particularly older men – who would once have claimed unemployment benefits are today citing bad backs or depression as grounds for moving onto Disability Pension. Half the new entrants to DSP come from the unemployment rolls.³² Many of those on the pension should be regarded as unemployed rather than disabled.

2.4.3: The solution is to tighten the DSP eligibility criteria. The Australians Working Together package proposed a change in the ‘work capacity criterion’ for DSP eligibility from 30 to 15 hours per week (i.e. if you can work a minimum of 15 hours per week, you are to be directed onto Newstart rather than DSP), but the Senate has not passed this. This change would make a major impact on DSP numbers in the future and would help us target the genuinely disabled more effectively.

2.4.4: There is evidence that the Australian public would support changes designed to restrict benefits to those who really need them – in a Roy Morgan poll, 85% of Australians said people on DSP should be required to undertake activities matching their abilities,³³ and in the CIS AC Nielsen survey, 63 per cent agreed that “we should tighten up the rules for deciding whether somebody can claim a Disability Pension” while only 22 per cent disagreed.

2.5: Increasing work requirements in the welfare system: Time limits to reduce long-term unemployment

2.5.1: More than one-third of jobseekers succeed in finding work within four weeks of registering as unemployed, and half do so within eight.³⁴ However, as of June 2001 (the most recent available date), FaCS records show that 57 per cent of people claiming unemployment allowances had been claiming benefits for more than one year and that the average time people spend on unemployment assistance exceeds two years.³⁵ Introduction of time limits on time spent in the unemployment system is necessary to prevent de-motivation, as well as to deter malingering.

2.5.2: A recent report on long-term unemployment co-sponsored by the Brotherhood of St Laurence and the St Vincent de Paul Society provides evidence of de-motivation. Most long-term unemployed people included in the survey complained that having to keep a Jobseeker Diary was “depressing,” and having to obtain evidence from employers certifying that they had applied for jobs was “not seen as helpful at all.” The compulsory

Preparing for Work Agreement was widely dismissed as a “formality.” Their job search requirements were “experienced only as an annoyance, not an aid,” and many of them “expressed great dissatisfaction with, even hostility towards, Centrelink.”³⁶ Many expressed a desire to get off unemployment allowances and onto disability payments where they would be left alone. None of this is surprising. After an average of more than two years out of work, these people were clearly dispirited and the continued round of obligations was seen – quite realistically – as ritualistic and a waste of everybody’s time and energy. Long-term unemployment erodes motivation and generates fatalism.

2.5.3: There is some evidence of malingering, for a 2002 research report³⁷ prepared for the Department of Employment and Workplace Relations shows that 16% of claimants were on unemployment assistance as a lifestyle choice. The same report also found nearly one-fifth were picky about what kind of job offer they would be willing to accept, 13 per cent were ‘drifting’, 15 per cent had effectively given up looking, and 13% considered themselves incapable of getting or keeping a job. Other research has found that many unemployed people are unwilling to consider applying for or accepting jobs paying less than they earned in their previous position,³⁸ and the ABS reports that two-thirds of unemployed Australians are unwilling to move to another location in their own State or Territory to take a suitable job.

2.5.4: Beyond a certain point, re-training, job search diaries and all the other activities aimed at unemployed claimants become ritualistic and claimants themselves become de-motivated. Job Network providers also lose interest and ‘park’ the long-term unemployed on benefits. Most countries have some sort of ‘time limit’ on unemployment assistance, but in Australia the same benefit is paid indefinitely and there is therefore little extra impetus to get people off benefits and into work as time goes by.

2.5.5: In the USA, unemployment insurance (UI) is time-limited. People can claim no more than 26 successive weeks of benefits (or 39 during periods when unemployment rises above a certain threshold level). The effect of this limit is that exit rates from UI increase as the limit approaches. It seems the approaching deadline makes people revise their behaviour and expectations so they become less picky and more motivated. The existence of the limit reduces the number of claimants who would otherwise reach and surpass that limit. Just as an unlimited system expands long-term unemployment, so limiting potential benefit duration reduces it.³⁹

2.5.6: Clearly there has to be some ‘last resort’ provision made when people pass their time limits. It is therefore proposed that unemployment assistance in Australia should be time-limited, that it be renamed ‘Temporary Assistance for Jobseekers’, and that full-time ‘work-for-the-

dole' or some equivalent system should be used as the 'last resort' back-up for those whose time limits expire until such time as they find employment.⁴⁰

2.5.7: Whatever limits are eventually agreed, it is crucial that some kind of back-up work be made available for those who exceed their limits, and that this should not be rewarded at higher than welfare benefit rates (plus a small supplement to meet transport and other work-related expenses), for claimants must not come to see this back-up as a long-term substitute for genuine employment.

