

**INQUIRY INTO
LONG TERM STRATEGIES
TO ADDRESS
THE AGEING OF THE
AUSTRALIAN POPULATION
OVER THE NEXT 40 YEARS**

SUBMISSION BY

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SUMMARY

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%.

Australia is not well placed to meet the challenges of an aging population. There can be no surety under current circumstances that people moving into retirement will have income security.

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.

For many retiring workers their level of superannuation is inadequate to sustain them in retirement.

Home ownership is a critical factor in allowing people to achieve sustained income security, yet housing is becoming more expensive and the overall level of home ownership in the community is declining.

The health system does not deliver adequate care and support facilities for many low income families. Containing costs in health should not be at the expense of effectively shutting off access to good care for the poorest in the community.

The substantial wealth inequality and the high level of poverty in society militate against many people being able to ever achieve even a rudimentary level of financial security.

The taxation system prevents many workers from being able to save for the future and thus improve their level of income security.

The fact that many government support payments are not well targetted exacerbates this situation.

The work of carers in our society is largely ignored, if not degraded.

It is becoming increasingly difficult for many older workers to retain their jobs, advance in their employment or find new positions. In particular, full-time employment opportunities are declining. Lack of access to re-skilling or current skills recognition for many older workers further limits their opportunities to retain, gain or move forward in their employment.

Little is being done to seek to reverse current demographic trends.

The Intergenerational Report 2002-03 suggests that the major impact of the current demographic trend will be felt in 15 years time. If Australia is to be able to meet the challenge, then actions must be taken now. The fundamental flaws in the system must be addressed and overcome.

A SECURE FUTURE FOR ALL

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.

For a significant number of people their home and their superannuation are their main forms of wealth.

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 30th Annual Conference of Economists) shows that superannuation is a critical factor in helping many retired people avoid poverty.

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.

The AMP-NATSEM survey (May, 2002) showed that the average superannuation balance is \$56,000. For many their superannuation is actually less than that. Clearly this is grossly inadequate for anyone to be able to sustain themselves or their partner in retirement. 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). Many retirees will continue to be reliant upon government provided support payments

Given the above, and demographic trends, the cost of delivering adequate payments to sustain older Australians is likely to grow. 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 21st 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.

Access to superannuation for all women is an issue of social justice. An effective mechanism should be established to allow superannuation contributions to be split between the wage earning spouse and the non-wage earning spouse.

Simon Kelly of NATSEM ("*Trends in Australian Wealth*") has shown the ownership of the family home is likely to be the largest holding of wealth for most Australians and is a critical factor in helping many Australian families to avoid poverty.

Home ownership is becoming increasingly difficult for many low income families. In 1997-98 there were 702,400 low income families with housing costs of more than 30% of their gross income. This placed such families under great financial stress. Overall families in this situation represented in excess of 10% of all households. It is therefore no surprise that if housing costs are taken into account, the general poverty rate increases from 13.3% to 17.3%.

According to research from the Australian Housing and Urban Research Institute (AHURI) (reported in the Australian Financial Review, 13 March, 2000, p.1 and 47) the only social groups that have increased their home ownership rates during the past two decades are wealthy couples with children and single women. The biggest decline in ownership rates were among couples aged 35 to 44 with children.

The AHURI postulates that over the life span of the next generation that the rate of home ownership overall will fall from the current position of 70% to about 50%. Whilst a number of factors will play a part in this decline, those factors will include rising costs and the decline in the number of households with children. Housing costs are also related to life cycle stages with higher costs at earlier ages and lower costs as people age and acquire ownership of their homes.

It is not surprising that, as reported in "*Australian Social Trends 2000*", many households suffer housing related income stress as a result of the combination of low income and high housing costs. Undoubtedly high housing costs are a key factor in declining fertility levels as families find that they cannot meet the costs of housing and the costs of children.

Helping people acquire ownership of their own home is a critical factor in helping them avoid poverty in old age.

At the same time rent assistance is of critical importance to many private renters. It is increasingly becoming the case that many private renters (over 40%) are paying in excess of 30% of their weekly income in rent. Indeed 12% pay over 50% of their weekly income in rent. (FACS 2000 Annual Report, page 81.)

The high costs of housing mean that many families and individuals struggle to maintain any form of effective shelter. Homelessness is a significant issue and a cause for great concern. Every Australian should have access to affordable and effective shelter. The FACS 1999-2000 Annual Report states that "*some evidence suggests that demand on existing services for homeless people is growing*". (P78.)

Health care is particularly important to older persons. Access to affordable and quality medical, hospital, pharmaceutical and dental care is a right of all Australians.

