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**HOUSE OF
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STANDING COMMITTEE ON FAMILY AND HUMAN SERVICES

Reference: Balancing work and family

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON FAMILY AND HUMAN SERVICES

Friday, 3 February 2006

Members: Mrs Bronwyn Bishop (*Chair*), Mrs Irwin (*Deputy Chair*), Mr Cadman, Ms Kate Ellis, Mrs Elson, Mr Fawcett, Ms George, Mrs Markus, Mr Quick and Mr Ticehurst

Members in attendance: Mrs Bronwyn Bishop, Mr Cadman, Ms George, Mrs Irwin, Mrs Markus and Mr Ticehurst

Terms of reference for the inquiry:

To inquire into and report on:

How the Australian Government can better help families balance their work and family responsibilities. The committee is particularly interested in:

the financial, career and social disincentives to starting families;

making it easier for parents who so wish to return to the paid workforce; and

the impact of taxation and other matters on families in the choices they make in balancing work and family life.

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Committee met at 9.24 am**MALEY, Mr Barry Russell, Senior Fellow, Centre for Independent Studies****SAUNDERS, Professor Peter Robert, Social Research Director, Centre for Independent Studies****SHARMA, Miss Arti Priya, Researcher (Family Law), Centre for Independent Studies**

CHAIR (Mrs Bronwyn Bishop)—Welcome. I declare open this public hearing of the House of Representatives Standing Committee on Family and Human Services in its inquiry into balancing work and family. We have received 170 submissions to date from employers, industry groups, research centres, employment agencies, welfare organisations and individuals writing about their personal experience of managing their work and family obligations. The committee has already taken evidence in Brisbane, Melbourne and Sydney. Our last hearing in September was about the nanny industry and reignited the debate on work and family, particularly the debate on availability and affordability of child care. Copies of submissions are available on the committee's website. Do you have any comments to make on the capacity in which you appear?

Prof. Saunders—I will be presenting the main part of the verbal evidence.

Mr Maley—I was for some years the director of the centre's Taking Children Seriously research program. I am now semi-retired.

Miss Sharma—I am unlikely to say much at all today; I am here to learn.

CHAIR—Now that you have been sworn in by the secretariat, would you like to make an introductory statement?

Prof. Saunders—Yes. Thank you for inviting us to address you. It is an important and very complex area and we do not claim to have clear and definite answers to the problems that we are addressing, but we hope to lay out some principles about how we think policy in this area should proceed. We are going to focus in particular on the transfer of money, as it affects families, in the taxation of families and in the benefits system and the family support system.

Our starting point is to say that the way in which families want to strike a balance between work and family responsibilities is going to vary between different families. There is a sense that one could be bolshie right from the start and say that it is none of the government's business how people strike that balance. The reason for saying that is that the root cause of many of our problems is that, with the best of intentions, governments over the years have identified a particular problem—for example, in the last few days the cost of child care has surfaced as the latest in a series of problems affecting families—and have tried to address that particular problem. That normally involves some sense of financial redistribution to try to ease the problem without necessarily looking at the impact across the board on the whole issue of income flows between and within families.

The result is that, in a sense, it is sticking plaster solution upon sticking plaster solution. To address the problem, we throw some money at it, perhaps with a tax credit or with a new kind of

benefit or whatever. We then say that this has set up an inequity with this other group of families over here who are doing things in a different way—perhaps the mothers are staying at home rather than going out to work. Therefore, to do something about that, maybe we introduce a family tax benefit part B or whatever to try to compensate. Then we say, ‘But that has set up another problem over here.’ What we end up with is a system of very high taxation combined with a very complex system of benefit flows. For a large chunk of Australian families, particularly in the middle of the distribution, the result is that they are all paying and cross-subsidising each other. I think we have reached a point where we really need to stand back from this and start trying to pick through what the core principles are that we are trying to achieve and the best way to achieve them.

