

**House of Representatives, Parliament of Australia  
Standing Committee on Family and Human Services  
Inquiry into Balancing Work and Family**

***Submission***

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**Why work-family balance is important**

The attainment of a good balance between work and family life is important for three reasons:

1. Australians, in a relatively stress-free environment, ought to be able to marry and have the number of children they would like to have, to obtain the income they need, to have a sense of satisfaction that their potential is being utilised and to be confident that their children's development is a paramount consideration. Poor work-family imbalance can jeopardise all of these outcomes.
2. As the Australian labour supply becomes tighter with the ageing of the population, Australia, as far as possible, will need to utilise the skills of all its people of working age. Therefore, social institutions and governments should be enabling the employment of all Australians in ways that are consistent with the needs of young children and other caring roles in the society.
3. There is strong international evidence that a good work-family balance has a positive effect on a nation's birth rate. Today, countries with higher employment rates for mothers have higher fertility rates because these countries provide a range of policies to support a more positive work-family balance. Sustaining the birth rate around its present level is current Australian Government policy. From the perspective of future demography, this is good policy.

**Background**

Two major changes over the past 40 years have brought considerable pressure to bear upon the viability of family life in all industrialised countries.<sup>1</sup>

The first change was a sharp shift to social liberalism in the 1960s and 1970s. This led to an increased capacity for individuals to pursue personal autonomy and to construct their own identities rather than having those identities defined for them by societal norms and institutions. The change was more dramatic for women than for men because it was women's roles more than men's that had been socially constrained in the previous era. In general, social liberalism meant that individuals became more

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<sup>1</sup> For a more detailed discussion of this background, see Peter McDonald, *The Third Great Wave of Social Change: Public Policy and the Family*, Paper presented to the Annual Meeting of the Population Association of America, Philadelphia, April 2005 (available from the author at Peter.McDonald@anu.edu.au).

responsible and accountable for their own actions. For example, by removing the 'guilty party' from divorce proceedings, the responsibility for divorce became the responsibility of both partners. Higher personal responsibility introduced greater risk into the lives of individuals and, hence, greater risk to the social fabric.

The second major change was the shift to economic liberalism in the 1980s and 1990s. Economic liberalism meant that regulations and restrictions were reduced so that capital could flow easily in the direction that maximises business efficiency and profit. In the current context, the most important aspect of economic liberalism is labour market deregulation. Jobs have become more challenging and potentially more rewarding at the expense of being more insecure and much less predictable. Short-term contracts have emerged as a form of employment. Once again, this has represented a shift of responsibility from society (employers, in this case) to the individual. The individual bears the risk of job loss or slow advancement even when their situation may be the result of company failure, global economics or inadequacy of government policy.

Hence, both changes have led to a greatly heightened sense of risk particularly among young people starting out in life. They have witnessed the effects of relationship breakdown in the parental generation, the frustration of the ambitions of parents, the stress of the work-family balance under poor policy settings, and the loss of employment by the older generation and by their peers. While some people are risk-takers, the majority of people are risk-averse. Most have been socialised to be prudent and to seek ways to hedge against risk. For both men and women, the most obvious way to hedge against personal and economic risk in today's society is to invest in one's own human capital rather than leaving oneself in a situation of dependency either upon parents, a partner, a union or the state. This is today's morality as evidenced, for example, in the rationale of welfare and industrial relations reforms.

### **The impact of social and economic change upon family life**

The social and economic changes of the past 40 years have brought major pressure to bear upon family life: divorce rates have risen; birth rates have fallen; family formation has been delayed substantially; families operate under increased time stress and increased concern that their livelihood is at risk. Where individuals' first priority is to invest in their own human capital, they are much less able to invest in other people, particularly in their intimate relationships and in having and rearing children. There is a gender inequity in the level of risk because it is women more than men who bear the risks related to children.

Despite these risks, the desire for family life has remained remarkably resilient because of humankind's basic need for intimacy. Over 80 per cent of young people in their early twenties express the desire to marry and to have children, but, in their later 20s, when confronted by the realities of risk in today's social and economic institutional structures, many do not achieve these aims. It is not uncommon for regret to be expressed at older ages when people do not have children or are not in a satisfying intimate relationship. The high demand among older couples for medically assisted pregnancies is one manifestation of this situation. This is not to say that people should not have the freedom to choose a pathway other than family life but, rather, that, in a fair and healthy society, those (the majority) who seek the intimacy of family life should be able to do so without unduly damaging their career prospects.

