

**INCREASED  
PARTICIPATION  
IN  
PAID WORK**

**SUBMISSION BY**

**SHOP DISTRIBUTIVE & ALLIED EMPLOYEES'  
ASSOCIATION**

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## **INTRODUCTION**

The Shop, Distributive and Allied Employees' Association (SDA) is Australia's largest trade union with over 203,000 members. These members are, with few exceptions, low income earners and most live in low income families. The majority of SDA members are women.

Most Australians live in families and most think those families are important. Policy makers who ignore this simple point do so at their peril.

In framing policy in any area government should start from the position of seeking to protect and strengthen Australian families.

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## **1. SUMMARY**

In considering the issue of workforce participation the first question which should be asked is not "what measures that can be implemented to increase the level of participation in paid work in Australia" but rather what can be done to strengthen Australian families. It would be an erroneous approach for this inquiry to address the terms of reference without bringing to bear an underlying concern to ensure that any conclusions or recommendations actually support and strengthen Australian families.

It needs to be clearly understood that most people do not live to work but rather work to live. Most people work in order to ensure that they and the other members of their family can have a decent standard of living. It is a fundamental role of government to ensure that all families can live decently with dignity. Moreover this is a fundamental purpose of work.

Today a considerable number of families are today facing substantial economic difficulties. A large number of Australian families are living below, or close to, the poverty line. Families with children, especially those families with more than two children and/or where there is a single income earner, are more likely to be living in poverty. The relationship between the presence of children and the standard of living of families is growing. There is a growing concentration of wealth in the hands of those with few or no children.

This is of particular importance to this inquiry because of the relationship between poverty and workforce participation.

The largest single group of people living in poverty are those in working poor families. In return for participating in the paid workforce, these working poor families are no better off than those on social security. This is hardly an incentive to participate in the paid workforce. The matters which impact upon these families are related to the tax, social security and workplace arrangements they experience.

Poverty and the attendant lack of financial security tends to lead to families of similar incomes living close together. In turn this has the capacity to create low income neighbourhoods where the social infrastructure provided by wealth is often missing. In turn, this has a dramatic impact on how people view workforce participation. As such, poverty is a major negative factor in promotion of workforce participation.

Disposable income plays a major role in influencing whether a family is able to function effectively. As such the level of disposable income available to the family is the most critical factor which influences the approach of family income earners in regard to workforce participation.

A range of barriers exist in regard to the participation of individuals in the paid workforce. If the level of participation is to be increased, then these barriers must be addressed. These barriers include the taxation system, the social security system and the interaction between these two systems.

An unfair taxation system is discouraging people from seeking or even remaining in employment. The absence of tax indexation has led, over the years, to low income earners moving into brackets where they are paying a greater share of their income in tax than previously. A fairer taxation system, incorporating vertical and horizontal equity and which levied taxation according to a capacity to pay, would encourage workforce participation.

Many low income working families are facing high effective marginal tax rates. These HEMTR's act as disincentives to people to participate in the paid workforce. High effective marginal tax rates occur as a result of income tests for social security payments overlapping with each other and/or the income tax system. In particular, it is families with children, especially low income working families with children, who are most disadvantaged by high EMTR's.

Low income families are very reliant upon adequate government payments to make ends meet. Without these payments many more families would be in poverty and many low income working families would be better off relying totally

on social security. Yet the current operation of the means tests for Family Tax Payments A and B and for the Parenting Payment mean that many low income families are effectively denied access to all, or in some cases even some, of the payment concerned. In some such cases, such families are better off financially by not working or by limiting the number of hours they work.

Child care is a critical issue for many working parents. The provision of affordable, high quality children's services on an equitable basis should be a key plank of a government family friendly policy. Many low income families can not access child care.

Making workplaces more family friendly, which includes having employers more receptive and supportive of women when they are pregnant or have children, is critical to the well-being of families and therefore of the nation. It is a pre-condition for many people, especially women, to be able to participate in the paid workforce. There is a strong case for the government to replace the maternity allowance with a universal, but means tested, paid maternity leave scheme.

Job security, the greater availability of permanent employment, reasonable working hours, a fairer distribution of work and fair wages are all factors which will affect workforce participation

Education and training are increasingly becoming pivotal factors in whether individuals can obtain, hold and advance in employment. As such it follows that governments should put in place policies which encourage employers to train and which ensure quality training outcomes. To maximise the benefit of training, policies which encourage employers to recognise the skills of their existing staff and to retain skilled staff should be encouraged.

It is time for Australia to adopt a position of guaranteeing all people, including those currently in the workforce, a minimum training entitlement. Such an entitlement could be means tested and only be available for the achievement of a first post-school qualification.

Access to education and training, employment placement assistance and career advice are all important to help people to establish or re-establish themselves in the paid workforce. Such moves would help in maximising the available skill pool.

Australia has a large number of older people who are either unemployed, underemployed or working with no real opportunity of promotion, notwithstanding the fact that they may have skills or potential. The value of older workers needs to be recognised. Much more needs to be done to convince employers that older workers have much to offer. Substantial skill bases are being allowed to atrophy.

Young workers have particular needs which much be addressed. The current system discourages young people from participating in education or work.

Safety at work is of prime importance for all working Australians. Safe workplaces are more likely to encourage job seekers. Government has a role to play in ensuring our workplaces are safe and healthy.

Fair industrial regulation should be a hallmark of our employment system. Current industrial relations legislation before the parliament will positively hinder the development of such a situation. Such legislation will do nothing to encourage workforce participation or employment.

However, it cannot be glossed over that research shows that the overwhelming majority of parents, in excess of 70%, would prefer to stay at home and care themselves for their children, especially where those children are pre-school age. Government policy should be aimed at facilitating return to paid employment for those who wish to do so but it should not focus on forcing mothers of school age children back into the paid workforce against their wishes.

Government needs to be mindful that it is important to maintain a balance between encouraging workforce participation and also encouraging families to have children. The current system financially penalises working parents who have children. This effectively acts as a disincentive to workforce participation.

Providing better and more financial support to families with children would enable families to better balance work and family and thus encourage workforce participation.

Government policy should be directed towards ensuring that Australian families are not financially penalised for having children and that families can have both children and a reasonable standard of living. Forcing families to choose between these two options is not in the national interest. No family should be put in the position whereby it needs two incomes simply in order to have a reasonable standard of living. All families should be able to choose whether they have one or both parents in the paid workforce and on what basis.



## 2. FAMILIES ARE IMPORTANT

The centrality of the family is recognised in the Universal Declaration of Human Rights. Moreover, in the development of human capital, the family is central. Human capital is firstly formed within and by the family.

Strong families are important, in our view, because they fulfil a range of functions such as caring for and raising children; emotional security; refuge; nurturing and love; providing a place where people can find identity and value; socialisation skills; and care for the sick and elderly.

Families today face many problems, but those problems may be summarised as financial, relationships, and unfriendly workplaces. Singly, or in various combinations, these problems operate to turn many families into dysfunctional units.

Research shows that dysfunctional families experience a wide range of problems. Problems dysfunctional families face include crime, drugs, suicide and poverty. **Families which dysfunction put great stress and demand upon the community and the state.**

The costs of litigation involved in marriage dissolution, the costs of alienated members of families causing social disharmony ranging from violence, to drugs, to juvenile delinquency etc., and the costs in lost production, which inevitably follows family breakdown, are great and cannot be ignored.

*"Delinquent-prone Communities"*, written by Don Weatherburn and Bronwyn Lind of the New South Wales Bureau of Crime Statistics and Research (published by Cambridge University Press, 2000) argues that there is a relationship between family income and the likelihood of children being involved in delinquent behaviour. Unemployment, low pay and/or low socio-economic status affects whether parents are more likely to neglect their children. Juveniles are more likely to become involved with crime where parental

supervision is lax or non-existent. The level of juvenile crime also increases in areas of low socio-economic status.

Other researchers such as Sylvia Hewlett (*"When the Bough Breaks, The Cost of Neglecting our Children"*, U.S, Basic Books, 1991) have also shown that there is a relationship between *"deficit in parental time and attention"* and *"emotional and behavioural problems among children"*.

Writing in the *"Weekend Australian"*, (27-28 February, 1999) Mike Steketee has argued that *"families which experience higher levels of stress are less likely to form a strong emotional bond with their children, are more likely to neglect, reject or abuse them, and are more likely to engage in disciplinary practices which are harsh, erratic and inconsistent. These conditions increase the likelihood that children will gravitate towards, or affiliate with, delinquent peers and thereby become involved in crime."*

***"I think we can accept that the best way to enhance the well-being of children and young people is to ensure that they have strong connections with their families and the institutions of their community, especially with schools. Strong caring relationships are the best way to maximise the possibilities that children will grow up safe and healthy, that they will be able to participate in education, culture and employment, and that they will not become involved in violence and crime"***. ( Gillian Calvert, New South Wales Commissioner for Children and Young People, *"Family Matters"*, Institute of Family Studies, No. 56, Winter 2000, page 33).

Eminent American Professor Uri Bronfenbrenner (*"Who needs parent education?"*, *Teacher's College Record* 79,4, p.767ff) has argued strongly that *"in order to develop, a child needs the enduring, rational involvement of one or more adults in care and joint activity of the child"*. He also argues that *"the socio-economic status of the family has emerged as the most powerful predictor of prowess at school"*.

Dr Moira Eastman ("*Why should a tax system specifically take into account the needs of families rearing children?*", Council for the Family paper, Melbourne, 1997) has also argued that time spent with parents has been found to be a significant factor in children's school achievements.

American research by people such as Paul Amato (P. Amato and A. Booth, "*A Generation at Risk - Growing up in an Era of Family Upheaval*", Harvard University Press, Massachusetts, 1991) has shown similar outcomes.

Don Edgar in "*Family Matters*" (1993) has likewise argued that the parent child relationship is central and has "*ramifications through the life course*". The family is "*the lynch-pin of meaning and satisfaction in people's lives*" says Edgar ("*Families Today and in the Future*", 1994).

Families are the building blocks of strong communities. The effective functioning of families is clearly and widely recognised as being critical to the well-being of society. Effectiveness, however, is closely linked to socio-economic factors including the level of social support available.

It is more than ironic, however, that side by side with this strong body of research there appears to be a growing cultural trend, in some quarters, to view children as unnecessary encumbrances. Evidence of this trend can be seen in the growing demand for child free areas and childfree holiday destinations, the attempts to ban women from breast-feeding in public and the development of government policies which reward those who do not have children at the expense of those who do.

**The well-being of families is crucial to the well-being of the nation.** As such, there is an overwhelming need for government to put in place strategies to support families. Such strategies must be designed to build social capital by promoting families and extending their capacity to function effectively. In doing so, it should take a long term, as well as a short term, view. **The over-riding aims of government action should be to:**

- ! **build community support for families**, including their capacity to interconnect and network;
- ! **establish greater fairness for families** by providing equitably based support, with a focus both on prevention and early intervention;
- ! **empower families** so as to improve their effectiveness, resilience and capacity for self development.

As the National Council of the International Year of the Family argued in 1994: "*compartmentalising family policy, as though it sat on the periphery of other economic and public policies, is erroneous; the "family" should lie at the heart of public policy*". (Cass 1994)

It is counter productive to encourage workforce participation if the price of doing so is to undermine the security of Australian families.

### **3. FAMILIES IN POVERTY**

**A considerable number of families are today facing substantial economic difficulties. A large number of Australian families are living below, or close to, the poverty line.**

**Poverty is often a key factor in the development of dysfunctional families.**

**Disposable income plays a major role in influencing whether a family is able to function effectively. As such, the available level of disposable income to the family is the most critical factor which influences the approach of family income earners in regard to workforce participation.**

A report commissioned by the Smith Family and released in November 2001, established that for the year 2000 the poverty line for a couple and two children was \$416 per week, after the payment of tax and before the meeting of any housing costs.

The report showed that based upon calculations without taking housing costs into account, 2,432,000 or 13% of all Australians were living in poverty in the year 2000 (compared to 11.7% in 1990). This figure comprised 1,688,000 adults and 743,000 children, representing a poverty rate for adults in Australia of 12.3% and for children of 14.9%. ("*Financial Disadvantage in Australia - 1990 to 2000*", A. Harding, NATSEM for the Smith Family, November 2001).