2.5.8: Experience of time limits in the US Unemployment Insurance system, plus Australian experience of the compliance effects of Work for the Dole and other aspects of mutual obligation, suggest a reduction in the incidence of long-term unemployment of 50% could eventually be expected if time limits were introduced with Work for the Dole as back-up. This would save around \$2 billion p.a. If DSP roles could also be reduced, with able claimants returned to UA, the savings would be even bigger.

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¹ Peter Saunders and Kayoko Tsumori, 'How to reduce long-term unemployment' *Issue Analysis* No.40, September 2003, CIS

² Australian Bureau of Statistics, *Australian Social Trends 2002: Work – Underutilised labour, searching for work*.

³ Peter Dawkins, 'Labour market issues in welfare reform', In Peter Saunders, ed., *Reforming the Australian Welfare State*, AIFS, Melbourne, 2000, p.245.

⁴ R. Rector and P. Fagan, 'The continuing good news about welfare reform' *Backgrounders* No.1620, February 2003, The Heritage Foundation, Washington DC

⁵ see OECD, *Employment Outlook 2000* (Paris), p.143.

⁶ Martin Evans, *Welfare to Work and the organization of opportunity* CASE Report No.15, London School of Economics, 2001, p.49

⁷ See John Martin, 'Labour market programs' In Business Council of Australia, *New Directions: Rebuilding the Safety Net* (BCA, Melbourne, 200), 94-97. See also John Martin, 'What works and for whom?' Presentation to *Knowledge Wave* conference, Auckland, February 2003 (www.knowledgewave.org.nz)

⁸ John Freebairn, 'Labour market programs', In Business Council of Australia, *New Directions: Rebuilding the Safety Net* (BCA, Melbourne, 200), p.100

⁹ John Martin, 'What works among active labour market policies' *OECD Economic Studies* No.30, 2000/01, p.98

¹⁰ Martin 'Labour market programs', p.95. I have discussed the Australian evidence on how work requirements can be effective in reducing fraud and deterring those who are not genuinely looking for jobs in P. Saunders, 'Do people on welfare really want to work?' *Policy* Winter 2003

¹¹ "Labour market programs do work for adult women, but not for many other groups" (Martin, p.94). Guyonne Kalb ('The impact of social policy initiatives on labour supply incentives' Department of Family & Community Services *Policy Research Paper* No.18, Commonwealth of Australia, 2003) reviews experience in France, the US and the UK and concludes that young adults "benefit little from training and employment programs" (p.35). See also David Kalisch, *Welfare to work: A review of international practices and outcomes* (Paper delivered at Melbourne Institute seminar on welfare reform, 25 January 2000)

¹² Freebairn, p.100

¹³ *Independent Review of the Job Network* p.1.3

¹⁴ See Gary Burtless, 'Can supply side policies reduce unemployment?' *Australian Economic Review* vol.35, 2002, 3-28

¹⁵ Don Harding, *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).

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

¹⁷ Australian Bureau of Statistics (ABS), *Employee Earnings and Hours*, ABS, Cat. No. 6306.0 (Canberra: ABS, May 2002), Table 25.

¹⁸ For the detail of the proposal, see Kayoko Tsumori, *Poor Laws (3): Why Australia Should Abolish the Award System*, CIS Issue Analysis Paper No. 41 (Sydney: CIS, forthcoming).

¹⁹ *Taxing Wages 2002*, Paris 2003

²⁰ Peter Whiteford and Gregory Angenent, *The Australian System of Social Protection*, Table 9. This section of our submission draws on P. Saunders and K. Tsumori, 'The tender trap', *Issue Analysis* No.36, 2003, CIS.