NATSEM research (NATSEM NEWS July 2000) shows that over the period 1977-95, regardless of the actual health indicator used, the health gap between the poorest 40% of Australians and the rest of the population, increased significantly. A surprising finding was that the health of people in the second lowest income quintile was as poor as for those in the lowest quintile. For working age Australians the study found that, on average, in 1995 the unemployed reported 42 per cent more serious illnesses than the employed reported and that the working poor reported 24 per cent more than the working non-poor.

It should be noted that according to the ABS "*Australian Social Trends 2000*" (p.46), various population based health surveys show that people without partners scored worse on several measures of health status than did those with partners.

It is critical that Australia maintain a health system which is easily accessible to all members of the community and where no-one is denied access because they cannot afford to pay. A bulk billing capacity within the health system is a crucial component of this.

In 1994/95 the Commonwealth Dental Health program which provided free dental care to over 500,000 low income earners was established. However, in Mr. Howard's first Budget, the Commonwealth Dental Health program was abolished completely.

Some subsidised dental care is still available but waiting times for such services are very lengthy. People being forced on to the queues are concession card holders who cannot afford private care. Country and regional towns often suffer the most because of the problems in attracting dentists to the bush.

A dental health service, easily accessible to all Australians, should be established.

The Pharmaceutical Benefits Scheme (PBS) was introduced to provide safe and effective drugs to all people being treated by a doctor. The scheme ensured that Australians benefited from the availability of a large range of drugs at prices much below those charged in many other countries.

Today many crucial drugs are outside the financial range of many Australians. Access to pharmaceuticals, as required on an affordable basis, should be made possible for all Australians. This is crucial for the future well-being of Australian families.

In a country such as Australia, cost cannot be a justification for families being forced to go without the medical, pharmaceutical or dental care they require.

In his address at the Centennial ceremony in Sydney on January 1st 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."

Inequality in wealth is substantial and growing. This has major implications for the long term future in regard to being able to have a system in place that guarantees older Australians' future income security.

There is now a significant amount of research available which suggests that inequality increased during the nineties. (Ann Harding, *"The Australian"*, 25/2/2002.) Harding shows that during the nineties the incomes of the top 25% increased more rapidly than did the incomes of the rest of the community.

From the mid eighties to the late nineties there was a substantial increase in the real value of total Australian household wealth. (*"The Income and Wealth of Older Australians - Trends and Projections"*, A. Harding, A. King and S. Kelly, NATSEM, Paper presented to the Industry Development Forum on *'Changing Needs, Growing Markets'*, 18 February, 2002). Yet, at the same time as experiencing overall increase in wealth, Australia also experienced a growth in wealth inequality.

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).

Those in the top 10% of the income distribution chart increased their share of total income from 22.7% in 1990 to 23.9% in 1997-98. The middle 20% experienced a decline in their share of the cake from 17.8% in 1990 to 17.3% in 1997-98. This is largely being driven by the gains made by those at the top relative to other groups.

A Productivity Commission Report released in November 2000 titled *"Distribution of the Economic Gains of the 1990's"* also shows that *"the distribution of earnings among individuals has become more unequal in the 1990's"*.

Age is a factor in wealth accumulation. Between 1986 and 1998 the average wealth of Australians over 65 years old increased from \$106,000 to \$204,000, after taking out the impact of inflation. This, however, in part was due to the higher incidence of home ownership and superannuation holdings among older Australians.

Income inequality 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. 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.

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

Every individual and every family should be able to live decently with dignity. 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.

A report commissioned by the Smith Family and released in November 2001 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%. However, 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 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 were classified as working poor.

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

By contrast, 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, these families are no better off than those on social security.

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'.

Working poor families represent almost one quarter of all poor families. The number of working families below the poverty line is growing ("*Social Policy Matters: The Changing Face of Child Poverty in Australia*", Of those families below the poverty line 40% are couples with children.

Two thirds of all children living in poverty come from families whose principal source of income is government payments. For almost six out of every ten people (58%) in poverty their main source of income is government cash benefits such as pensions or unemployment. This figure has increased steadily since 1990 when it was 46%. People in families with government cash benefits as their main source of income have increased from 24% in 1990 to 31% in 2000, thus showing an increasing reliance by many families upon government assistance to make ends meet.

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. Only 4.6% of Australians who hold a full-time job live in families in poverty. 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. Over the past decade the poverty rate for the unemployed has actually increased. The risk of poverty declines as the number of income earners in a family increases.

In June 1999 there were 441,700 children who had no parent in paid employment. This represents about 17% of all families with children. (FACS 2000 Annual Report, p29.)