In respect of children NATSEM figures show that overall poverty levels declined from a peak of 18.2% in 1981-82 to 13.3% in 1995 but then began to climb again with the figure in 2000 being 14.9%.

Throughout the 1990's there was a steady growth in adult poverty from 10.4% in 1990 to 12.2% in 2000. (See above cited report.)

It is clear that over the last decade there has been a significant growth in the number of people in poverty in Australia

The type of family that individuals live in has a major impact upon their likelihood of being in poverty. Being part of a couple family offers some protection against poverty. Those living in sole parent families continue to face the highest risk of poverty. High marginal tax rates, and the failure of the taxation system to take into account the numbers in a family, are major deficiencies in our taxation system.

It is worth noting that in regard to the issue of child poverty in America, Isabel Sawhill, a poverty research expert at the Brookings Institute, has pointed out that the child poverty rate would have remained virtually unchanged since 1970 if family structure had stayed the same. Instead the increase in the number of family breakdowns and the consequent rise of single-parent families brought with it a 25% rise in child poverty.

According to the Smith Family report more than one in five sole parent families (21.8%) is living in poverty. The poverty rate for single parents increases with the number of children involved. The poverty rate for single parents with more than one child is estimated at 25.9% while for those with one child it is 15.4%.

Couple families with children have a one in eight chance (12.2%) of being below the poverty line with the risk increasing according to the number of children. The risk of poverty for couple families with children increased almost 20% during the 1990's. In 1990 the figure was 10.4%, in 1996 it was 11.1% and in 2000 it was 12.2%.

Overall about 42% of all Australians in poverty live in families which consist of a couple and children, while another 13% live in single parent families.

Based upon a very different analytical approach, J.R. Bray, in a paper to the Australian Institute of Family Studies Conference in Melbourne in 2003 ("*Hardship and Australian Families*") pointed out:

*"A focus on the component which reflects the most adverse negative outcomes – and defined as 'hardship' – has strong implications for families. Children are almost twice as likely as adults to be living in a household which has had multiple hardship outcomes. In large part this reflects outcomes in sole parent households."*

*"Couples with dependent children with low incomes, that is, in the bottom quintile, have a higher incidence relative to other households on these incomes. They have an average incidence of 9.6 per cent, compared to 7.4 per cent for all low income households. This may reflect the extent to which this lowest quintile has large numbers of elderly households which may depress the quintile rate."*

The research clearly shows that families with children are more likely to be living in poverty than those without children, due to the cost of children.

Families with only one income are more likely to be living in poverty than those with two incomes. An increasing number of families need two incomes or more to survive, let alone have a reasonable standard of living

The larger the family the more likely it is to be facing financial hardship. Those with three or more children are twice as likely as those with one child to be living in poverty -19% versus 8.6%.

The NATSEM report "*Financial Disadvantage in Australia, 1999*" showed that after taking housing costs into account that **the largest single group of people living in poverty are those in working poor families**. Twenty four out of every hundred poor families was classified as working poor.

A Smith Family Report ("*The Working Poor Dilemma*", February, 1996) showed that families earning less than \$40,000 p.a. spent most of their disposable income on housing, health and transport. They were only about \$20 per week (2.5% of all earned income) better off than if they were on the dole. The low

level of wages for many in the paid workforce and high level of taxation which low and middle income families pay is a major contributor to this growth of a working poor.

By contrast to the working poor, a family on welfare has access to public housing, rent assistance, health care cards and transport concessions, leaving more disposable cash. **In return for participating in the paid workforce, the working poor families are no better off than those on social security. This is hardly an incentive to participate in the paid workforce.**

The NATSEM data suggests that a much larger proportion of working families with children are living on incomes that are just above (less than 10% higher than) the relevant Henderson Poverty Line (HPL). For example, 12% of single wage earning couples with children have incomes below this slightly higher level, suggesting that a more substantial proportion of families are *at risk of poverty*. Henderson regarded those with incomes of less than 20% above the HPL as 'poor'.

Of those families below the poverty line 40% are couples with children.

In cases where the wage earner(s) is unemployed, a family is more likely to be living in poverty than in cases where families have at least one wage earner, especially if that person works full-time. The level of poverty increases where the family income earner works only part-time.

More than half of all Australians who are unemployed live in a family that is poor. There is a clear nexus between unemployment and poverty. Moreover the growth of intergenerational poverty is a cause for major concern. Low income, especially where the parents are unemployed, families are increasingly seeing their children follow the same path.

In his address at the Centennial ceremony in Sydney on January 1<sup>st</sup> 2001, the then Governor-General, Sir William Deane, referred to "*the unacceptable gap between the haves and the have-nots, in this land of a fair go for all.*"



**The incidence of poverty in Australia is not only substantial but it is actually growing.** Dr. Ann Harding of NATSEM (*"The Australian"*, 25/2/2002) has produced research which demonstrates that during the nineties the incomes of the top 25% of Australians increased more rapidly than did the incomes of the rest of the community.

The figures show that major wealth gains were made by those at the top two income quintile levels, that those in the bottom quintiles experienced slight falls relative to other income groups, but that those who suffered the major decline in the level of their disposable income were those in the middle quintiles (between levels 3 and 7).

*"So it appears that even during a decade of strong economic growth we made no progress in the battle against poverty".* (Harding)

Other NATSEM research (S. Kelly, *"Wealth On Retirement"*, July, 2001) shows that the average Australian has an estimated personal wealth of \$127,000. This wealth is not evenly spread. The wealthiest 20% hold 62% of all wealth while the poorest 20% hold 1% collectively.

A NATSEM-AMP Report of February 2002 shows that the average taxable income of Australians rose by almost 20% over the last five years. Increases in income of 16 to 19 per cent were fairly evenly spread across 80% of taxpayers, while the incomes of the top 20% increased by between 21-25%.

Moreover, **the growing concentration of wealth is largely in the hands of those with few or no children.**

Research conducted for the *"Australian"* by NATSEM and reported in that newspaper on June 17-18, 2000, shows that **couples with children continue to dominate the poorest 10% of the population or decile.**

Levels of wealth or the lack thereof are clearly related to life stage cycles of families. Income tends to rise as young people establish themselves in employment and form relationships with each other. The birth of children and the early years of child raising are associated with reduced labor force participation and hence reduced family income. In due course, as children develop and women return to the paid workforce, families become financially better off. In other words the presence of children places many families in financially difficult positions.

**Great disparities in wealth are not in the nation's long term interest, especially when the linkage between children and wealth is so stark.**

There is also a link between financial well-being and age, and by default the presence or non presence of children in households. For those in families with heads under 45 years of age, average wealth has actually fallen over the past decade but for those with heads over 45 it has increased. This is particularly the case where the head is aged over 65 years. Ownership of the family home is a key factor in this development.

Poverty is often linked to location. Perhaps more than ever before, the opportunities and incomes facing Australians are influenced by the State, region or suburb in which they live.

Average incomes in South Australia and Tasmania lag far behind incomes in other States.

Further, household incomes in the most affluent five postcodes in Victoria rose by almost 20 per cent over the period from 1986 to 1996, while those in the five poorest Victorian postcodes fell by 10 per cent.

An income gap is growing between the inner metropolitan elites and people living in the outer metropolitan areas.

The gap between those living within and outside the cities is increasing. People living in cities earned 30 per cent more than those living in regional towns in 1996 and the gap has been growing.

Research carried out by NATSEM for the AMP and published in February 2002, confirmed that in general, postcodes in metropolitan areas had higher average taxable incomes than those in non metropolitan areas.

Moreover, between 1994-95 and 1998-99 the gap widened. In 1994-95 the difference between average taxable incomes in the two areas was 17.9%. By 1998-98 the gap between the metropolitan area and the non-metropolitan area was 21.7%. (NATSEM-AMP Report 1, February 2002)

It is interesting to note that the Centre for Population and Urban Research at Monash University has found that the proportion of "working poor" in the bush is double that of the major cities.

Capital city rents appear to have driven many families to rural areas. Thirty six of the forty poorest federal electorates are rural or provincial. (*Sydney Morning Herald*, 11 December 1997).

The incomes of metropolitan households increased at double the rate of households in other urban centres and regional towns between 1991 and 1996.

**Poverty, and the attendant lack of financial security, tends to lead to families of similar incomes living close together. In turn this has the capacity to create low income neighbourhoods where the social infrastructure provided by wealth is often missing. In turn this has a dramatic impact on how people view workforce participation**

This leads to deprived neighbourhoods characterised by poverty, disadvantage and social exclusion.

**Poverty has a deleterious impact upon families and the individuals therein. It leads to problems in areas such as community safety, educational achievements and health.**

In June 2001 Agnes Walker from NATSEM released a paper titled *"Health Inequalities and Income Distribution, Australia: 1977 to 1995"*. That research found that as income inequality rose during the period so too did health inequalities. Her research showed that the 40% of Australians with low incomes reported markedly poorer health than the rest of the community.

In a report prepared for the Australian Institute of Criminology in 1998 Mr Don Weatherburn, current Director of the New South Wales Bureau of Crime, and Bronwyn Lind, found that *"economic and social stress exert an indirect effect on juvenile participation in crime by disrupting the parenting process. It is also consistent with the hypothesis that economic and social stress exert direct effects both on the quality of parenting and juvenile delinquency"*.

Apart from the direct impact on the people affected, crime impacts upon the rest of the community in greater risks of danger, increased insurance premiums and greater costs in maintaining community and personal security.

The linkage between poverty and criminal intent or action is real.

According to Associate Professor Richard Teese *"increased wealth at the top means that public and regional Catholic schools get a concentration of disadvantage rather than resources"*. The wealthy pool resources in private schools and acquire facilities and staff which enable them to *"monopolise high achievement"*.

Professor Bob Connell of the University of Sydney also says that *"rising inequality is bad for educational outcomes"*. Moreover there is now substantial evidence to link low educational outcomes with low employment opportunities.

AIFS research (Brownlee & McDonald 1993) into living standards of families on different incomes found that:

- ! 18% of the low income group had no car, compared with 1% of the high income group;
- ! 20% of the low income group had debts which they could not repay, compared with 4% of the high income group;
- ! 22% of the low income group had no money for school outings, compared with 3% of the high income group;
- ! 38% of the low income group spent more than 30% of their income in housing costs, compared with 16% of the high income group;
- ! 52% of mothers in the low income group had not visited the dentist in the last 12 months, compared with 31% of those from the high income group;
- ! 16% of parents in the low income group reported "poor" or "fair" health, compared with 7% of those in the high income group;
- ! 28% of parents in the low income group believed that their secondary school age children were "worse off" than other Australian children because of the family's finances, compared with 1% of those in the high income group.

ACOSS has demonstrated that there is a clear linkage between income levels of families and home purchase.

In a submission put to the year 2000 Living Wage Case by the ACTU (and using material from unpublished ABS data from the Household Expenditure Survey September 2000) it was pointed out that of Australia's 800,00 low paid working households it was estimated that:

- 30,000 sometimes went without meals due to a shortage of money,
- 30,000 could not afford to heat their homes,
- 22,000 had sought assistance from welfare/community organisations due to a shortage of money,
- 41,000 sold or pawned something due to a shortage of money,
- 220,000 felt their standard of living was worse than two years ago,
- 284,800 could not afford a holiday away from home,
- 244,000 had experienced cash flow problems in the last year,
- 212,000 felt they could not raise \$2000 in an emergency,
- 166,000 could not pay utility bills because of a money shortage,
- 119,000 could not afford a special meal once a week,
- 115,000 bought second hand clothes because they could not afford new ones,
- 48,000 could not afford to have friends or family over for a meal once a month.

Clearly the absence of adequate disposable income means that families may not be able to meet the basic needs of their members. In turn this may well lead to social isolation, feelings of lack of control, low status and low self esteem.

*"For their children it can mean not having a balanced diet, housing difficulties, being left out, feeling stressed, not enjoying school; and suffering from health problems". ("Child Poverty, The Facts", Brotherhood of St. Lawrence, 2000).*

Ultimately poverty and the resultant fall-out can lead to social alienation and division. Families or individuals in poverty is inimical to the development of a socially cohesive nation. People affected adversely by poverty are less likely to be able to seek and gain meaningful employment.