### **The role of the state**

The state, through its legislation, has facilitated the shifts to both social and economic liberalism over the past 40 years. For example, the state has facilitated gender equity in education and employment for women, ease of divorce, cohabitation and access to contraception and abortion, trade liberalisation, financial deregulation, labour market deregulation and welfare reform. The state has had a finger, if not a fist, in the pie. Accordingly, it is incumbent upon the state to deal with the consequences that these changes have had upon family life. In a climate of increased perception of risk what is required is a restoration of confidence among young people that they will be supported when they form their families, that society values their social contribution. The extreme social conservative solution to the evident pressure upon family life today is to roll back the first wave of change while more fiercely implementing the second wave. This ignores the reality that social liberal changes were and still are strongly supported by the majority of people. Few people would support the de-education of women and their confinement once again to exclusive household roles. The wheel has turned. Furthermore, the combination of social conservatism with economic liberalism is inherently impossible. Such a combination requires the individual to have no qualms about the destruction of other people's families in the workplace but, within one's own family, to be loving and altruistic. Indeed it might be argued that social liberalism was a necessary precursor to economic liberalism. Extreme social liberals, on the other hand, eschew the family. For them, the family is a conservative institution that constrains individual fulfillment, particularly for women. Again, this flies in the face of the social and personal reality that most people seek to form families and are fulfilled by the intimacy of family life. Whether promoted by conservatives or liberals, the moral separation of work and family, the separation of the public and private spheres, brings severe pressure to bear upon the majority who wish to combine work and family in a balanced way across their lifetimes.

Unfortunately, public discourse of work and family tends to be dominated by the two extremist positions rather than by the moderate, intermediate positions. The clanging bells of the extremists can lead to policies that are designed to silence both sides. This is done under the banner of 'providing choice'. Two Australian policies, Family Tax Benefit Part B and the Child Care Rebate, illustrate the point. The maximum benefit from Family Tax Benefit Part B is obtained by a woman who remains out of the labour force for the rest of her life following the birth of her first child. In contradistinction, the maximum benefit from the Child Care Rebate is provided to a woman who can afford expensive childcare and places each of her children in long day care only weeks after the child is born. Where the maximum benefits are provided to extreme behaviours, benefits for the moderate middle are reduced. Maximum benefits to the extremes operate as disincentives to follow a middle course of action although this is the overwhelming preference of Australian families. I provide an example of this at the end of the submission in relation to couples opting that each will work part-time.

Because of low fertility rates, many countries are now implementing policies that are designed to support those who have children. It is plainly evident that countries that have implemented policies that are supportive of a good work-family balance have only moderately low fertility rates while those with a poor balance have very low fertility rates (under 1.5 births per woman). Over several years, Singapore in an

attempt to raise its very low fertility rate has persisted in directing the major pronatalist benefits to those on higher incomes. The policies have been unsuccessful to date. Other countries that have provided more universal benefits such as France and the Nordic countries have been much more successful in maintaining their fertility rates and providing opportunities for women to better balance work and family.

### **Successful policy approaches**

Faced with similar issues, many advanced countries have implemented new policies directed to easing the imbalance between work and family. However, because social institutions, existing welfare systems and cultural preferences vary across countries, we cannot expect that the same set of policies is applicable across countries. Instead, within a broad framework, countries must find their own package of policies that are both effective and feasible.

The broad framework for policy is as follows:

1. Provision of government income support for families with children, especially at times of greatest need – when children are young.
2. Provision of high quality, affordable children's services, especially child care and early childhood education.
3. Family-friendly workplace policies, especially policies that provide confidence to young people that they can remain competitive in the labour market if they have children.
4. Encouragement of closer relations between fathers and their children.
5. All benefits should be equally available to fathers as to mothers to promote sharing or substitutability of family production tasks. In this regard, the expectation on the part of employers of long, unpaid hours of work should be as problematic for fathers as it is for mothers.
6. Child-oriented social organisation: 'children welcome' not 'no dogs or children allowed'.

Policies should be:

- Comprehensive: covering the full range of policy options in this broad framework
- Universal: applying as far as possible to all families irrespective of their circumstances
- Long-term: providing confidence that assistance is guaranteed.

### **Policies directions for Australia**

In November 2002, the Prime Minister, John Howard created an Interdepartmental Task Force on Work and Family that was charged with investigating ways:

1. to better assist couples in the transition to parenthood, and to assist parents who have been caring full-time in the transition back into paid work. This could be called a 'life course' approach because it focuses upon the dynamics of peoples' lives. Prior to this, policy focus was placed on cross-sectional status: how much do employed mothers get or how much do 'stay-at-home' mothers get as if these were immutable statuses. In reality, the vast majority of mothers move between these situations across their life course. The Howard direction therefore was that

policy should concentrate on facilitating ease of movement **between** various combinations of work and family as parents seek to determine the combination that best suits their individual situation. While this is undoubtedly the correct approach and some recent policies are consistent with it (the Maternity Payment, for example), overall, policy still falls short of this objective.