The other major groups in poverty are those with their own business (8%) and those with other income sources such as investments and superannuation income (9%).

The research by NATSEM shows a clear relationship between level of educational attainment and poverty. Where the family income earner has no secondary school certificate achievement the risk of poverty is significantly higher.

According to the Australian Bureau of Statistics (5 August 1999) there is a clear relationship between household levels of income and the life-cycle stages of families. According to the survey results:

- Young independent single people aged under 25 had an average weekly income of \$335. This rose to \$526 for single people aged between 25 and 34, reflecting their higher employment rates and higher salaries. As young people enter into relationships their income rises as they often have two income earners contributing to their family income. Young couples under 35 with no dependent children received an average of \$1,126 a week.

- The birth of children and the early years of child rearing contribute to reduced labour force participation of parents and lower income levels. The average income of couples with young children, eldest under five, was \$973 per week. Income of couples with children increased with the age of children, in part reflecting the higher participation in paid employment of both partners. Couples with older children, eldest 15 to 24, had an average income of \$1,231 a week.
- Almost two-thirds of one-parent families received most of their income from government pensions and benefits, and had an average weekly income of \$317. The majority of the other one-parent families relied on earnings as their main source of income and had an average weekly income of \$707.
- The level of income received by couple families was at its peak when they were between 45 and 54 years, at \$1,153 a week. As parents age and children become independent, income again declines, reflecting a steady decline in labour force participation. In 1997-98 couples aged 55 to 64 received an average income of \$789 a week. A third of couples in this age group had neither partner employed.
- The average incomes of those aged 65 years and over reflected the considerably lower incomes that accompany retirement. In 1997-98 the average weekly income was \$460 for couples and \$248 for single persons in this age group. Approximately two-thirds of older couples were dependent on government cash pensions and a quarter depended on superannuation and property income as their main source of income.

The percentage of disposable income expended upon necessities by the first quintile of households is significantly greater than that expended by higher quintile groups. In general the proportion of disposable income expended upon food and non-alcoholic drinks, housing, household services and domestic fuel and power declines as household income rises while the proportion spent on transport, recreation, clothing and footwear and alcohol increases. This is clearly due largely to the presence of more discretionary income in higher income households.

On average the incomes of poor Australians are 43% below the poverty line.

According to the Smith Family Report a dropping of the poverty line to 40% of average weekly income would cut the poverty rate overall by 5% to 7.9% but raising it to 60% would increase it to 23.2%. In other words there are a large number of people not technically in poverty who are very close to the poverty line.

Poverty poses a significant threat to the well-being of many Australian families and the community overall. It contributes to social and economic disadvantage threats to community safety, poor health and social exclusion.

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.

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.

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 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.

Addressing the issues of wealth inequality and poverty are critical if the government is serious about helping individuals and families achieve financial security in old age

A key reason for the growing wealth gap, increased poverty rates, and especially the growth of a "working poor" sub-group, is the taxation system, especially the lack of integration between the social security and taxation systems. Yet to have the opportunity to create long term financial security for themselves people need to be able to pursue full-time careers.

Both the taxation system and the social security system must be restructured in tandem to ensure an overall outcome which is equitable for working and low income families in particular. It must create the opportunity for people to build their long term financial security.

In a paper to the Conference of Economists in 1997, Gillian Beer of NATSEM, illustrated that government assistance for working families and the associated income tests provided a financial disincentive for women to increase their workforce participation.

She reported that her research showed that a low income family with three children is financially worse off if the mother works between 10 and 24 hours a week rather than just 9 hours a week. By increasing her hours of work from 5 to 35 hours a week, the family benefits by just \$12 a week. (NATSEM Annual Report, 1997, p.12.)

The study concluded that, for many women, the poverty traps caused by overlapping means tests for government programs meant that there was little benefit from some types of paid work. This denies women the freedom of choice as to whether they work, removes potential taxpayers from the workforce and encourages people to utilise social security.

Also in 1997 in a study presented at an international tax reform conference in Potsdam, Germany, Ann Harding and Gillian Beer of NATSEM reported that they had found that about 7 per cent of Australians of working age - about 700,000 people - faced effective marginal tax rates of 60 per cent or more. The 30 per cent of families just below the middle of the income

distribution face the highest effective tax rates and three-quarters of those facing effective tax rates have children.

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%.

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. Adjustment of income test thresholds to ensure that low income earners are not penalised for working would also be a major step forward.

The initiatives contained within the new taxation system do provide part of the solution. Reducing the family benefits withdrawal rate from 50% to 30% is certainly a significant start. However, the fundamental problem remains. For Newstart recipients the withdrawal rate now begins at 50% but can rise to 70%.