In the packs that we have prepared for you—I could not resist doing this—I have included a single sheet on which there are copies of two press cuttings from last week that exemplify the problem. The top one is from the *Australian* of 24 January. It reported that Deloittes had released a paper arguing, as many people have been arguing in recent months, that we need to simplify the tax system and get tax rates down by tax broadening and reducing the many work related expense claims and those sorts of things. That is a position that I think the CIS would support. One week later, on 1 February, the *Financial Review* reports that Deloittes have called for special tax exemptions to be extended for workers who need to put their children into child care. There is a total contradiction here. Deloittes are not stupid. One understands why this happens. It happens because, on the one hand, they are looking at the general system and saying that the solution clearly is tax broadening and simplification; on the other hand, they are looking at a particular problem, saying that the solution clearly is another form of tax exemption on top of all the others we have. This is the problem that we have.

When one tries to call a halt to this, there is the danger that you get accused of being uncaring, not compassionate and not understanding of the problem that particular families face and so on. But I think we really need to grit our teeth, stand back and look at the broad problem.

The broad problem with the current system is threefold. The first—it is well known and everybody has been talking about it; you will all know about it and you do not need me to go into detail—is the problem of high effective marginal tax rates through a large part of the income distribution of families and households. This is due to the interaction of a progressive income tax system and a means tested benefits system. For as long as you hold to a progressive tax system which you insist will start cutting in at a very low level of income and you hold to the principle of a means tested family payments and benefits system, the result of high effective marginal tax rates is inherent and unavoidable. Yet we are all saying that this is a major problem and we have to solve it.

The only way you can solve it is by tackling one of the two things in the pincer that is causing it. Either you have to take people out of the tax system at the lower end of the income distribution or you have to stop means testing the payments that you give them. It is one or the other, or both. In a sense, I think the proposals that we are putting forward are a combination of those two: we want to take people out of the tax system and we are suggesting that perhaps we need to ease up on some of the means testing.

The second problem with the current system, which is linked to that and which I have already alluded to, is the churning of tax and welfare benefits, particularly in the middle of the income

distribution. That is this process whereby, either simultaneously or over time, families pay tax to the government and then get it back again, either now or in the future, in the form of payments or services in kind. Why is that a problem? It is a problem economically because it is costing us a lot of money—not just in administration costs whereby people are paid to administer the tax system, the Centrelink system and so on but more especially in what the economy calls dead weight costs, in that it is producing a high or gross level of taxation. With a net level of taxation, people are getting it all back again. But, with a gross or high level of taxation, Alex Robson—we have put out a paper of his, which can be downloaded from our web site; unfortunately we have not included it in your packs—estimates that, at the very least, the cost of each extra dollar in taxation that we are raising today costs \$1.20 in forgone output and productivity in the economy. Every extra dollar you guys raise takes at least \$1.20 out of the economy.

CHAIR—Where does that figure come from?

Prof. Saunders—It is a paper by Alex Robson called *The costs of taxation*, which we put out about four or five months ago and which can be downloaded from the website. I did not include it in the pack because I did not want to load you down with too much stuff. So there are economic costs that we are paying for this churning. Every time you increase the tax—even if you are going to give it back again—through disincentives and other effects rippling through the economy, you are taking real wealth out of the economy; you are destroying production of goods and services.

The second problem with churning is in a sense a sociological problem, a cultural problem: a dollar earned, retained and spent by a family as they choose encourages a spirit of autonomy and independence. The same dollar earned, given up to the government and then given back in the form of a payment encourages a spirit of a lack of independence and an increasing culture of believing that problems have to be solved for you by government. Every time a problem crops up in your life, you look to the government and say, ‘Why isn’t the government solving this problem?’ I think that increasingly is the culture we confront today. Once you have that culture moving, it is very difficult to back off from it because it becomes a self-fulfilling process.

The third problem with churning is that it politicises whole areas of civil society that should not be politicised. Particularly at election time and in the run-up to budgets, it encourages all sorts of groups, representing all sorts of sections of the population, to start demanding that they get their chunk back; other groups also, of course, are demanding their chunk back. It just jacks up the level of demand and the level of spending that government is being subjected to.

So the first problem is high effective marginal tax rates, the second problem is churning and the third problem is the politicisation of civil society that I have mentioned. They are the problems and that is why we think we have to step back and start rethinking the way we are doing things. How do we do it? We are going to be modest. We are not saying, ‘This is what you guys have to do,’ because it is incredibly difficult. I personally have spent probably the last three years trying to puzzle through all this and I know that we do not have the answer. But we have some ideas that we will put to you and then you can quiz us on them.