The following discussion describes existing broad-based family policy in Australia and evaluates where and how improvements might be made to better enhance the work-family balance.

## **1. Family income support policies**

### ***The Maternity Payment***

- A new maternity allowance of \$3,000 per baby increasing to \$5,000 by July 2008.
- Not income-tested, not contingent on mother's work arrangements, before or after the birth. Legislated base support for all.
- Leaves the way open for women to claim wage-related maternity leave through enterprise or individual agreements.
- Helps mothers to stay at home during the vital first three months.
- Excellent policy, superior to the alternative of a complex government-funded paid maternity leave scheme.

### ***Family Tax Benefit Part A***

- A per child cash payment that has a poverty alleviation level (maximum rate) and a base support level (base rate). Essentially, good policy.
- If family income is less than \$32,500, the payment is \$3,500 per annum (\$4,400 if child aged 13-15).
- This falls by 20 cents for each dollar that family income is above \$32,500 until it hits the base rate when family income is \$44,000 (one child) or \$56,000 (two children).
- The taper rate was lowered from 30 cents to 20 cents in 2004. Good policy direction.
- Base rate is \$1,100 per child. Tested away at 30 cents in the dollar as family income rises above \$84,000 (one child) or \$87,400 (two children). When first introduced, about 10 per cent of families had incomes above the upper threshold. Now around 25 per cent do not receive the base FTBA payment in full. This is because household incomes have risen much faster than the consumer price index. The main issue is the large gap between the maximum rate and the base rate. In combination with tax, child care costs, the additional costs of working and the loss of Family Tax Benefit Part B (see below), this becomes a work disincentive: an obstacle to smooth transition between home and work and to moving off social security dependency into work.
- In 2004, the government introduced the Family Tax Benefit Part A Supplement: a lump-sum payment of \$600 per child per annum for **all** children eligible for FTBA.
- Additional per child money is good policy.
- However, there was an opportunity missed to supplement only those receiving the base rate or to at least reduce the gap between the maximum rate and the base rate, thus improving work incentives. This would have been justified also because, at

the introduction of the GST, in today's dollars, the maximum rate was increased by \$350 while the base rate was increased by only \$110.

### ***Family Tax Benefit Part B***

- Essentially a single-income family payment – eligibility extended in 2004 to include a small second income.
- Family payment of \$3,000 (child under 5); \$2,100 (no child under 5).
- Tested away at 20 cents in the dollar (reduced in 2004 from 30 cents) when the income of the second earner (or the sole parent) rises above \$4,000 per annum (was \$1825 up to 2004).
- Level increased by \$300 at the election.
- Not income-tested on family income.
- Targetted at 'stay-at-home mothers' on the grounds that employed mothers get the Child Care Benefit and/or a second tax-free threshold, but:
  1. Most two-income families receive no childcare benefit while many single-income families do receive it.
  2. The tax-free threshold was designed to cover the general costs of working of any worker. It is available equally to workers without children. It is not a family support payment.
  3. The real value of the tax-free threshold has fallen dramatically since the level set in 1978 by John Howard as Treasurer. If it had been indexed to prices, the tax-free threshold today would be around \$14,000 rather than \$6,000. Since its introduction, the value of FTBB has increased substantially compared to the value of the tax free threshold.
- FTBB operates as a work disincentive for second earners. If Brett earns \$32,000 and Kim returns to work to earn \$24,000, they lose \$4,800 of FTBA, \$3,300 of FTBB and pay an additional \$3,200 tax, a total of \$11,300 from her \$24,000 before any childcare, the costs of working and higher living costs are considered. Little wonder many in Kim's situation decide that it is not worth working.
- The eligibility for FTBB is too broad. Why pay FTBB to the rich while income-testing FTBA? Why pay FTBB to 'stay-at-home mums' who have just one 18 year-old dependent?
- While it is evident that Australian parents prefer reduced work force participation while they have **young** children, FTBB is a very inefficient way to accommodate this preference.
- The new welfare reform policy that those with a child aged six and over receiving Parenting Allowance will be required to work now stands in very sharp contrast with the payment of FTBB to wealthy mothers as an incentive for them to stay at home even until their youngest child is 18. This really is 'rules for the rich and the poor' to the point of being distasteful.