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 structure of the tax system should be re-visited to provide greater benefits to low income families. 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.

Ensuring families have an adequate income is a pre-requisite step to providing conditions under which they may build their financial security for the future. A family which struggles to make ends meet cannot save and is more likely to enter into retirement with very limited financial reserves, thus facing an old age in poverty.

At the same time Australia needs to protect its revenue base. This requires then the establishment of a more progressive taxation system based upon capacity to pay.

The current structure of family payments denies many low income families adequate support.

In a paper presented to the 7th 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 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.

Using the half average poverty line there has also been a marginal decrease in the depth of poverty. In 1982 those families in poverty were on average \$123 a week below the poverty line but in 1997-98 families in poverty were on average \$117 a week below the poverty line.

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. 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 living 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.

However, while critical to reducing poverty levels the payments have not been sufficient to encourage families to have children. The tax payer base continues to shrink. Apart from the poverty trap problem discussed earlier, the very tight means test arrangements in place effectively deny many low income working people access to government support payments.

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 gives recognition of 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.

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.

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

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.

Family Tax Benefit B 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 \$1,616 p.a. before payment is affected, with a reduction of 30 cents for each dollar earned above that figure.

A secondary income earner will still receive some payment where their income is below \$10,853 p.a. (as at December 2001).

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 their income level.

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.

In July 2000 Family Tax Benefit Part A was introduced.

A family can earn \$29,857 p.a. before payment is reduced. Above that figure, a withdrawal rate of 30 cents per dollar applies until the Base Rate is reached.

At \$77,342 (plus \$3,139 per extra child) a 30 cents withdrawal rate applies to the Basic Rate.

For a family with only one child (under 12) the additional payment beyond the Base Rate cuts out totally at \$37,108, with 2 children (both under 12) it would cut out at \$44,359.

Under this scenario two shop assistants earning a full-time base award rate of pay would not receive any additional rate payment.

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

Changes introduced in July 2000 made more families eligible for family payments by introducing a phase-out of payments above the \$73,000 (adjusted for additional children) threshold, abolishing the assets test and

liberalising the cut off or income free areas for Family Tax Benefit B. This effectively opened the door for more families to receive payments.

While it is arguable that a phase-out approach is fairer it does not obviate the plight of those at the bottom of the income earning list.

Payments to families need to be restructured so that they are effectively targeted to and meet the needs of low income families.

Current demands upon families make it very difficult for most families to survive on one income. It is critical that government continues to respect the right of parents to determine whether one or both of them will participate in the paid workforce. Whatever its decision, a family should not be adversely affected by the application of government policies. All choices should be respected, including those who choose to play a role in the unpaid 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 person carrying out a caring role, whether it be a parent caring for children, a child caring for a parent or other relative or a partner caring for a spouse, should be seen as making a valuable contribution to society.

Yet, in Australia today, the role of carers is largely undervalued or even ignored.

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 carers, including parents. Over 70% of carers are women, most of whom are caring for someone else in their household (spouse, child, parent, etc.). Most of these carers are of workforce age but, because of their caring role, cannot participate in paid employment.

Capacity to participate in the workforce is a critical issue for parents. Many families need both spouses earning an income in order to survive, let alone build a financially secure future.

However, there are differences in how family responsibilities affect workforce participation for men and women. In August 1995, approximately 94 per cent of men in couple families with dependent children were in the labour force but on the other hand, 65 per cent of women in couple families with dependent children were in the labour force.

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 youngest child (ABS 1995c). It is mothers, not fathers, who generally make the major accommodations in balancing family responsibilities with employment, and clearly, having children and the age of their youngest child, determine whether or how women choose to work. The

overall pattern for women is full-time work when young, withdrawal or part-time work when a child arrives and, ultimately, a return to full-time work.

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.

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.

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.

Clearly most mothers believe that pre-school age children need, where possible, to be cared for on a full-time basis by their parent. According to a recent independent survey, 85% of SDA members with children say they work for reasons related to economic necessity.

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. Increasingly women are becoming aware of the importance of retirement income and hence the need for superannuation.

Since the 1960's the number of married women in the paid workforce has risen markedly. Many of these women are second income earners. These

women often are in the paid workforce for reasons related to economic necessity. In order to attain a "normal" standard of living for a family with children, families are generally finding that in most cases two wages are necessary.

Government policy should be to ensure that no family needs two incomes simply in order to survive and that all families are free, economically and socially, to choose whether they have one or both parents in the paid workforce and on what basis.

The contemporary period has been characterised 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. These developments have had adverse implications and consequences for families. Many prime income earners do not have full time jobs. This markedly affects a family's ability to function effectively on a day to day basis, let alone build for the future.