Basically, I want to put forward two different kinds of solutions that we have been toying with. The first has come out of the paper by Barry and me, which we have alluded to in our submission, and the paper by Terry Dwyer on shared family incomes, which is also referred to in

our submission. Both these papers are in the pack you have been given. The basic point here is an argument that we need to look, first of all, at the tax system and to institute a principle that no family or individual is taxed until they have earned their basic subsistence income. Until they have earned enough to keep body and soul together, they should not be taxed. That is not happening at the moment. A tax-free threshold of only \$6,000 is below any conceivable definition of a subsistence income. That means that inevitably you have to tax people and then top them up with welfare benefits. Having a tax-free threshold set that low will mean that your system inherently will be one of churning.

The basic point we are trying to work towards—this is proposal 1—is that families and households should be taken out of tax until they have reached an income that the welfare system would give that type of household or that type of family. For example, at the moment, as I am certain you would know, the welfare system gives a single earner almost \$13,000. The minimum a single person, without any other income, can be given by the government is about \$13,000. So we can say that is the subsistence income for a single person. If you take, for example, a single parent with two children, the welfare system will give that household \$24,700. If you take a couple on their own, the welfare system will give them almost \$21,200. If you take a couple with two children, it is \$30,300. These figures will always be arbitrary—any definition of subsistence will always be arbitrary—but this is what the welfare system says is the minimum needed for that household to subsist. Obviously, it will be different according to the composition of the household.

We say that we need to devise a system of taxation whereby nobody in any kind of household gets taxed until they reach that welfare subsistence level. So, if you are a couple with two children, somehow we have to devise a tax system that means you do not pay a cent of tax until you earn \$30,318 a year. If you are a single parent with one child, you do not pay any tax until you have earned \$21,130. That is what you get guaranteed on the welfare system by never stepping outside your front door. So let us not tax people when they do step outside their front door and work, until they at least have cleared those hurdles.

How do you devise a tax system that delivers that? We have argued that for a single person it is no problem. You simply set the tax-free threshold for a single earner at the welfare floor for a single person—roughly \$13,000. Couples should be given the choice of being taxed separately as two separate individuals if they want to be—and, if they are both earning, they will go for that option—or being taxed jointly, which in a sense reverts to the system we had years and years ago of spousal allowance in the tax system. If they so choose, they should be allowed to be taxed jointly, in which case they will get a joint tax threshold, to be divided between them as they wish, equivalent to what a childless couple would get in the welfare system—roughly \$21,200.

It is simple for adults. We come to a problem when dealing with children. By and large—this is what we take from Terry Dwyer's paper—one solution would be to say that children too should have their own tax-free threshold. Remember that the point with a tax-free threshold is that it is saying, 'This is the amount that you need in order to live.' If you have two adults living off that income, then you need a larger amount. If you have two adults and two children living off that income, then you need an even larger amount. This is the principle developed by Dwyer about allowing for this merging of thresholds between family members. One solution is to give children their own tax-free threshold as well. You might give the first child about \$5½ thousand

and the second child about \$3½ thousand. That would then deliver you these welfare floors in a total combined tax-free threshold for the family and then you scrap everything else.

Having done that, having ensured that you have put in place a system where nobody is being taxed until they have reached a basic minimum that we judge to be adequate for life, there is no need for the government to give them anything else. They have already cleared the hurdle. So you can scrap family tax benefit part A, family tax benefit part B, child-care allowances and child-care benefits. All that can go. Then you leave families to decide for themselves how they will spend their money. They are not rich, affluent or even reasonably well off, but they have 'a bare' enough. You have guaranteed that they have 'a bare' enough, and it is then up to them how they spend their money. You have then solved your incentive problem, as the high effective marginal tax rates just drop out. All that anybody pays over those thresholds is what the marginal rate of tax is, which is what everybody is paying, and the notion of losing 70c, 80c, 85c in the next dollar disappears.