### ***Family Payments: a better approach***

The obvious policy direction is to abolish Family Tax Benefit Part B and use the savings to institute universal payments for all children aged 1-5 years. This would be consistent with the welfare reform presumption that work is preferable once the youngest child turns six. The payment could be higher for children aged one and two than it is for those aged 3-5, reflecting the recommendation below for the provision of early childhood education for all 3-4 year olds and also reflecting current labour force participation rates by age of youngest child. For children aged 1-5 years, the base rate of Family Tax Benefit Part A could also be incorporated into this universal payment.

For infants, FTBA could be added to the Maternity Allowance for infants with the payment being made fortnightly rather than in a lump sum. This would mean that, aside from the maximum rate of FTBA, all children aged 0-5 would receive the same payment (contingent on their age) irrespective of the work force participation and income level of their parents. This means that movements into and out of the labour force could be made at any time without any impact on benefits (aside from eligibility for the maximum rate of FTBA). It is at these ages of their children that most women make their decisions about when to return to the labour force, but the timing varies according to the circumstances of their children and their labour market opportunities. A system like this also reduces the persistent inefficient problem of overpayments and underpayments and would therefore lead to considerable administrative savings. Austria has recently introduced a system like the one proposed here in an effort to support working families and to increase its birth rate.

### **Early childhood education and care**

International studies have shown that early childhood education and care plays an important role in improving the balance between work and family. Parents who feel secure that their child is being cared for in a safe environment with a high educational standard feel more secure in undertaking employment. In addition, early childhood education plays a vital role in the education of all children irrespective of the workforce participation of their parents. It has been shown to be particularly valuable for disadvantaged children helping to break the cycle of intergenerational transfer of disadvantage. For children aged 3-5 years (five-year olds not yet at school), a universal system of early childhood education is the most efficient way to achieve this latter aim.

#### ***Early childhood education***

Study after study has shown the benefits of early childhood education especially for children in more disadvantaged circumstances. The NIFTEY email list provides the evidence on an almost daily basis. These studies show that early childhood education leads to a better skilled work force in the longer term and to fewer children dropping out of the school system at early ages. Like school education, it is highly cost-effective. This evidence has led comparable countries such as Canada and New Zealand to undertake major new programmes of early childhood education. Many European countries have had universal systems for many years. Australia is falling a long way behind its counterparts in this vital area of education and social policy.

Progress on early childhood education is stymied by the division of responsibilities across governments. The Australian Government funds childcare while State and Territory Governments fund preschools (at sharply varying levels). There are about 29 Commonwealth and State and Territory Departments that have a direct relationship to policy in this area. This hurdle is simply too high to jump without a massive impetus and an outbreak of goodwill. Yet, this is one of the most important policy failings in Australia. It should be a priority on the COAG agenda. COAG could institute a high-profile, independent review that addresses the ways in which the desired outcome could be achieved. Following this, all Australian governments would need to cooperate in the development of a new universal and free early childhood education system for all three and four year olds (including five-year olds not yet at school).

This is likely to involve the integration of existing pre-schools and childcare centres as Early Childhood Education and Care (ECEC) centres<sup>2</sup>.

### **Childcare**

Australia now has two major funding mechanisms for childcare, the Child Care Benefit (CCB) and the Child Care Rebate (CCR), the latter newly introduced.

CCB is paid for hours of usage of care. Non-working parents can receive up to 20 hours of assistance whereas working sole parents or couples where both are working can receive up to 50 hours per week of assistance (in special circumstances, more than 50 hours can be approved). The maximum rate of CCB (\$2.81 per hour) applies to those with family incomes under \$32,485. A base rate of \$0.47 per hour applies when family income exceeds \$92,919. Hence if the father is receiving average weekly earning and the mother half average weekly earning, the couple will receive only the low, base rate. The taper rate on CCB is very low and so CCB is well structured but it simply does not provide enough money. For the majority of families, the payments are very low compared to the costs of childcare.

At the 2004 election, the government introduced a new tax rebate, the Child Care Rebate. CCR is available to parents who are eligible for CCB, thus we now have a system of payments with two components. CCR provides for a tax rebate of 30 per cent of the out-of-pocket expenses for childcare, that is, the expenses after taking CCB into account (30 per cent of total child care costs minus CCB). Thus the amount that would be received through CCB is taken into account (presumably even when CCB is not claimed as is the case for many parents on high incomes). To complicate the system further, CCR is a rebate on the tax paid by only the second earner while entitlement for CCB is based on the incomes of both parents. Although announced as an uncapped rebate at the time of the election, CCR has since been capped at \$4,000. Finally, the rebate is structured in such a way that it can only be received at the end of the tax year after the childcare expenditure was made, that is, after a full-year of eligibility for CCB has been completed.