**As such, poverty is a major negative factor in promotion of workforce participation.**

**Government policy must address the issue of poverty. In doing so it must be recognised that many families are in particularly difficult situations. Often these families comprise the "working poor".**

**The impact of the taxation and social security systems, and the levels of wages, are key factors in the generation of working poor families. They are key determinants of the level and type of workforce participation.**

**The central theme of any coherent approach to poverty must be to ensure that all families have an income sufficient for them to be able to live decently in dignity.**

**The linkage between the presence of children and poverty must be of great concern to those focussed on the long term. The current system discourages couples from having children. If parents have a child they are financially penalised, but if they elect not to have a child, and both stay in the paid workforce, they will be rewarded financially. It is no wonder Australia has a declining fertility rate.**

**Any nation concerned with its long term future would not put young families in such an invidious position of having to choose between financial security and children.**

**Creation of a situation where couples are able to choose whether they participate in the paid workforce and have children without being financially disadvantaged would be in the national interest.**



#### **4. OVERCOMING BARRIERS TO INCREASED WORKFORCE PARTICIPATION**

**A range of barriers exist in regard to the participation of individuals in the paid workforce. If the level of participation is to be increased then these barriers must be addressed.**

##### **A Need for a Fairer Taxation System**

An unfair taxation system is discouraging people from seeking, or even remaining in, employment.

The absence of tax indexation has led, over the years, to low income earners moving into brackets where they are paying a greater share of their income in tax than previously. Access Economics has estimated that 60% of the value of the tax cuts accounted for the impact of bracket creep since 1993.

At least 250,000 workers moved into higher tax brackets during the period 1998-99 to 2000-01. The ranks of the over \$50,000 jumped from 16% of tax payers in 1998-99 to 19% in 2000-01.

The issue of bracket creep must be addressed by the government. Increasing government revenue by stealth through bracket creep is not sound economic policy. Unfair tax levels discourage low income earners from workforce participation.

**Vertical equity in the taxation system must be increased through a restructuring of the income thresholds which gives genuine tax relief to low and middle income earners. There is no basis for precipitating further flattening of the income tax system.**

**Such action should not reduce the total level of revenue.** Australia is not a high tax country. There is a need for the level of government revenue to be maintained. Sufficient revenue to enable the delivery of services to those in

need and to financially support Australian families is critical to the well-being of the nation.

The loss of revenue from a restructuring of tax scales could be overcome by increasing taxation of those with the capacity to pay more and by requiring those who do not now pay their fair share to do so.

Australia is now estimated to have more than 100,000 millionaires, and the number of people with annual incomes of more than \$1 million has more than doubled in just five years to about 600. The richest 10 percent of our families have 44 percent of the wealth. (*The Age* 24/3/1998.)

Research by Ibis Business Information, based on Bureau of Statistics data, indicates that the top 20 per cent of Australia's 6.7 million households have an average income of \$142,000 and control 45.5 per cent of Australia's total household income of \$423 billion. By comparison, the lowest 20 per cent of households command just 4 percent of national household income. (*The Age*, 24 March, 1998.)

**There is a strong argument for the imposition of a wealth tax on those with substantial wealth.**

A wealth tax would reduce the wealth gap and help fund the establishment of greater vertical and horizontal equity in the system.

In some ways Australia has an unfair taxation system. There are still loopholes which can be exploited to allow some high earners and businesses to pay less than their fair share of tax.

**Closing down taxation loopholes must become a priority.**

As a first step towards this end, the Fringe Benefits Tax should be remodelled to prevent salary packaging. Under current arrangements, employer provided child care provides an unfair advantage to those who can access it. Equally,

other arrangements such as company provided cars provide some taxpayers with access to non taxable or concessional tax benefits.

**The current FBT exemption for employer provided child care and the concessional treatment of company cars should be abolished.**

Concessions associated with employee share and options schemes, especially where such schemes are targeted towards high earning senior executives, allow such beneficiaries to avoid paying their full rate of tax.

**Trusts and private companies must not be able to be used as vehicles to avoid tax.**

**The presence of children places a significant economic burden upon families. The taxation system fails to recognise this.**

Around 2.6 million families have children under 25. (FACS 1999-2000 Report, p29)

According to the National Centre for Social and Economic Modelling, the average family will pay \$448,000 (as adjusted for price and wage inflation) to raise two children from birth to age 20. For the average couple with two children today, those children cost around \$310 per week or 23 per cent of average gross household income of \$1,324 per week. (*AMP-NATSEM Income and Wealth Report, Issue 3, October 2002*)

Not surprisingly, young children are the cheapest to care for at an average of \$102 a week, while the costs of feeding and clothing teenagers aged 15 years or above averages \$320 a week.

Even for low income families the average costs range between \$55 and \$214.

Food is the biggest expense in all demographics and for low-income families it amounts to a quarter of the overall cost of the child.

Transport, recreation, housing, clothing and other costs, such as medical and dental, are the other big-ticket expenses. These figures do not include the estimated costs of parents' lost earnings.

For low income families with one child, the weekly costs of a child as a proportion of total family income, ranges from 10% for a child aged 0-4, to 38% for a child aged 15-24 years.

If we look at the average costs of children by the number of children in a family, rather than the age of the children, we see that a low income family with one child spends an average of \$111 per week on that child, for 2 children such a family spends \$196 per week and for 3 children, \$266 per week. Middle and high income families spend more.

Clearly children are a major expense for families. This expense grows as children become older. As such it is important to take this factor into account when determining appropriate support payments to families.

The Australian Institute of Family Studies has found that having one child reduced a woman's average lifetime income by \$162,000. (*NATSEM-Personal Investor Magazine*). Raising children places great financial and social pressures upon parents and families.

**The failure of the taxation and social security systems to recognise the financial burdens incurred by families with children is a major factor in why many families are struggling to make ends meet.**

If the taxation system does not provide tangible support to parents who work why should they bother?

**There is a need for much greater equity in the Australian taxation system. There is also a need for much greater integration of the taxation and social security systems.**

## **Remove High Effective Marginal Tax Rates**

**Many low income working families are facing high effective marginal tax rates. These HEMTR's act as disincentives to people to participate in the paid workforce. High effective marginal tax rates occur as a result of income tests for social security payments overlapping with each other and/or the income tax system.**

**In particular it is families with children, especially low income working families with children, who are most disadvantaged by high EMTR's.**

NATSEM (*Work incentives under A New Tax System: The distribution of effective marginal tax rates in 2002*, Gillian Beer, Paper presented to the 2002 Conference of Economics, 30<sup>th</sup> September – 3<sup>rd</sup> October 2002) has shown that 60% of the population face EMTR's of between 20% and 60%. A further 8% have EMTR's above 60%. For these people, when their private income increases by one dollar they pay more tax and/or lose some government cash benefits. Where the level of extra tax paid or government benefit lost is substantial, then this acts as a disincentive to them seeking to earn extra income.

41% of couples with children and 36% of sole parents have EMTR's of 40% or above. In contrast, only 18% of single people without children are in the same position. Clearly high EMTR's are more likely to impact on families with children.

If one looks at the situation of individuals with earnings, it is even clearer that high EMTR's affect families. Of couples with children, 54% have EMTR's above 40% and 79% of sole parents have EMTR's above 40%. 20% of couple with children and 51% of sole parents have EMTR's above 60%.

74% of all individuals with high EMTR's have at least one child aged under 16 years.

NATSEM argues that the reason so many people with children face EMTR's is due largely to the impact of the withdrawal of Family Tax Benefit A. 57% of all individuals facing EMTR's in excess of 60% have the reduction of Family Tax Benefit A as one of the factors causing their high EMTR.

Almost 80% of individuals in the couple with children family type and 30% of sole parents have withdrawal of Family Tax Benefit A as one of the factors impacting on their EMTR.

The problem of families with children facing high EMTR's is compounded when one looks at the relative impact of high EMTR's at various income levels. In general most working individuals facing high EMTR's are in the low or middle income categories or deciles. 17% of those in the lowest decile, 17% of those in the 4<sup>th</sup> decile and 23% of those in the 5<sup>th</sup> decile, face EMTR's in excess of 60%. In contrast only 1% of those in the highest decile face EMTR's of the same magnitude.

NATSEM also shows, that despite the promises accompanying the introduction of the New Tax System, the problem of low income families facing high EMTR's is as great today as it was in 1997.

Writing in *The Australian* (14/05/02), Peter Dawkins has argued that providing tax credits to low income families would be a more effective way of increasing their levels of disposable income. He says:

*"We have calculated some examples using the Melbourne Institute Tax and Transfer Simulator.*

*"Take a family with two adults and two children, with one adult receiving the national minimum wage for a full-time job – that is, \$413.40 before last week's decision. The partner is not working and receives parenting payment (partnered). They will now get an \$18 a week increase in their gross earnings. But after changes to taxes and transfers, they will be only a little more than \$3 better off.*

*This results primarily from the withdrawal of the parenting payment, plus income tax paid. They face an effective marginal tax rate of 83 per cent*

*"Similarly, a single person working 20 hours a week on the national minimum wage rate will get a \$9.40 gross wage rise but will end up less than \$2 better off.*

*"For a couple with two children, where both adults work full-time on the national minimum wage, the \$36 increase in gross earnings results in a net increase of about \$12 if they receive rent assistance and \$15 otherwise."*

*"For example, for a two-income family with two children and a combined annual income of \$44,600, a tax credit of as little as \$10 a week would lead to the same increase in disposable income as a \$23 a week increase in the living wage – that is, a higher increase than that resulting from last week's AIRC decision."*

In a paper titled *"Is It Worth Working Now"* Mathew Toohey and Gillian Beer of NATSEM demonstrate that for a low income family where the father earns \$515 per week and the mother earns \$11.70 per hour that where the mother works less than 10 hours per week there is a gradual increase in the family's disposable income but that there is virtually no increase when she works between 10 and 19 hours per week.

Patricia Apps has pointed out that according to a Fact Sheet issued by the Minister for Family and Community Services a two income family on \$70,000 per year joint income with one child in formal day care would be \$2000 per year worse off after tax and Child Care Benefit than a single-earner family with the same income, and that ignores all the additional costs of a second earner such as transport, clothing, etc. (Patricia Apps, 'On-Line Opinion', 15/09/02)

Patricia Apps gives another example of the inequitable operation of the taxation – social security system.

*"The largest inequality, however, between single-earner and two-earner couples with the same joint incomes is in working hours. The latter almost always work*

*much longer hours. Let's assume our single and two-earner couples on \$60,000 each have 2 children, one under five. The single breadwinner works 40 hours a week whereas in the two-earner each parent works 35 hours a week. The single-earner couple pays \$16,420 in tax and Medicare levy but receives Family Tax Benefit Part A of \$2,059 and Part B of \$2,752, or a net \$11,609 or 19.3 per cent of income. The two-earner couple pays \$11,660 in tax and Medicare Levy, and receives Family Tax Benefit Part A of \$2,059, or a net \$9,601 or 16 per cent of income. The single-earner family works 7.7 hours to pay tax (i.e. for public benefit). The two-earner couple works 11.2 hours. If a "bumper sticker" slogan were needed to highlight the unfairness in the treatment of two earner families, it should be: 'How many hours a week does your family work to pay tax?.'*

ACOSS has pointed out that the interaction of the income tests for Family Tax Benefit, Youth Allowance and Child Care Benefit is a particularly crucial factor for low income working families. For example, where a family has more than one child attracting these payments such as where one child is under 16 and another is a dependant student over 16, the income tests stack together to produce very high marginal tax rates, perhaps in excess of 80%.

Family Tax Benefit (A) is withdrawn at the rate of 30% (lower than previously) but when a personal tax rate is added, the effective marginal tax rate becomes 60%.

The work disincentive which applies as a result of the withdrawal of family support payments at very low levels of income is substantial.

Peter McDonald in "*People and Place*", July 2003, has shown that if a husband earns \$600 per week and his wife has a nil income then if the wife returns to work and earns \$600 per week then the net gain to the family is \$3.80 per hour or \$134 per week. If the wife earns \$300 per week the net gain is \$1.88 per hour or \$33 per week. These outcomes occur because of the impact of losing Family Tax Payments A and B and the child care payment while having to pay additional tax and meet the costs of going to work.