There is, however, a problem: what do you do for the families whose total income comes in below those thresholds that we have now set? One solution is to top them up by 100 per cent. If you have two adults with two children, with the first adult on a minimum wage of around \$25,000 and the second adult not working but looking after the kids, they are about \$6,000 short of what they need or what we say is their basic subsistence income. What do you do about that? You could just top them up by 100 per cent; you could bring them up to the \$31,000.

The problem then is that you have set up a 100 per cent effective marginal tax rate over that \$6,000 income band. You could live with that. You could just say, 'Well, that's what we're prepared to do,' because that 100 per cent is actually over a very short income distribution. You could say that the incentive will still be there because, once you have got over the \$31,000, you will have a lot of incentive to keep earning above that. You could just live with it. That is one solution.

You could also say—and this is what Barry and I put forward in our paper—do not solve the problem by giving the children a tax-free threshold; solve the problem by giving the children a fully fundable tax credit. That would mean that the families over the threshold will simply claim that tax credit against the tax they pay and families under the threshold will claim it as a payment in the way that family tax benefit is currently claimed as a payment. You could do that.

Mrs MARKUS—Could you repeat that?

Prof. Saunders—It is terribly confusing. I confuse myself sometimes.

CHAIR—To make it simple, define what you mean by 'tax credit'.

Prof. Saunders—It would be a non-means tested either payment in the case of families who are under their subsistence threshold on their own income—

Ms GEORGE—So you would transfer that through the welfare system as a direct payment?

Prof. Saunders—That is right, which would not look very different from what we currently do.

CHAIR—Why do you call it a tax credit?

Prof. Saunders—The only reason is that, once somebody is into the tax system, it would operate not as a payment but as a refund against tax.

CHAIR—But, if we are trying to simplify things, the punter will not understand that concept; certainly the person who wants that payment will not understand that concept. Why don't we say what we mean: give them a grant, a payment or whatever it is?

Prof. Saunders—Because of what I said earlier about a dollar earned and retained being worth more than a dollar given up in tax and then brought back again. In our view, it is important that you do not give a welfare payment to those who are over the threshold. Essentially, at the moment, we are locking 80 or 90 per cent of the families in this country into welfare dependency when it is unnecessary to do so.

Mrs MARKUS—So you are saying that you also want to change the language that is used and the system it appears to come from so that the mind-set of those who are receiving this support is impacted on?

Prof. Saunders—Absolutely. That is important. It is more than just the language. The way in which the support is delivered is actually definite. Assume that you are a couple with two children earning \$50,000 between you. You are clear of your \$30,000-odd threshold that you need. You would claim against your taxable income. You have \$20,000 taxable income—

CHAIR—So it is a tax deduction?

Prof. Saunders—It is tax deduction if you are over the threshold. If you are below the threshold—

CHAIR—If you are below the threshold, it becomes a payment?

Prof. Saunders—Yes. In a sense, this is what the government has tried to do with family tax benefit.

CHAIR—So you want to tie them together with the term 'tax credit'?

Prof. Saunders—Yes.

CHAIR—The term 'tax credit' has been used in Labor Party policy for several elections now. It means different things to different people.

Prof. Saunders—We are not talking of earned income tax credit or something like that.

CHAIR—No.

Ms GEORGE—The way I understand it is that you are moving down the route of a guaranteed minimum income, depending on family type, up to a certain threshold. To reach that

threshold with children you would get a direct welfare payment. If you are over the threshold you get a tax deduction.

Prof. Saunders—Yes, that is essentially it. Barry is going to say a little bit more in a minute about the principle behind that. What you are buying into if you go with that option is that you are accepting that every family in the country should be helped through a tax deduction, including the millionaire families that we hear so much about in the press—the people who get the family tax benefit at the moment who are millionaires. The principle would be that every family gets that tax deduction or that support. Barry will speak more in a minute about why you might find that a good principle.

Ms GEORGE—We have a problem with that!

Prof. Saunders—As I say, we are not giving you definite answers on this anyway, but we are exploring things. You gain pragmatically by doing this because you are out of the effective marginal tax rates problem. That is one of the great gains of doing that. As people increase their income you are not clawing back the money that you have given them before, so you are not creating work disincentives. But I agree that the price of that is that you are going to support every family in the country, some of whom some people might think do not need supporting. But Barry is going to give the explanation as to why one might think that would be a good way to go in principle.