²¹ Bob Gregory, *Keynote address*

²² The UK does not require lone parents to rejoin the labour force until their children reach school-leaving age, but most other countries have tighter expectations. In the USA, lone parents with children under 6 were exempt from work requirements until 1988, when the age was reduced to 3, and since 1996 even this has been left to individual states to determine. Germany and the Netherlands have both extended labour force participation requirements for single parents down to those with primary school age children, and in France, participation is assumed to occur once the youngest child reaches three (see Martin Evans, *Welfare to Work and the Organisation of Opportunity* (Case Report No.15, 2001, London School of Economics). In Denmark, Sweden and Norway, it is expected that sole parents will be available for – and will actively seek – paid employment once a child reaches three years of age (Tony Eardley, Peter Saunders, Ceri Evans, *Community*

Attitudes Towards Unemployment, Activity Testing and Mutual Obligation SPRC Discussion Paper No.107, 2000, p.29).

²³ OECD *Employment Outlook* (Paris 2002), statistical annex, Table B

²⁴ Some of the evidence is reviewed in Barry Maley, *Family and Marriage in Australia* (CIS 2001), chapter 5.

²⁵ Inhoe Ku and Robert Plotnick, 'Do children from welfare families obtain less education?' *Demography* 40, 2003, 151-70

²⁶ Jocelyn Pech and Helen Innes, 'Women in the Australian labour market 1966-96' *Social Security Journal* 1998, No.2, p.23

²⁷ Eardley, Saunders and Evans, *Community Attitudes...* Table 9.

²⁸ Ernest Healy, 'Disability or disadvantage' *People and Place*, vol.10, no.3, 2002, 68-83; ABS, *Australian Social Trends 2002: Income and Expenditure – Income Support: Trends in Disability Support*

²⁹ Department of Family & Community Services, *Fact Sheet: People with Disabilities* 1999

³⁰ Greg McIntosh and Janet Phillips, *Disability Support and Services in Australia* (Parliament of Australia E-Brief, 16 October 2002)

³¹ ACOSS, for example, claims that 40% of the increase is due to "growth in the number of people with disabilities" (ACOSS Media Release, 16 September 2002).

³² Report on seminar by Bob Gregory, 'Why has the disability program grown so much?' (FaCS *Research News*, No.15, March 2003, pp.13-14). Earlier estimates put the proportion at 40% (Department of Family & Community Services, *Fact Sheet: People with Disabilities* 1999).

³³ Roy Morgan, *Community Attitudes Towards Unemployed People of Workforce Age* Roy Morgan Research, Melbourne, 2000

³⁴ ABS, *Australian Social Trends 2002...*

³⁵ Department of Family & Community Services, 'Income Support Customers: A statistical overview 2001' *Occasional Paper No. 7* March 2003, Commonwealth of Australia, Table 30

³⁶ Stephen Zигурас, Gavin Dufty, Mark Considine, *Much Obligated* (centre for Public Policy, Melbourne, May 2003), pp.35-8

³⁷ Colmar Brunton Social Research, *Job Seeker Attitudinal Segmentation: An Australian Model* (report for the Dept of Employment & Workplace Relations, 2002); and Labour Market Policy Group, *Job Seeker Attitudinal Segmentation* (Dept of Employment & Workplace Relations, May 2002).

³⁸ "The unemployed largely determine their reservation wage on the basis of the wage received in their last job discounted by around 0.14 of a percentage point for each week of unemployment, or by about 7.5 per cent after one year of unemployment" (Alfred Dockery, *Looking inside the unemployment spell*, Paper given at the National HILDA conference, University of Melbourne, 13 March 2003, p.24).

³⁹ Wayne Vroman and Vera Brusentsev 'Australian unemployment protection: Challenges and new directions' In T. Eardley and B. Bradbury (eds) *Competing Visions* (SPRC Report 1/02, April 2002), 348-86

⁴⁰ The work-for-the-dole' model is only one possible back-up system, and other possibilities could also be explored. The Danish 'Farum model,' for example, uses municipalities as labour exchanges offering community service jobs in exchange for welfare (B. Carlson, 'Welfare reform: Sweden' in Stockholm Network, *Europe's Welfare Burden* Civitas, London, 2002), and in New Zealand the National Party recently floated the idea that people requiring work could turn up on a daily basis at a local Post Office or similar facility offering guaranteed minimum wage work. A six month time limit before the back-up work delivery system is triggered would allow claimants to concentrate on job search, re-training or whatever other strategy they think is most likely to lead to employment. After the time limit expires, however, work-for-the-dole or its equivalent would take up most of the working week with only a few hours per week reserved for job search and other activities.