**There is a strong case to argue that poverty traps caused by the "stacking" of income tests should be ended.**

**Earned income tax credits would overcome the problem of high effective marginal tax rates.**

### **Provide Financial Support to Families in Need**

**The government has a responsibility to ensure that all Australians have sufficient income to live decently and with dignity.** This is fundamental to effective workforce participation.

The provision of income support to families, either through the taxation system and/or the social security system to allow them to effectively carry out their functions, should not be seen as providing welfare. Rather this should be seen by the government and the community as a long term investment in the future of the nation.

*"Social security is very important for the well-being of workers, their families and the entire community. It is a basic right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government social policy and an important tool to prevent and alleviate poverty. It can, through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice."* (International Labor Organisation, Report of the Committee on Social Security, Conclusions Concerning Social Security, 6 June 2001)

In a paper presented to the 7<sup>th</sup> Australian Institute of Family Studies Conference on 26 July, 2000, NATSEM (The National Centre for Social and Economic Modelling) showed clearly that introducing and then increasing payments to low-income working families with children has been a resounding social policy success.

NATSEM shows that government initiatives in regard to increasing family support payments and in improving access to education and health services for all members of the community during the 1980's significantly ameliorated the financial position of many low income families, especially for those with dependent children.

Largely as a result of these developments, the overall poverty rate (based on the half average poverty line - which is set at half of the average equivalent family disposable income of all Australians) declined over the period between 1982 and 1997-98. As a result the number of children in poverty declined from 18.2% in 1982 to 13.3% in 1995. This represented a one-fifth decline in the child poverty rate

It should be noted however that the statistical situation for non-dependent children aged 15 years and above actually worsened over this period. The position for non dependent children aged 15 to 18 changed from 25.2% living in poverty in 1982 to 47.9% living in poverty in 1997-98. However, the data collection process regards all non dependent children as separate income units, even if they live in the family home. Consequently the figures do over-state the true picture.

The biggest fall in the number of families living in poverty occurred among single parents who were divorced or separated. Interestingly there was no corresponding fall among parents who had never married. For the former group the before housing child poverty rates fell from 42% in 1982, to 20% in 1997-1998. For the latter group the figures were 30% and 29%.

Based on family size, the largest fall in before housing child poverty rates occurred among families with five or more children.

The number of single income families in poverty also fell during the period 1982-1997-98 with most of the fall occurring prior to 1995-96. In 1982 the number of children in single income families in poverty was 203,000. In 1995-96 the figure was 170,000 and in 1997-98 it was 169,000.

The number of children in dual income families in poverty in 1982 was 167,000. In 1995-96 the figure had fallen to 141,000 but by 1997-98 it had increased to 185,000.

It should be noted however that the poverty rate for families actually increased during the period 1995 to 1998. For children, the poverty rate in 1995 had fallen to 12.5%. It increased back to 14.2% between 1995 and 1998. By the year 2000 it was 14.9%.

**Low income families are very reliant upon adequate government payments to make ends meet.** (ABS Income Distribution - 6523 - 1999-2000).

**Without these payments many more families would be in poverty and many low income working families would be better off relying totally on social security.** Public education and health services also play a hugely important role in income redistribution.

For SDA members and their families, an effective social welfare or social security system is critical.

Income support payments from government often make the difference between whether low income families can enjoy a basic but reasonable standard of living or otherwise.

**Government payments have helped many low income families escape poverty.**

**Nevertheless there are still large numbers of Australians, many of them children, living close to or below the poverty line. As such maintenance and improvement in our family payments and support structures is critical if large numbers of families are not to fall back into poverty and if those below the poverty line are to be given a better chance at a reasonable standard of living.**

The social security system should not prevent or discourage an individual from entering, re-entering or remaining in the workforce or from taking additional part-time work. The current system, in some circumstances, does exactly this.

The major family support payment to families is Family Tax Benefit A.

In July 2000 Family Tax Benefit Part A was introduced as a means of providing support to families with children.

A family can earn \$30,806 p.a. (at March, 2003) before payment is reduced. Above that figure, a withdrawal rate of 30 cents per dollar applies until the Base Rate is reached.

At \$79,643 (plus \$3,212 per extra child)\* a 30 cents withdrawal rate applies to the Basic Rate.

Under this scenario two shop assistants earning a full-time base award rate of pay (\$507.40 per week) would have the income test applied to them. They would receive only a marginal additional rate payment. It is clear that many low income families are not receiving adequate support from the government under this payment.

The structure of this payment is theoretically progressive. **However the income limits for the Family Tax Payment are too low and must be adjusted.**

**Large families should be treated equitably in regard to being able to access adequate income support payments.** The current large family supplement (\$ 4.32 per week for the fourth and subsequent children only) is little but a token gesture.

Parents using formal child care currently receive, on a means tested basis, fee relief and a non-means tested minimum payment. These payments are made

for each child a family has in care in recognition that a family with more than one child in care incurs extra expenses. The same principle should apply with respect to all family support payments.

Such a step would be in conformity with the Social Security Review findings which found that couples' incomes decrease significantly with the presence of either one or two children, and decrease further once the number of children exceeds three. It would be a move towards redressing the substantial social justice problem that families with children and only one income earner make up almost half of the bottom 10% of Australian income earners.

During 1999-2000 FACS undertook a survey of potential Family Tax Benefit and Child Care Benefit recipients. That survey showed that (66 per cent) **the vast majority of families prefer to receive their Family Tax Benefit as a fortnightly payment**, 9 per cent as reduced tax instalment deductions, and only 22 per cent as a lump sum at the end of the tax year (3% were unsure).

Households preferring tax system delivery tended to have higher incomes.

The Parenting Payment is the main income support payment for low income parents whose primary activity is the care of children under sixteen years of age.

The Parenting Payment was introduced in March 1996. It incorporated both the Parenting Allowance and the Sole Parent Pension. The Parenting Allowance had been originally introduced in July 1995. It incorporated the Home Child Care Allowance (HCCA) which was introduced in September 1994. The HCCA incorporated the previous Dependent Spouse Rebate. Each of these payments enshrined a very important principle – the work done by parents at home on a full time basis in raising children is of great importance to the nation.

**Parenting Payment should be seen as a payment which not only supports low income families but which also gives recognition to parents as carers.**

It recognizes the contribution to society, and the family, of those who care for children.

Most Parenting Payment recipients are also in receipt of some form of income support payment.

There were 397,300 parents with partners and 220,300 single parents (617,600 overall) receiving the Parenting Payment June 2000. In 1998-99 the figure was 1,004,644. It is quite clear that an increasing number of families are not receiving this payment.

In a paper to an Australian Institute of Family Studies conference in February 2003, Ms Anne Gregory, of the federal department of Family and Community Services, pointed out the now clear linkage between unemployment and receipt of the Parenting Payment.

*According to Gregory, "The most common pathway for partnered parents was that their partner lost their job. In total, 60% of partnered parents are claiming payment for job related reasons – loss of a job or reduced earnings for their partner or themselves. Only 20% of partnered parents were claiming payment because they had a new baby....."*

*"While a relationship ending is the most common pathway on to payment for single parents, a substantial proportion of partnered parents appear to be churning between work and income support as their partner's or their own earnings reduce. This is partly due to the comparatively less generous income test for partnered parents and also as in a partnered household there are two adults who might potentially find work."*

According to Gregory the "stock" of Parenting Payment partnered recipients is declining overall. (Anne Gregory – *"What are the Characteristics, Circumstances and Aspirations of Parents new to Parenting Payment"*)

**The vast majority of families with a parent in the paid workforce do not receive the full Parenting Payment. The effective payment withdrawal rate is set at a level where very few families with an adult income earner can actually receive it. This payment is failing to meet its original intention of providing support to low income families.**

**The Parenting Payment income test should be adjusted so as to make this payment accessible to all low income families.**

**In light of the above it represents a savage attack upon families to introduce initiatives designed to further restrict access to or to withdraw this payment.**

If a family decides to have a parent at home on a full-time basis they should be supported by government, not penalized. Forcing parents to justify to third parties why they choose to stay at home with their children, would be to put such families under enormous pressure.

**The idea of requiring parents caring for children (those under 16 years) to attend regular interviews to discuss return to paid work is an unacceptable attack upon families.**

**Proposals to effectively discontinue parenting payments when a child reaches thirteen, currently the age barrier is sixteen, are of considerable concern.** Is a child of thirteen old enough to come home alone to an empty house while their parent is at work? Such an initiative clearly implies that a caring parent of a thirteen year old is superfluous to requirements. Sixteen years should continue to be the minimum for withdrawal of support.

**Parenting Payment should be provided on an equitable basis. If an allowance is going to be paid for parents undertaking home child care, then it should be paid according to the same principles applicable to those parents utilising away from home child care, such as centre-based care.**

Family Tax Benefit B was designed to provide additional assistance to single income families, including sole parents, especially families with children under 5 years of age. It is paid in addition to Family Tax Benefit A. Further, a recipient may also receive payments such as Maternity Allowance, Child Care Benefit and Rent Assistance.

The primary income earner's income is not taken into account to calculate Family Tax Benefit B. The second income earner can have \$1,752 p.a. before payment is affected, with a reduction of 30 cents for each dollar earned above that figure. A relatively small amount of work by the second income earner can significantly reduce a family's entitlement.

A mother who stayed at home all year on a full-time basis to care for her children but decided to take 4 weeks part time work at Christmas, of about 34 hours a week in order to pay for the additional costs of Christmas and sending children back to school, would have the income test applied to her in a way that she started to lose 30 cents in the dollar. Clearly **the income test is unreasonably harsh.**

A secondary income earner will still receive some payment where their income is below \$11,206 p.a.( as at January, 2003).

As at June 2001 there were 1,181,040 families with 2,276,133 children receiving this payment and 72% received the maximum payment.

The introduction of Family Tax Benefit B for single income parents was a welcome initiative as it recognized that single income families face particular financial difficulties as a result of having one spouse at home effectively on a fulltime basis.

Research by NATSEM shows that this initiative has materially improved the position of single income families, both sole parents and with regards to families where only one partner is active in the paid workforce. This initiative redressed the situation which occurred during the Keating government where single



income families experienced a real drop of 4% in their disposable income (after taking inflation into account. (*The Age*, 25 August, 2001)

However, Family Tax Benefit B is a taxation benefit which flows to all families, irrespective of the income level of the primary earner.

**On one hand we have the Parenting Payment which is increasingly restricted in its applicability and on the other hand we have Family Tax Benefit B which is not means tested. This raises fundamental issues of equity.**

**Family Tax Benefit B needs to be remodeled to provide support based upon need.**

Again we stress that financial support to families should not be characterized as welfare, but as an investment by the government in the nation's long term future.

The government has introduced a tax deduction for parents of infant children. Whilst we strongly support the provision of assistance to families, such assistance must be provided on a progressive and equitable basis. This proposed initiative does not do that.

Under this proposal the higher a parent's previous income the greater would be the value of refund. In practice the impact of the initiative will be to provide the greatest level of assistance to high income earners; those who need assistance the least.

**This payment should be abolished and the allocated funds used to fund adequate support to families on an equitable basis.**

The social security system, especially in regard to Family Tax Benefit A, Parenting Payment, Family Tax Benefit B and the Child Tax Refund should be

restructured to provide adequate levels of support to those who need such support.

This would be likely to have the effect of actually encouraging workforce participation as the disincentives to work more hours (or at all) would be reduced.

A return to work can also mean withdrawal, or even a demand for repayment, of previously received payments, even where the total income of the family is quite low. It is extremely difficult for couples, especially where one or both partners may be working on a casual basis, to be able to accurately predict their annual income. The system does not take this into account. This is a major disincentive for women in particular to seek employment.

### **Support Parents Having Children**

**Government needs to be mindful that it is important to maintain a balance between encouraging workforce participation and also encouraging families to have children.**

**The current system financially penalises working parents who have children. This effectively acts as a disincentive to workforce participation.**

The Maternity Allowance was introduced in 1996 to address the need to provide support to parents having children.