I said that there were two possible ideas that we had been kicking around. That was the first one. That was the Maley-Saunders paper. The second one—and you have this in your pack—comes out of something that was published just before Christmas by John Humphreys called *Reform 30/30*. This is the Big Bang reform solution, which may or may not appeal depending on your view of Big Bangs. Humphreys says that what we should do is set a very high tax-free threshold, unambiguously at a level where people can survive, and it should be for each individual. He proposes a tax-free threshold of \$30,000, which is huge. If there are two individuals living together in household then between them they will get a \$60,000 tax-free threshold.

Mrs MARKUS—That is based on the individual?

Prof. Saunders—Yes, it is individual based. The problem at the moment, as you know, is that the tax system is individual based and the welfare system is family based. Dwyer's argument is that we should allow the family based system into the tax system by allowing people to merge. Humphreys' argument is that we should take the individualised system into the welfare area as well as the tax area. Both authors in a sense are saying that whatever principle is running in one we have to run in the other, but they are putting forward different arguments for how to bring them together. Humphreys is saying that every individual gets a tax-free threshold of \$30,000. You have a flat tax rate above that of 30 per cent and a negative income tax below it of 30 per cent. In other words, if you are only bringing in \$20,000 of your own money, you are \$10,000 short of the threshold and you therefore get topped up at a rate of 30 per cent. So you get \$3,300 as a top-up. It is a negative income tax of 30 per cent below and a positive flat rate tax of 30 per cent above. You could then add additional threshold components for children, although Humphreys suggests that you should not.

When I first read this paper I thought it was off the wall; I thought it was mad. But we have had all sorts of critiques. I have given it to people who are much stronger in public economics than I am who have critiqued it, and Humphreys has responded to every critique. I am increasingly of the opinion that this is actually a proposal that is worth serious consideration because it does solve all the problems we are trying to solve: the effects of marginal tax rates, the churning and so on. It means nobody in the country will ever lose more than 30c in the dollar when they earn their next dollar—no matter how much they are earning. This is a strongly incentivised system. The problem with it is the cost. Bumping the tax-free threshold from the current \$6,000 to \$30,000, on the calculations that Malcolm Turnbull got done, roughly comes out at an increase of \$1.5 billion per thousand. So the cost of this is enormous. Equally, of course, you are stripping out all the tax exemptions for everything. It is the ultimate broad base. You do not claim anything; you get \$30,000 and that is it. You do not get any welfare top-ups, apart from the next income tax, so you are saving a lot as well. Nevertheless, the net cost, if there are no productivity gains and if there are no efficiency gains in terms of more people working, would be huge. Humphreys argues that there would be enormous efficiency gains. Remember what I said earlier about Robson saying that every extra dollar you are taking in tax is costing us \$1.20. Every dollar that you are maybe not taking in tax might therefore be generating \$1.20 revenues elsewhere in the economy.

CHAIR—We currently gather \$13 billion more in tax than we ought and give it back.

Prof. Saunders—Yes.

Ms GEORGE—So you would have no deductions, no negative gearing, none of the concessions—

Prof. Saunders—No, none of that. Strip it all out, that is right.

Ms GEORGE—What about superannuation?

Prof. Saunders—He would not even allow it on super. I have argued with him on super. In order to get the full benefit of the system, you have just got to be vicious on all the different benefits and allowances that have grown up over the years.

CHAIR—When you say that is worth considering, I have got to tell you politically that it would never fly.

Prof. Saunders—No, but a lot of things which would never fly at one time, Bronwyn, then flew some years later. Our role as a think tank is to put stuff out there and see if it looks plausible and, if we think it is plausible, to try to argue for it. What I am saying is, in a sense, I still see this as an ideal version, but I agree with you that you could not put forward as a program now—but maybe you ought to have it in the back of your head as something that you are going to try to work to. Try to get as close to that as you can. We have not had it properly costed. We cannot do modelling. There are only three places in the country that can run these models through: the Treasury, the Melbourne Institute and, to some extent, NATSEM. We cannot do modelling ourselves. I cannot give you what this would cost and so on. Anyway, these models are only as good as the assumptions built into them. If you make the assumption that there would be huge

efficiency gains, then you can construct a model to show that this will pay for itself. If you assume no secondary effects of tax changes, then it will look hugely expensive.