Casual employment has more than doubled as a percentage of paid employment in Australia since 1982, having risen from 14% of the workforce to 26.4% in 1999. 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?".

According to the ABS, in the year 2000 only 34% of 60-64 year old males were working full-time, compared with 73% in 1970. The same trends are evident for 55-59 year olds.

A survey of workforce leavers in 2000, by the NSW Department of Family and Community Services, found that 43% of 55-59 year olds had lost their jobs, 23% had left work because of ill health or disability, and only 20% actually left to retire.

Many of these people, if not immediately, ultimately come to rely on government payments.

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 outcome of entrenched unemployment is socially disengaged citizens, poverty, and social alienation. Statistics also show that ill-health is higher among the unemployed.

There is also a tendency towards the transfer of welfare dependency across generations. Large numbers of children are affected by these fundamental developments in workforce structure.

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. A two-tiered labour market, polarised between high and low wage earners, has also emerged. This is precipitating increased social inequality and division.

We now have a labour market where, in addition to substantial unemployment, there is also a widespread fear of unemployment.

The Workplace Relations Act should be amended to encourage full-time, permanent employment. Limitations should be placed upon the working of excessive hours. All workers should be entitled to receive a living wage.

Figures provided by the government suggest that Australia has a large number of older people who are unemployed, under-employed or working with no real opportunity of promotion .

The need for Australia to be more competitive and to improve productivity is increasing the demand for higher level skills among members of the paid workforce. The Australian Bureau of Statistics indicates that job opportunities for those with recognised skills are far greater than for others.

Older people tend to find it more difficult to gain and hold employment, possibly because they have unrecognised, outdated, or low levels of skill. (ABS, Australian Social Trends 1999.) Most post-school study or formal training is taken by younger people. Access issues such as cost, time and the availability of child care, are factors in influencing older workers in regard to taking on new training. Yet many of these workers already have substantial skills, albeit unrecognised, at least in a formal sense.

A strategy to address the needs of older workers should be put in place. Critical to that strategy must be that they have the opportunity to access affordable training or skill recognition services.

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.

The current arbitrary restrictions upon the availability of training incentive payments further complicates the situation. Incentive payments are not available where employees have been with their employer for a considerable amount of time. This is inequitable and effectively denies access to quality training at an affordable cost to many working people.

It is time for Australia to adopt a position of guaranteeing all people, including those currently in the workforce, a government funded minimum training entitlement. Such an entitlement could be means tested and only be available for the achievement of a first post-school qualification. Its purpose would be to enable those who have never had access to government funded post school education or training and who cannot afford to fund their own training the opportunity to develop contemporary skills which are required in the workplace. Alternatively it would enable those who have acquired skills through their work and or life experience to have those skills properly identified and recognized.

Such an approach would be a major step towards addressing the major problem of older workforce participants being locked out of employment or being denied the opportunity to advance in their employment.

It is not appropriate, that in moving to a new training based system, that older workers be left behind or be forced to expend their own funds to 'catch up', when they have never had a share of the training dollar.

Not only do many older workers lack the recognised skills qualifications to be able to compete for jobs and move forward in their employment in this increasingly knowledge based economy, but sometimes they also lack the capacity to acquire skills necessary. Low literacy levels among older Australians needs to be addressed if we are to open up the opportunity for lifelong learning to all.

Much more needs to be done to convince employers that older workers have much to offer. However the task is also greater than this. There is a need to take steps to facilitate older workers not just to be part of the paid labour market but also to ensure that they have the opportunity of meaningful employment.

Fertility levels in Australia over recent decades have been on a steady decline. In 1961 families were having, on average, 3.55 children. In 1975 the fertility rate was 2.1 - the figure required to maintain population levels. By 1999 the fertility level had dropped to 1.7; below replacement level. Only 23% of families with children have more than 2 children, while 38% have one child and 39% have two children. The median age for mothers was 28.3 in 1990 but in 1999 it was 29.7.

A continually declining birth rate, compounded by a limited migrant intake and the fact that people are living longer, is having the effect of making Australia an "older nation". In turn this is leading to a shrinking taxpayer base at a time when the resources needed to ensure that all Australians can live in dignity and security for all of their lives is growing. A sustainable population policy which ensures an appropriate mix or balance of age cohorts in the demography of the nation is overdue.

Slowly it is being realized that the shrinking taxpayer numbers has long term implications for Australia's capacity to provide an adequate social security safety net.

The government has a responsibility to ensure that all Australians have sufficient income to live decently and with dignity. As we become an older nation, the problem grows. The issues must be tackled now.