It comprises two payments. A payment is made to a woman on the birth of a child. A further payment is made available when the child reaches eighteen months and is fully immunised or otherwise exempt from immunisation requirements. The payment is means tested.

At the time that the Maternity allowance was introduced in 1996, the then Australian Prime Minister, Paul Keating said:

*"The Maternity Allowance is a landmark achievement for Australian women.*

*"Before today, it was true to say that most Australian women did not have paid maternity leave.*

*"Now they will..."*

Further, the government committed itself to "...review the allowance within the life of the Accord with the agreed aim of improving it as economic and budgetary circumstances permit consistent with the spirit of ILO Convention 103 (Maternity Protection) which identifies 12 weeks maternity leave paid through social security arrangements as an appropriate goal".

More recently the ILO has increased the 12 weeks to 14 weeks.

The payment, when introduced, was intended to be equivalent to six weeks payment of the maximum Parenting Allowance.

In the 2000-2001 financial year 210,120 families in respect of 214,355 children (FACS Annual Report, 2000-2001, p43) received the Maternity Allowance and 203,939 received the Maternity Immunisation Allowance.

In reality this payment is barely sufficient to enable families to meet the direct and immediate costs incurred when having a child. It does not address the income loss experienced by families when a key income earner is suddenly out of the workforce.

A family friendly government approach would be directed at delivering adequate levels of support to families at this time to help them cope financially and emotionally. This would be in the long term interests of the nation.

On the 11<sup>th</sup> December, 2002, Pru Goward, the Sex Discrimination Commissioner from the Human Rights and Equal Opportunity Commission, delivered her final report on Paid Maternity Leave.

The report, entitled "*A Time to Value*", was a proposal for a National Paid Maternity Leave Scheme. The announcement of the proposal for the introduction of Paid Maternity Leave placed the onus squarely on the Howard Government to respond and gave it time to include any response in the May 2003 Budget announcement.

The basic outline of the Goward proposal was as follows:

1. The National Paid Maternity Leave Scheme would be funded by the Federal Government. The SDA agrees that Government funding, rather than employer funding, is appropriate for a basic Paid Maternity Leave Scheme.
2. The proposal suggested that Paid Maternity Leave would only be available to women who are and continue to be in paid employment. The SDA does not agree with this proposal as it is grossly unfair to those women who are, for one reason or another, not in paid employment. This includes women who are in marginal or seasonal employment; those who are out of work due to illness, incapacity or inability to secure paid work; those who have chosen to take the role of home-maker and who are involved in raising children, or in taking care of older relatives; those who have recently commenced paid employment; and those who decide to leave paid work at the time of the birth of their child.

Prue Goward suggested, during her press conference, that 85,000 mothers would benefit from her proposal for Paid Maternity Leave. Since there are 250,000 births in Australia each year, the clear implication is that two-thirds of all women would be excluded from her proposal.

3. The Paid Maternity Leave proposal is available to those women who have been in paid employment for 40 of the past 52 weeks, irrespective of the number of employers during this period.
4. The proposal provides that the payment of maternity leave will not be means tested. The SDA disagrees with this proposal because there is no need to provide government payment of maternity leave for high-income people. Already people in the Howard Government, including the Minister for Finance, Senator Nick Minchin, have tried to denigrate a Government-funded scheme of maternity leave as being “middle class welfare”.

The best way to overcome the charge that this is “middle class welfare” is to means test the proposal.

5. The proposal is for a national scheme of Paid Maternity Leave of 14 weeks duration. The SDA supports this proposal as it fulfils the obligation on the Government to abide by the requirements of ILO Convention 183, which provides for 14 weeks of Paid Maternity Leave.
6. The level of the payment is to be set at the rate of the Federal Minimum Wage (approximately \$431 per week), or the woman’s previous weekly earnings from all jobs, whichever is the lesser amount.

The SDA strongly opposes this proposal because all part-time and casual women, earning less than \$431 per week, will be entitled to a lesser amount of money. The cost of raising a child is the same, irrespective of one’s level of earnings. Accordingly, to provide a smaller quantum of Paid Maternity Leave to those who are on lower levels of income, and presumably are already less able to fund the cost of raising children, is grossly inequitable.

The SDA membership is comprised of about 20% who are full-time workers and 80% who are part-time or casual. Most of the part-time and

casual members earn less than \$431 per week. If our membership among women of child-bearing age follows the same pattern (and we have no reason to believe it does not), then the Maternity Leave proposal would offer less than the Minimum Wage to most of our eligible members. This is not acceptable to the SDA.

7. It is proposed Paid Maternity Leave be paid as a fortnightly payment through the period of leave, administered by the Federal Government, and available through a dual payment mechanism. An individual may elect to receive the payment either:
  - as fortnightly direct payment from the Government, or
  - a payment from the employer with the employer being reimbursed by the Government. This is subject to the employer agreeing to offer this option.

The SDA believes that payment through the employer is an unnecessary expansion of bureaucracy and red tape, and is obviously designed to reinforce the concept that only women in paid employment are entitled to the benefit. We would encourage a direct payment from the Government to the eligible recipient.

8. Employers are encouraged to continue with existing provisions of paid maternity leave.

Women who are already receiving employer funded paid maternity leave are not to be excluded from the proposed Government payment.

The problem with this aspect of the proposal is that some women will receive double payment in a scheme which gives nothing to two-thirds of all women having a baby. This hardly enhances the equity of the proposal. Employers are encouraged to top up the Government funded paid maternity leave to a level equal to the employee's full weekly earnings.

For SDA members, this would cover only that small minority of our female membership who earn over \$431 per week and who decide to remain in paid employment following the birth of the child.

9. A woman who receives paid maternity leave under the proposal will not be eligible for the Maternity Allowance, the first 14 weeks of Family Tax Benefit Part A and Family Tax Benefit Part B, and the first 12 months of the payment of the baby bonus.

Each individual will have the option of taking other available social security payments where this would result in higher payments than that provided by the paid Maternity Leave proposal.

While the SDA recognises that there may be some need to reduce the availability of some other benefits in return for a proper paid maternity leave scheme funded by the Government, the proposal will leave many eligible women (especially part-timers and casuals) in the position where the proposed payment is less than the existing entitlement to other payments, and accordingly, the proposal is of no direct benefit to them. The fact that only one-third of all women will be eligible for the proposed payment indicates that large numbers will be disqualified from any payment, either because they are not in the paid workforce, or because existing benefits are greater than the proposed maternity payment.

It does not assist in advancing the merit of the proposal to restrict its eligibility provisions so severely that two-thirds of women miss out and the least benefit is provided to those on the lowest incomes and in the greatest need.

Paid Maternity Leave is a most important issue for the SDA because of our interest in family issues and because 65% of our members are female. As 60% of our members are aged under 25 years, many members are approaching their child-bearing years.

**The SDA supports the introduction of a paid maternity leave scheme.**

However this would best be done by conversion and expansion of the Maternity allowance.

We believe that an equitable paid maternity leave scheme would include the following elements:

- an inclusive, non discriminatory base payment i.e. a payment to all mothers;
- subject to means testing;
- paid by the government;
- at a rate of the federal minimum wage;
- for a period of at least 14 weeks;
- established by legislation.

The SDA could envisage that for the period a person received paid maternity leave they would not receive Family Tax Benefit B or the Parenting Payment. In our view the money allocated to fund the Family Tax Refund or "Baby Bonus" would be better spent in this area. It would have the effect of channelling support to families on a needs basis, thus helping families most in need of support.

**Providing better and more financial support to families with children would enable families to better balance work and family and thus encourage workforce participation.**

**Establish Accessible, Affordable, Quality Child Care**

Child care is a critical issue for many working parents.

**The provision of affordable, high quality children's services on an equitable basis should be a key plank of a government family friendly policy.**



Today many low income families cannot access quality child care. This actively militates against their workforce participation.

**In the provision of such services the needs of the child must be the paramount concern.**

**It must also be recognised that the family will normally be the primary carer and raiser of children.**

**The primary objective of government in the area of childcare should be to enable families to function more effectively in the interests of all their members.**

**There is a clear relationship between the age of children and whether they are in any sort of child care arrangement.** In 1999 only 42% of children aged less than one year were in child care of any type but 83% of those aged 4 years experienced some form of child care. This situation largely reflects the emphasis families place upon pre-school, as most children attend pre-school of some nature. Once children reach the age of 5 years and begin school, there is a clear drop in the usage of child care facilities.

The type of child care varies markedly with age, with informal care the most common for very young children. For children aged less than one year only 12% of those children utilising child care were in formal care and another 8% were in a combination of formal and informal care. Of all children only 5% of those aged less than one year were in formal care and another 3% were in some form of combination of formal and informal care. Clearly the vast majority of parents with very young children choose to care for them directly (58%) or to at least leave them in an informal care arrangement such as with grand-parents.

Of those using formal child care 19% used it for less than 5 hours per week and 60% used it for between 5 and 19 hours per week. Hence almost 80% of families use formal child care for less than 19 hours per week. This suggests

that **most parents seek to minimise their children's time in formal care arrangements, especially when the children are very young.**

Overwhelmingly child care of a formal nature is used by parents in the paid workforce for work related purposes. In excess of 90% of long day care, family day care, outside school hours care and vacation care places are utilised for work purposes.

For the vast majority of children (94%) there is no demand for additional formal child care facilities to be made available. Moreover the number seeking additional facilities has declined over the past decade. In 1993 there were almost one in four children requiring additional care opportunities. ( Source: ABS, Child Care, 4402.0,6 June, 2000).

In total, Australia has about 443,400 child care places available in 9,700 funded services.

At June 2000, estimated demand met for below school age children was 121.7%.

This suggests that overall Australia has sufficient child care places.

However, there are still areas of high local need, especially in rural and remote communities, because of the uneven distribution of places. (FACS Annual Report 1999-2000 p197)

There is also evidence of a significant unmet need in the vacation care area.

Whilst most child care is work related, occasional child care does not fit this pattern. The division in respect of occasional care places is 55% for work related purposes and 45% for other purposes.

A significant unmet demand clearly exists for non-work related occasional child care. (FACS Annual Report, 1999-2000, p194). It is of concern that over the

last five years there has been a closure of over 500 outside school hours child care services. (FACS Budget Estimates, May 2000)

However, only 4,700 occasional care places were available in June 2000. This suggests that a significant need among those families who would wish to use occasional child care for non-work related purposes is not being met.

Overwhelmingly, however, parents prefer not to use or to limit their use of formal child care where they can afford to do so. In such circumstances, the priority for government must be to facilitate parents being able to exercise choice. In part, this requires increasing young families' levels of disposable income.

In July 2000 the government introduced the Child Care Benefit which replaced the Childcare Assistance payment and the Child Care Cash Rebate. This payment is means-tested. Maximum rates of \$129 are payable for family incomes under \$29,857. A means test then applies and minimum rates of \$21.70 are payable above \$85,653 (where one child is present with the threshold rising for additional children). For a family with three children the threshold is \$105,554 (as at July 2001).

For a low income family with two children in full-time centre-based care, government assistance covers around 72% of the average fee in long day care centres and around 81% of the average fee in family day care. For a family earning around \$45,000 per year (described by FACS as a middle-income family) the relative figures are 57 per cent and 62 per cent. (FACS 1999-2000 Report, p194)

Around 73 per cent of families using long day care receive childcare assistance and around 58% receive the maximum level of assistance.

Child care payments make a significant difference, especially to low income families in respect of child care costs. There is some evidence to suggest that a small number of families do not use formal child care because of cost factors.

For some parents child care is not affordable. This is a different issue to parents complaining about the cost of child care. **Government has a responsibility to ensure that child care is not denied because parents cannot afford it.**

**There should not be an obligation on the public purse to meet in part or in full, the costs of child care for those who are on high incomes.**

In 1999-2000, according to the Health Insurance Commission, 268,407 families received the Childcare Rebate. Around 41% claimed the 20 per cent rebate and 59% claimed the 30% rebate. (FACS 1999-2000 Report, p196)

The overall structure of the payments is clearly progressive. However, the provision of a minimum payment to everyone, irrespective of their income level, is inequitable.