To obtain the entire \$4,000 of CCR, a mother would need to be expending \$12,000 out of pocket expenses on child care in a year. Assuming a high income family eligible for only the base rate of CCB and one child in care, this means she would have to be paying around \$5.50 per hour for 50 hours of care per week. As the cost of childcare is generally less than \$5.50 per hour, the cap is set at a level that most benefits those who can afford high-cost childcare (eg. for infants) on a full-time basis. This family would receive a total of \$5,130 from both CCB and CCR. In a case where family income is \$62,700 and the mother uses childcare for 20 hours per week at \$4 per hour, she would receive around \$2,300 of CCR. This family's total payment from CCB and CCR would be \$3,840. Thus, the family that adopts the moderate option receives less support from government.

The introduction of CCR makes the childcare support system very much more complex and cumbersome. It also directs maximum benefits to those who work full-time from the early days of life of their children. The former Baby Bonus had precisely the same problems and, to its credit, the Government moved to abolish and

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<sup>2</sup> For detailed discussion, see Peter McDonald, 'Issues in child care policy in Australia', *Australian Economic Review*, 35(2): 197-203, 2002



restructure the Baby Bonus within the same term of government that it was introduced. The outcome, the Maternity Payment, is excellent policy. Abolition and revision of CCR may also be possible, especially because it will be some time before the first payments are made.

### ***Childcare payments: a better approach***

Abolish CCR and use the savings to increase the levels and thresholds of CCB. This would reduce the benefits received by high-income second earners, but there are options for these workers to be supported jointly by employers and government by extending tax benefits to employers that meet the childcare costs of their workers. There is a great deal of evidence that employers are willing to do this in order to attract and maintain the best workers. Benefits that are currently available to employers that provide on-site childcare should be extended to any employer-supported childcare. Many mothers prefer to have their children in neighbourhood childcare rather than in work-based childcare.

### **Workplace arrangements**

There is an important test case before the Australian Industrial Relations Commission at present. The Federal Government is opposing every one of the claims completely. The employers, especially the Australian Industry Group, while opposing all the claims as stated, appear to be open to some movement in the direction of some of the claims. In this area, the Government seems to be applying an unnecessarily rigid ideological approach. Some of the claims have considerable merit in relation to work-family balance. The claims are as follows:

#### ***1. A right of return to work on a part-time basis following parental leave until the child reaches school age***

It is inconsistent for the Government to promote part-time work on a limited basis (1-2 days per week) through FTBB, but to oppose a right of access to part-time work in one's own job. This means women will often have to leave their own job in order to benefit from FTBB. I favour a right to work at 80 per cent (4 days) for both parents until the child is aged 12 with any lower part-time involvement being negotiated with the employer. Employers could argue that the nature of the job was such that it can only be done on a 100 per cent (full-time) basis.

#### ***2. Simultaneous unpaid parental leave for both parents extended to eight weeks***

Each parent is presently entitled to 12 months unpaid parental leave, but only one week can be taken simultaneously. On the grounds that it is the early weeks that are most difficult and the most important time for fathers to bond to the child and to the mother, a longer simultaneous period is being claimed. This is not an extension of entitlement, just a way for men to make better use of the available entitlement. Complete opposition by the Government is almost unbelievable in the context of what it has said about the importance of fathering. It suggests that provision of parental leave for men is deliberately designed so that they don't use it.

#### ***3. An ability to purchase family-related leave***

To cope with care during school holidays, the claim is that an employee may purchase up to an additional six weeks of leave in a year (have their salary reduced on a pro rata basis). Again, this seems like a very worthwhile policy direction and some

employers have indicated that they are willing to go part of the way on this claim. This makes it difficult to understand why the Government is completely opposed.<sup>4</sup> ***Unpaid parental leave extended to 24 months*** The present entitlement is 12 months. Previously, I have suggested 18 months but this is not a strong position on my part. Perhaps 12 months is adequate and any additional leave should be negotiated.

***5. A right to negotiate on hours of work*** Many employers already offer flexibility of hours of work. This claim would extend this benefit to all workers with family responsibilities. The claim is that employers must not unreasonably refuse such a request. The employers agree that it is fine to negotiate, but there should not be undue pressure on employers to prove that they had not refused unreasonably. It seems both sides are relatively close to agreement here which again makes the Government's total opposition somewhat hard to understand.

Overall, international comparisons have indicated that Australian employers score very well in relation to the provision of family-friendly workplace arrangements. The present AIRC case may shift Australia to an even higher level. Given that employers have indicated their willingness to listen to arguments in this area, it is mystifying that the Government seems to be applying a somewhat blinkered ideological position.