**There is no justification for using taxpayers money to finance "child care for the wealthy".** If the government is serious about reducing welfare dependency and providing support only to those in need, it could start by making this payment fully means tested and reallocating the funds to providing increased support to low and middle income families.

There may be some genuine debate as to where the income test threshold should be set but there is no justification to provision of child care fee relief to high income families.

During the 90's there was a shift from funding centred upon child care centres (operational subsidies and capital expenditure subsidies) to funding centred upon support for individual families (fee subsidies). This had the affect of reducing costs for low income parents, thus making child care more affordable for them. As such, the change in the structure of funding child care was progressive.

Over two thirds (68%) of respondents to the FACS Family Tax Benefit and Child Care Benefit Survey indicated that they would prefer their Child Care Benefit paid as a payment directly to the provider, 6 per cent preferred to receive it as a claim at the end of the tax year, 21 per cent as reimbursements on receipts provided and 5% were unsure.

Preference for regular fortnightly payments to the provider was related to income levels with higher income earners preferring tax system delivery of the payment and lower income earners desiring regular provider linked payments. (p36-37)

In recent Budgets we have seen child care initiatives introduced which are fundamentally at odds with these above listed principles. Funding has been cut, the accreditation system has been allowed to run down, many families cannot afford childcare, yet wealthy families receive support, and despite the prevalence of research which shows that children left in sub standard, informal child care arrangements, where they have no on going attachment to the person providing their care, are likely to be disadvantaged, the government has earmarked funds to finance "flying squads" of nannies to go at short notice to someone's home to care for their children, even if the child is sick. Children who are sick need their mum or dad, not a stranger.

**At the present time if you stay at home to care for your own children you receive less financial support than if you bring someone else into your home to care for your children while you go elsewhere to a paid job.**

### **Facilitate the Creation of Family Friendly Workplaces**

As Garry Becker has said in "*Human Capital and Poverty*" (1996) the family is "*the foundation of a good society and economic success*".

People do not live to work, they work to live, even if they enjoy the work they do. Consequently balance between work and family must be established and maintained. We must be prepared to move beyond seeing work and family as

separated spheres of activity and recognise that actions and events in one area are likely to impact upon the other. In pursuit of the development of the whole person and economic success, a balance must be established between work and family. This would encourage workforce participation.

Increasingly research from both Australia and overseas is concluding that family friendly workplaces produce positive results for business. They tend to result in higher profits, reduced costs, retention of talented staff and greater employee commitment. For employees, family friendly work practices allow for a more effective balance to be struck between work and family. This in turn, enables families, and especially the primary care-giver in families (who generally happens to be the mother), to function more effectively.

**There is clearly a great need to make workplaces more family friendly.** It is possible to balance work and family and those who attempt to do so should be supported. Employers should be encouraged to see the creation of family friendly workplaces as an investment in the future.

It is not reasonable to expect those responsible for the care of children to return to work unless their employer is prepared to take into account their family responsibilities when drawing up rosters. Requiring employees to work excessive hours, denying them family leave to attend to urgent family business, insisting spouses relocate without regard to their family situation etc., all contribute to family disharmony.

The "*Pregnant and Productive*" report (1999) has shown many employers actively discriminate against pregnant workers. **The government should commit to introducing the recommendations of the "*Pregnant and Productive*" report, including ratification of ILO Convention 103.** The government should also commit itself to the ILO Convention 156 "*Workers With Family Responsibilities*".

Apart from the introduction of paid maternity leave there are other flexible working arrangements which could and should be established for working parents so that they can balance work and family.

Such arrangements include:

1. The availability of extended (up to 3 years) unpaid parental leave to allow a mother to care for her child beyond a 12 month deadline which currently applies;
2. An entitlement to return to work on a part time basis after a period of parental leave even if the pre confinement contract of employment had been full time;
3. A specific entitlement to paid pre-natal leave for both mother and father to attend medical appointments related to the pregnancy;
4. A pro-rata amount of unpaid leave for those who have not worked for the pre-required 12 months to be eligible for parental leave so that they do not automatically lose their job because they need to take time off to deliver their baby;
5. An entitlement to consideration of family responsibilities when establishing rosters on returning to work;
6. An entitlement to family leave to take care of pressing and unforeseen matters relating to other members of the family (such as the need to care for sick children) ;
7. Paid maternity leave (including the protection of employees' current parental leave entitlements plus the right of employees to accrue long service leave, annual leave and sick leave entitlements while receiving such payment).

**Making workplaces more family friendly, which includes having employers more receptive and supportive of women when they are pregnant or have children, is critical to the well-being of families and therefore of the nation. It is a pre condition for many people, especially women to be able to participate in the paid workforce.**

### **Establish security of employment**

The contemporary period has been characterized by substantial changes in the structure of the paid workforce. We have seen a decline in full-time employment and the rise of non-traditional and more precarious employment practices.

Casual employment has increased from 13.2% in 1982 to 27.3% today. Almost a quarter of all males (23.6%) and a third of women (31.5%) are employed as casuals. Moreover, 71.4% of all employment growth between 1990 and 1999 was casual.

Women are more likely to be employed as casuals than men. A paper released by the federal government in 1999 stated that, "*ABS data indicates that many casuals have been with their current employer for lengthy periods of time*", indicating that casual employment is now an entrenched part of employers' overall employment plans .

Permanency is increasingly being replaced by employment insecurity. Many young couples are reluctant to "start families" until they "get established". At least in part this is due to the insecurity of most employment and worries of "how will we cope if we do not have a job".

Many women in particular may desire non full time work opportunities. However they also want secure employment. Whilst permanent part time employment with pro rata entitlements does deliver such security, casual employment does not.



Most casual employees outside the retail industry do not have access to paid leave and most do have variable monthly earnings. Casuals do not have proper employment security.

These developments have had adverse implications and consequences for families. Many prime income earners do not have full time jobs.

Those most vulnerable to the growth in insecure employment are people entering the workforce for the first time (mainly young people), or re-entering it after full-time parenting (mainly married women). Many women and full-time students prefer part-time employment as it helps them balance employment and other roles. However, many people are unable to break into secure full-time employment when they wish to pursue a career. For example, a recent study found that young people aged 16 to 19 years, who leave full-time education to seek full-time employment, had only a 50% chance of succeeding. (*Australian Council of Educational Research*, quoted in *Sydney Morning Herald*, 20.11.96.) (ACOSS 1996.)

**The Workplace Relations Act should be amended to encourage full-time and permanent employment. The availability of employment security is a critical factor in influencing decisions people make about employment.**

#### **Fair Distribution of Work, Reasonable Working Hours and Workloads**

The distribution of available paid work in Australia is becoming increasingly concentrated. On one hand we have what might be described as job rich households where more than one person in the household is employed, and on the other hand we have job poor households where no-one is employed. This "increased inequality in the distribution of employment", with more two-income families and more no-income families than ever before, is continuing to grow.

Australia today has 70,000 people on unemployment benefits who have been unemployed for five years or more. Robert Fitzgerald, the Community Services Commissioner for New South Wales, in a speech given in 1999, pointed out that

there were 850,000 children in Australia in families where nobody was in paid employment. The linkage between unemployment and poverty is well documented and covered elsewhere in this submission.

It is critical to address the matter of unemployment.

The contemporary Australian workplace has seen an intensification of work. The demands upon workers to do more with less resources and at a faster pace than previously, characterises many Australian workplaces. In terms of working hours, only 53% of the employees in full-time employment now work a "standard" working week with no overtime. Of other full-time employees, 15% work paid overtime and 28% work unpaid overtime (4% have second jobs).

According to the Centre for Applied Social research at RMIT University, between 1982 and 2000 full-time male workers increased their working week by 4.3 hours and women by 3 hours. In the past two years, an average of 48 minutes was added to the working week. The study estimated that without the increased hours, 55,000 extra full-time jobs would have been created.

Those with full time jobs and requirements to "do extra hours" complain at the lack of time they have to interact with their partner and children.

**Limitations should be placed upon the working of excessive hours.**

**Controls on the number of hours people can work each week, and preventing the working of unpaid overtime, would likely open up many new job opportunities. This would result in a broader and fairer distribution of work. It would allow more people to participate in the paid workforce. It would lower the unemployment numbers and consequently reduce the adverse impacts of unemployment.**

### **A Living Wage**

**People work to earn an income and the level of the income available will often influence a person in their choice of job or even if they seek a job. As such the level of wages has a direct relationship to workforce participation.**

In Australia we have seen the emergence of a two-tiered labour market, polarised between high and low wage earners. This is precipitating social inequality and division.

**All workers should be entitled to receive a living wage.**

For many of those who are unemployed, government financial assistance is crucial.

### **Access to Education and Training**

The primary responsibility of any Australian government is to secure the well-being of the nation's citizens by ensuring that all families, and the members thereof, can live decently with dignity.

At the same time all individuals have the right to be able to develop their potentialities and aspirations to the full. Government has a role to play in this regard.

The surest safeguard against poverty is for an individual to have a secure, well paid job. Employment provides people with the capacity to be able to live decently with dignity and to develop their skills and knowledge.

The more secure and the better paid that the job is, the more this is the case.

**Education and training are increasingly becoming pivotal factors in whether individuals can obtain, hold and advance in employment. As such**

it follows that **governments should put in place policies which encourage employers to train.** To maximise the benefit of training, policies which encourage employers to retain skilled staff should also be encouraged.

**Access to education and training, employment placement assistance and career advice, financial assistance and a taxation system which recognises the difficulties of returning to employment are all important to help people to establish or re-establish themselves in the paid workforce. Such moves would help in maximising the available skill pool.**

There is a strong correlation between school retention rates and school leavers finding jobs.

**The continued advancement of the New Apprenticeship System within the context of the Australian Recognition Framework is very important. Quality outcomes which meet the needs of learners and employers and provide adequate support and protection for trainees and apprentices is critical.**

**Furthermore an effective Labour Market Programme also has a key role. Fundamental to the success of any Labor Market Programme is effective training that equips a person to pursue a real career in a real job.**

Figures provided by the government suggest that Australia has a large number of older people who are either unemployed, underemployed or working with no real opportunity of promotion notwithstanding the fact that they may have skills or potential.

The training and employment systems operate in ways that lead to many workers having their skills ignored.

**Much more needs to be done to convince employers that older workers have much to offer. Substantial skill bases are being allowed to atrophy.**

Many of these people were early school leavers (they left school before completing Year 12) and they have never had any government funded post-school training.

They are also often low income earners who cannot afford to pay their own course costs. The expense of completing a qualification could thus prevent a person from being able to maintain an employment situation or otherwise confine them to low wage positions for the whole of their working life.

**It is time for Australia to adopt a position of guaranteeing all people, including those currently in the workforce, a minimum training entitlement. Such an entitlement could be means tested and only be available for the achievement of a first post-school qualification.**

At the same time greater funding for basic training in literacy and numeracy is required if many people are going to be able to successfully participate in vocational training.

Recognition of prior learning has long been promoted as a feature of the new training landscape. In practice it has had limited application, primarily due to the funding systems operative in the states. Under current funding arrangements most states and providers find that RPL is a costly exercise. Consequently it has been applied only on a limited basis.

Many existing workers, through extensive on the job work experience, could complete all or a substantial portion of an AQF II or higher qualification via a recognition of prior learning process. This would be a cheaper exercise than applying the costs of a full course.

It is not unreasonable that these employees should have the costs of RPL for an AQF II or AQF 111 qualification met by government.

This inquiry should consider recommending that all Australians should be entitled to a fair share of the post school training dollar. The funding would cover either course or RPL costs.

**Access to adequately funded RPL must be expanded. Adequate resources must be allocated to this area. Employers who implement valid RPL processes for their workers should be rewarded, either through subsidies or tax credits. Many talented people are not having their skills recognised and the nation has a skills shortage. Effective implementation of a recognition of prior learning system would go a long way towards overcoming skills shortages.**

The current **arbitrary restrictions upon the availability of incentive payments** complicates the situation. Incentive payments are not available to people such as those above, where they have been with their employer for a considerable amount of time. This is inequitable and effectively **denies access to quality training to many working people, thus substantially limiting the potential skills pool.**

The current incentive payments system also operates to restrict quality training. For example, a person may complete a level 2 course with an incentive payment applying. Unless they move onto a level 3 course within a defined timeframe the employer loses access to further subsidy. There may be occasions when it is in the interests of both employee and employer for there to be a time lapse of longer than twelve months before the employee moves to a level 3 or higher course. Such cases may occur when the higher course is a supervisory type course. At the present time students are moving straight on from level 2 courses to supervisory type courses so that the employer can gain access to the incentive payment applicable. Students are consequently struggling at the higher level due to inadequate workplace experience, even though they may have the innate ability required to complete the course. Quality training is being jeopardised by inadequate incentive payment arrangements. The answer is not to criticise the employer but to allow flexibility in the applicability of

incentive payments so as to cover such situations. This would improve outcomes and have the effect of reducing attrition.

Whilst recognising that substantial abuse of the incentives system has occurred it should also be recognised that the same system has served as a major encouragement to employers to embrace training and to employ trainees.

Arbitrary across the board restrictions on incentive payments penalise those seeking to operate within the system in a proper manner as well as those abusing the system. The real solution is not to arbitrarily stop or restrict funding but to **demand accountability** from recipients of incentive payments. A pre-condition of receiving incentive payments should be a commitment to ensure the delivery of quality training according to the requirements of the training plan.

**Structural problems in the system limit the production of sufficient numbers of appropriately trained people.**

Increasingly industries and employers are operating on a national basis. People move more freely between states than ever before in our history and consequently require their skills to be portable. The need for a single national VET system seems apparent.

The states and territories, along with the Commonwealth, have committed themselves to the concept of a national system. In practice there is still a considerable way to go.

The principles behind the national framework, while vocally supported by all Australian governments are not always being put into practice. One area where the national framework is falling down is in the area of mutual recognition.

For example a person may become a qualified hairdresser in Victoria through successfully completing an AQF Level III course at a registered private provider yet be denied the right to carry on their trade in New South Wales because that

state does not recognise the qualification as it rejects recognition of the full time training mode of delivery.

The issue here is not which state government is right or wrong but the breakdown in national consistency between states. If we have a national system with mutual recognition as part of that system then a qualification legally obtained in one state must be recognised in another state. **Achieving national consistency across training jurisdictions is an important step towards addressing skill shortages and meeting future skills needs.**

A hallmark of the new system has been the expansion of structured accredited training based upon training packages incorporating competency based training. Training packages are developed with and have the support of the industry players, both employers and unions.

For a training package or any other training instrument or structure to have and retain support it must have integrity and credibility. Critical to this is the matter of quality.

**There is increasing concern as to whether the current system is producing consistent quality outcomes. In a number of states there is no effective monitoring or audit process in place in regard to assessment.**

All key players have supported the creation of a more flexible system.

**"Flexibility" has been used in a number of instances to effectively deregulate the system and to introduce highly questionable training processes.**

The emphasis upon increased flexibility within the system is jeopardising quality.

Introduction of fully on the job training, through mechanisms such as the Small Business Traineeship, is a classic illustration.



While there may have been examples where the Small Business Traineeship delivered skills and credentials to participants there are also numerous examples where it delivered credentials but skills insufficient for a person to obtain employment.

The reasons for the inadequate outcomes appear to be:

- a) the required "on-the-job" training was never delivered by the employer or the RTO and the trainee was simply used as 'cheap' labour.
- b) no check was ever made by the provider or the relevant state training authority that the employer was meeting their obligations.
- c) the employer lacked the capacity to provide adequate training, supervision or assessment.
- d) the curriculum was so generic that it did not provide the trainee with sufficient skills to find on-going employment,
- e) the traineeship was conceived as a short term labour market programme and insufficient attention was given to the long term needs of the trainee.

There are fundamental problems across the board with training programmes that are delivered solely on the job. Abuse of on-job training by employers is widespread and too often neither providers nor governments make sufficient efforts to try and ensure quality outcomes.

**There is a critical need for State Training Authorities to put in place processes which require training providers to adequately supervise on the job delivery with penalties applicable for both providers and employers who abrogate their responsibilities to delivery quality outcomes.**

**In a number of cases RTO's lack staff with adequate qualifications, have inadequate resources to deliver training and assessment, minimise their obligations in respect of training, supervision and assessment and/or do not comply with requirements of the relevant training package. More needs to be done to ensure that all states have effective processes in place to address these matters.**

**Allocating funds to providers or areas which do not produce industry acceptable qualifications is a waste of scarce resources.** These problems, however, are not peculiar to the Small Business Traineeship alone.

Further it is not completely unusual for trainees to be placed in inappropriate courses either because the placement agency did not have sufficient knowledge of what the appropriate course should be or because the RTO did not have registration to deliver the appropriate course. In one case a person was placed in a Small Business Traineeship in a beauty salon, told they would become a qualified Beauty Therapist, ultimately received a Small Business credential and found that the industry did not recognise the credential. The placement agency, the RTO and the employer all benefited. The student effectively lost one year of her life for no useful end result. **Much closer monitoring of placement agencies such as NAC's is warranted.**

**The current system of NAC's and the job network is simply not working.**

### **Support Young People**

In terms of workforce participation young people are often the most vulnerable. Almost one quarter of Australia's young adults do not have a full-time job or study, according to a report of the Dusseldorp Skills forum titled "*How Young People are Faring, 2003*". Moreover, according to the same report the number of young adults in full-time jobs has dropped by 15.2% since 1995.

**The disincentives for many young people to either seek full-time work or to study are overwhelming.**

The changes to the Youth Allowance have placed increased burdens upon families with children in the age bracket of 17 to 21 in particular. Today almost one in three young people not living at home are living in poverty. The changes to the Youth Allowance should be reversed.

As a first step, the level of **Youth Allowance payments should be increased so that there is greater parity with the Newstart payment**, thus removing the disincentive to young people to seek further education and training. This would better equip young people to participate in the paid workforce.

For those in work the average earnings of young adults fell by 20% relative to mature workers between 1984 and 2000.

Low youth wages (especially for those aged 18 or over), accentuated by the prevalence of casual and part time work, often leaves young people dependant upon such income below the poverty line. In some cases young people are better off not being in paid work.

Junior rates of pay are discriminatory and illogical in a society which for all other purposes regards a person as an adult when they reach the age of eighteen years. Junior rates place many young people, especially if they live away from home, under severe economic pressure.

**Junior wage rates should therefore be abolished, especially for those over the age of eighteen. This would encourage young people into the paid workforce.**

The current impact of the Higher Education Contribution Scheme puts many low income students and families under pressure and operates as a disincentive for low income students to go to tertiary education. It also makes it very difficult for young people in the workforce.

When HECS was first introduced in 1989 debts were repayable at the rate of 1% on incomes greater than \$22,000. In today's terms that would equate to approximately \$32,000, given that in 1989 average weekly earnings were \$524.50 and in 2000 were \$761.50. Below that level, repayments were not required.

The Howard government cut the repayment threshold to \$20,701 in 1997-98, thereafter adjusted for movements in the average wage. Moreover the rate of repayment is now higher and generally varies between 3% and 4.5%. This is simply a tax impost by another name.

**The HECS scheme should be remodelled to establish equity and fairness for young people.** The repayment burden should not be so heavy that young people beginning their working lives cannot also afford to save. The inability of many young people to repay debt and yet save makes it very difficult for them to purchase homes or begin families. This is not in Australia's long term interest. It is false economy.

### **Value Older Workers**

Demographic data shows clearly that the Australian population is aging. During the past decade the number of people aged 65 years or more increased from 7.3% to 11.2%.

Many older people want to work. It is often very difficult for them to find rewarding employment, even though they may well have the requisite skills.

**Employers need to be encouraged to be open to employing older workers.**

A significant number of retired people are on low incomes. Many are living in poverty.

Long term, this raises two critical issues – the cost of provision of adequate living standards to older Australians, and who will provide the care which will be needed.

In this context it makes sound, long-term economic sense for the government to facilitate individuals being able to plan and provide for their own income support beyond their wage earning years. Adequate superannuation is a crucial component of retirement security.

Research by Simon Kelly of NATSEM ("*Trends in Australian Wealth-New Estimates for the 1990's*", paper presented to the 30<sup>th</sup> Annual Conference of Economists) shows that superannuation is a critical factor in helping many retired people avoid poverty.

A report released by the CPA in 2001 shows that many Australians when they retire, will experience a significant drop in living standards if they rely only upon compulsory superannuation. ("*Superannuation, The Right Balance*", CPA, 2001)

**Government should act to encourage and expand industry superannuation and to limit the taxation of genuine superannuation.**

Other research by NATSEM (Simon Kelly, "*Women and Superannuation in the 21<sup>st</sup> Century*", NATSEM, 2001) shows that many women face bleak retirements because they lack adequate superannuation.

Of those women contemplating retirement by 2010 about 10% will have accumulated less than \$27,300 by the time they retire. This is a significant improvement since 1993 when women's average superannuation was only \$9,647. Nevertheless it leaves many women vulnerable to poverty in old age.

Women who have had interrupted working lives because they stopped work to raise children are generally the hardest hit. Consequently it is imperative that government should address the position of those with non-standard employment careers such as those who have interrupted labour market involvement in order to be able to raise children or to care for other family members.

**An effective mechanism should be established to allow superannuation contributions to be split between the wage earning spouse and the non-wage earning spouse.**

Superannuation is an egalitarian measure. Research by NATSEM (S. Kelly, "Wealth On Retirement", 2001) shows that the spread of industry superannuation has made superannuation assets the least concentrated form of wealth. For the bottom 20% on the wealth spectrum, it represents 90% of their total wealth.

**Government has a responsibility to ensure that all Australians, including those receiving 'aged care', receive quality care.** Effective support for carers is a critical component of this.

Consequently Australia desperately needs an integrated and comprehensive aged care policy which deals with provision of adequate income and care for all, provides services and support according to need, and encourages and facilitates older Australians playing an active role in our community.

### **Provide Fair Industrial Regulation**

In recent years the federal government has introduced a raft of proposed changes to industrial relations legislation, justifying such actions on the grounds that it would encourage employment.

**None of the Industrial Relations Bills introduced into the federal parliament by the government concerned, if they were to be passed into law, would enhance the capacity of business to employ more people.** Indeed, in some instances, the government's proposed reforms would actually hamper significantly the capacity of business to function effectively and efficiently. A case in point is the "*Workplace Relations (Pattern Bargaining) Bill*".

An example is the proposed changes to unfair dismissal legislation. Despite government assertions there is no evidence which suggests that the current unfair dismissal laws have any detrimental effect upon employment.

The Association takes this opportunity to draw attention to aspects of a recent Federal Court decision in which a Full Court of the Federal Court, comprising Justices Wilcox, Marshall and Katz, engaged in a reasonably thorough examination of the effect of unfair dismissal laws on employment growth. This examination by the Federal Court on what is predominantly a political argument, arose because the Minister, who had intervened in the proceedings before the Federal Court, led evidence supporting a contention that there was a strong link between the presence of unfair dismissal laws and growth in employment.

Essentially, the Minister argued before the Court that a regulation excluding a range of casuals from unfair dismissal laws, was justified because casual employees were a group of employees against whom the availability of access to unfair dismissal provisions would operate to their disadvantage by limiting growth in casual employment. In other words, there was a direct nexus between the existence of unfair dismissal laws and the availability of, and growth of, employment for casual employees.

As this matter was argued before a court of law, the Government could not rely merely on political rhetoric, but was forced to produce "evidence" to justify its assertions that there was a link between the presence of unfair dismissal laws and growth in employment. The Minister's evidence consisted of both ABS statistics and expert evidence from Professor Mark Wooden, a Professorial Fellow with the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne.

In its decision on the matter at paragraph 63 the Full Court said:

*Professor Wooden suggested flexibility was especially important to small business enterprises, which had relatively higher casual densities. However, he*

*did not offer any evidence, either statistical or anecdotal, to support his belief about the importance of flexibility to small business."*

On another aspect of the matter before the Court, the ABS statistics on employment growth were drawn to Professor Wooden's attention. The Court noted this at paragraph 65 of its decision:

*"... from March 1994 to December 1996, during which the more comprehensive unfair dismissal protections of the 1993 Act were in place, employment growth was stronger than in the following three years, during which less comprehensive protections applied. Employment growth under the 1993 Act was also stronger than in the three years immediately before the commencement of that Act, when there was no comprehensive unfair dismissal protection.*

At paragraph 66 of its decision the Federal Court noted:

"Professor Wooden agreed 'the peak in increased employment happens to coincide with the most protective provisions, from the employees' point of view'. He also agreed that the pattern in relation to permanent employment was similar. It was suggested this 'rather demonstrates that the existence or non-existence of unlawful dismissal legislation has got very little to do with the growth of employment and that it is dictated by economic factors'. Professor Wooden agreed 'the driving force behind employment is clearly the state of the economy' and mentioned the recovery from recession after 1993."

The key conclusion drawn by the Full Court of the Federal Court of Australia in relation to the arguments run by the Government that there was a link between the existence of unfair dismissal laws and employment growth was expressed in paragraph 70 of its decision as follows:

*"In the absence of any evidence about the matter, it seems to us the suggestion of a relationship between unfair dismissal laws and employment inhibition is unproven. It may be accepted, as a matter of economic theory, that each burden that is placed on employers, in that capacity, has a tendency to inhibit rather than encourage,*



*their recruitment of additional employees. However, employers are used to bearing many obligations in relation to employees (wage and superannuation payments, leave entitlements, the provision of appropriate working places, safe systems of work, even payroll tax). Whether the possibility of encountering an unlawful dismissal claim makes any practical difference to employers' decisions about expanding their labour force is entirely a matter of speculation. We cannot exclude such a possibility; but, likewise, there is no basis for us to conclude that unfair dismissal laws make any difference to employers' decisions about recruiting labour."*

The very clear, and the very strong, message flowing from this decision of the Full Court of the Federal Court of Australia is that the Government's arguments about **links between employment growth and the presence of unfair dismissal laws is totally and absolutely unfounded.**

It is abundantly clear that real benefits flow to employees from the presence of unfair dismissal laws. Their very name suggests the reality of that benefit. These laws prevent employees from being treated unfairly by their employer in relation to termination of employment. The setting aside, or removal of these laws, should only occur, if at all, if there is compelling and overwhelming evidence that the presence of these laws is harming, to a significant degree, the Australian economy and people seeking work.

**There is no evidence that workplace regulation adversely affects employment.**

In 2001 the Victorian Wholesale Retail and Personal Services Industry Training Board was funded by the Victorian government to undertake a Destination Survey of hairdressing graduates. (This survey is available from the Wholesale, Retail and personal Services Industry Training Board, Skipping Girl Place, Suite 10, 651-653 Victoria St., Abbotsford, VIC, 3067)

*"The Hairdressing Destination Survey was planned to identify the reasons behind the skills shortage and attrition rate with the following clear objectives:*

1. *To ascertain why the industry was having difficulty retaining staff.*
2. *To determine why young people were not selecting hairdressing as a genuine career choice.*
3. *To provide adequate data to support critical decisions regarding the development of training, marketing and promotional activities, which will ensure that an appropriately skilled workforce is available to support the hairdressing industry.*

*"Analysis of the data has identified some problems within the industry that will need to be addressed before the industry can successfully move on. An example being that 18% of respondents left the industry for another career, 4% left because of the training issues, 7% decided they had made an incorrect career choice and 41% citing working conditions being the reason for leaving their current employer. This included employer exploitation, superannuation not being paid and general dissatisfaction with the industry. The attrition rate, the identified skills shortage and the number of respondents who have left the industry and have said they would never return are major concerns.*

*"Full time college graduates have reported that 23% leave their first place of employment because of working conditions and 10% change career paths within the average 21 months after becoming qualified. 2% of full time respondents don't commence work in the hairdressing industry after graduating."*

**Decent wages and working conditions are critical factors in the recruitment and retention of staff.**

### **Ensure Safe And Healthy Workplaces**

The absence or non-observance of occupational health and safety legislation imposes enormous costs upon business and the community.

There are around 2,750 work-related deaths in Australia each year. This estimate does not include some areas of occupational health concern such as stress-related disorders.

Around 400 of those deaths, an average of eight per week, are the result of a traumatic incident at work – for example, explosions, falls from heights, electrocution, radiation, being hit by moving or falling objects, crushing, or acute chemical exposures. A further 60 to 70 deaths occur while travelling to or from work.

It is estimated that at least another 2,300 people die each year as a result of work-related injuries or illnesses – mostly exposure to chemicals at work. This figure is expected to rise in the future to as many as 4,000 per year, due to the expected increase in asbestos-related fatalities.

Work causes more deaths than the national road toll.

It is clear that there is a need for strong occupational health and safety laws. This is in the interests of all employers and workers. Safe and healthy workplaces encourage employment participation.

Figures provided by the government in a briefing paper in 1999 in regard to recipients of the Disability Support Pension clearly show that the vast majority of recipients have a medical impairment related to their previous employment. Ten years ago the number of people on Disability payments was 300,000. Today it is almost 600,000.

The two most common medical conditions for people receiving this payment are musculo-skeletal (just under one-third) and psychological such as stress (about 20%). Two thirds of those on such payments are aged 45 years or above.

A more effective policy approach would be one which focussed on prevention and intervention at an early stage, with improved focus upon individual case monitoring and actual outcomes.

**A critical feature of any sound workplace policy would be a serious government driven attempt to achieve sound workplace health and safety standards.**

In this context, cuts to the National Occupational Health and Safety Commission, and the removal of health and safety as an allowable award matter, sends all the wrong signals.

## **5. FAMILIES RIGHT TO CHOOSE**

Not all families want both parents active in the paid workforce. A government genuinely concerned to support and assist families would give due respect to this situation. At the present time only wealthy families can realistically make this choice without experiencing acute financial disadvantage. Current demands upon families make it very difficult for most families to be able to live decently or even survive on one income.

**It is critical that government respect the right of parents to determine whether one or both of them will participate in the paid workforce.**

**A feature of such respect is to properly recognize and value the unpaid work done by those who care for and nurture others,** especially where they do it on a full-time basis. A parent caring for children should be seen as making a valuable contribution to society.

In October 2000 the Australian Bureau of Statistics reported that on its calculations the value of unpaid work to the Australian economy was \$237 billion. Women contributed 65% of this figure. Between 1992 and 1997 the value of unpaid work to the G.D.P. as measured by the ABS, increased by 16%. Further, in 1997 the value of unpaid volunteer work to the community was calculated at \$24 billion.

Dr. Duncan Ironmonger from the Melbourne University Department of Economics (D. Ironmonger, *"Household Production and the Household Economy"*, University of Melbourne research paper, 2000) has pointed out, however, that - *"with few exceptions, the national statistics of work and production continue to ignore the unpaid labor and economic output contributed by women (and men) through household production"*.

He also argues that, *"the pressure to transfer labor costs from the market to the unpaid labor costs of the household leads to the development of self-service petrol stations, automatic bank tellers and internet shopping. It also leads governments*

*to support unpaid household based care of sick, disabled and elderly people instead of professional care in hospitals and nursing homes".*

In any consideration it is clear that the contribution of unpaid work to the G.D.P. is enormous.

**The value of unpaid work should be measured in the Census of Population and Housing.**

It is appropriate and fair that the government fully recognise the unpaid work of parents. In doing so it should not allow those who stay at home on a full time basis to care for children to be mis-categorised as long term unemployed. Nor should such parents be forced back into the workforce before their children are old enough to cope on their own. The age of sixteen should be seen as a minimum for such circumstances.

Catherine Hakim of the London School of Economics, in a paper to the 2003 Australian Institute of Family Studies Conference, reported that in 1998 and 1999, the British Cabinet Office's Women's Unit organised a major research programme entitled '*Listening to Women*'. The research concluded, according to Hakim, that –

*"In the absence of financial need, only 5% of mothers would choose to work full-time hours, three-quarters would prefer a part-time job, and one-fifth would prefer not to work at all. These results are in line with European Union surveys showing that, across all countries, the majority of mothers would prefer not to work, or to work part-time only, while their children were young. Full-time mothers insisted that childcare problems were not important; the reason they were at home full-time was because motherhood and parenting took a central place in their lives until their children had grown up and left home....."*

*"The research programme concluded," said Hakim, "that we should stop thinking of women as a homogeneous group; that women want choices in their lives....."*

*"We have to recognise," said Hakim, "that one-size-fits-all policies will no longer suffice. Policy-making must become a more complex enterprise, recognising that competing family models require diversified social policies that offer different types of support to each preference group. At best, we should be developing flexible and neutral policies, such as the homecare allowance, that leave people free to choose how to spend their benefits. Most important, we need to redress the current bias towards policies supporting working women exclusively, at the expense of policies supporting full-time homemakers and full-time parents." (C. Hakim, "Competing Family Models, Competing Social Policies, Melbourne, 2003).*

Social researchers Mariah Evans and Johnathon Kelly have published a study (*"People and Place"*, vol.9, no.4, 2001) which shows that **the overwhelming majority of parents, in excess of 70%, would prefer to stay at home and care themselves for their pre school age children.** The survey shows only 2% believe that women with children under six should work full time. The study does show that by the time children actually start school 53% of mothers are back in the paid workforce, though most are part-time.

This study complements earlier studies done in Australia and Europe which provided similar results. Eurobarometer studies, the 1995 Wolcott and Glezer research and the more recent Probert research, all indicate that there are significant numbers of women who wish to stay at home and care for their children, especially where those children are under six years of age.

However capacity to participate in the workforce is a critical issue for parents. Many families need both spouses earning an income in order to survive.

There is a link between the role many women play and the age of their youngest child. The age of the youngest child affects workforce participation rates, especially for mothers. The labour force participation rates of mothers rise along with the age of the youngest child. In 1995:

! 52 per cent of mothers in couple families and 34 percent of lone mothers with youngest child aged less than five years are in the labour force.

! 72 per cent of mothers in couple families and 62 per cent of lone mothers are in the labour force by the time the youngest child is aged 5 to 9 years.

! 76 per cent of mothers in couple families and 61 per cent of mothers in lone parent families are in the labour force by the time the youngest child is aged 10 to 14 years.

In 1996, 67.7 per cent of women aged 25 to 34 and 71.3 per cent aged 35 to 44 were in the labour force compared to 41.3 per cent and 43.4 per cent respectively in 1970.

It is clear that most women choose not to participate in the paid workforce until their children go to school and less than half are working full-time by the time their child reaches secondary school.

Research by M. Evans and J. Kelley, published in *"People and Place"*, vol. 9, no.3, 2001 shows that only 2% of all mothers, and only 7% of mothers born in the 1960's or later, believe that mothers should work full-time while they have pre-school age children.

Clearly most mothers believe that pre-school age children need, where possible to be cared for on a full-time basis by their parent.

Moreover, a major determinant in the choice women make as to whether, when, and on what basis they return to paid employment, is their family income level. Women are less likely to return to work while their children are young if they do not need to for economic reasons.

Research conducted by the ANU School of Social Sciences shows that 78% of women believe that it is best for young children if mothers remain at home.

Capacity to participate in the workforce is a critical issue for parents. Many families need both spouses earning an income in order to survive.



According to a recent independent survey, 85% of SDA members with children say they work for reasons related to economic necessity.

The critical issue here is choice, but underpinning the concept of choice must be recognition that parenting is a worthwhile occupation. **Government policy should be aimed at facilitating return to paid employment for those who wish to do so but it should not focus on forcing mothers of school age children back into the paid workforce against their wishes.**

Several European countries currently provide substantial financial support to parents who have young children.

In Norway women receive a maternity payment equivalent to approximately US \$6000 per annum for three years after the birth of a child. This payment is equivalent in value to the state subsidy of a child care place. The parent receiving the payment may choose to stay at home or transfer it to a child care centre.

In Finland a homecare allowance is paid. France provides a flat rate payment to all mothers caring fulltime for children.

**Government policy should be directed towards ensuring that Australian families are not financially penalised for having children and that families can have both children and a reasonable standard of living. Forcing families to choose between these two options is not in the national interest. No family should be put in the position whereby it needs two incomes simply in order to have a reasonable standard of living. All families should be able to choose whether they have one or both parents in the paid workforce and on what basis.**