One chap that we ran this past worked out that the 30 per cent flat tax on the \$30,000 threshold would lead to revenue problems, but what about if you made it a 36 per cent tax? He reckons that at 36 per cent it could work. Alternatively, you might look at playing with the GST rate to keep the income tax rate lower. There are a number of ways in which you can run this sort of thing. But it is not the key proposal we are putting forward to you today. It is much more the Saunders-Maley proposal. But I wanted to alert you to this because I think that there are a lot of benefits in this if one could start moving in that direction. I will stop at this point because I want to come back to Barry and his argument about whether in principle we should be supporting the cost of children, even in affluent families.

Mr Maley—I will make one or two remarks about that and about one or two other things that are often raised in this debate about taxation and work and family allowances. Of course, what Peter and I have always had in the back of our minds is how you deal with the infinitely variable circumstances and ambitions of individual families. It is extraordinarily complex, and we have searched for the simplest rules that will deal with that complexity fairly and efficiently in economic and social terms. That is the background of our thinking. I in particular over the last several years have been dismayed by the way in which family life is being warped and distorted by a mix of perverse incentives and disincentives, many of which Peter has already talked about, in the tax law, the family law and in the welfare system. So that is fundamental to our thinking.

CHAIR—Can you talk about that a little more, because some of the questions that I wrote down about some of what you said include what happens on divorce.

Mr Maley—Yes. Anyway, that is perhaps not a subject for this committee today, but it is vital and important and it is part of the mix that we should attend to. Some people have said: ‘Why do we have children’s allowances anyway? Children are a free choice; nobody is forced to have a child.’ That has been argued in the press quite recently. Even some economists have said that there should not be any child allowances—that because of this free choice children are a sort of private or consumer good, if you like, such as a car, refrigerator or TV set.

CHAIR—If they were, you could have child-care expenses being a tax deduction.

Mr Maley—That is right. The other point is that you can let your car rust, you can wear out your carpets and you can let your fridge run down, but you cannot neglect a child. You cannot neglect a child without facing severe penalties. Why do we do that? We do it because we know that children are not merely public goods but are what we might call humane goods. They have to be looked after, they have to be cared for, and if the parents do not do it they will be punished, or if a child is indigent or disabled the state will come to the rescue and make provision for those parents; otherwise, parents in effect are forced by the law to divert part of their income, always and in every case irrespective of that income, to care for their children. In my view, that should be recognised in the taxation system, and that recognition should be equal for every child in the country irrespective of the income of the parents.

You can progressively tax above that allowance for the child, if you like, if you want to deal with questions of vertical equity. That is another issue, and we might have something to say on

that. But the point I am emphasising is: let's look at it from the perspective of what is due to the child and what is forcibly demanded should be given to the child, either by its parents or by the state if the parents cannot or will not do it. That recognition should be equal for all Australians, either by way, as Peter has described, of cash or a tax rebate or credit of some sort.

I will not say any more about that, but I do want to emphasise this compulsory diversion of income from the parents to the child. Virtually all countries recognise that principle in one way or another. Some, like us, means test it, and some do not. Let me read from a document called *Fiscal Policy and the Family*, produced by Civitas, an independent foundation in Britain, which deals with family matters and allowances in Britain, the UK and France. On page 7 of that document it says that in Britain:

A flat-rate universal child benefit is available for all parents, regardless of income.

That was established, I might say, by a Labour government.

Ms GEORGE—I could go down the route of a flat rate tax credit, but the way you put it would be a deduction based on income level. The problem with that, I think, is that it always advantages the top income earners. Why couldn't your system accommodate a flat rate tax credit for everybody above the threshold?

Mr Maley—I do not think we need to get into the detail of how we would do it. The important thing is that the value should be neither greater nor less in the hands of the parents. We can organise in some way to achieve that, and I do not think it would be very difficult. But that is the principle: it is worth no more and no less for every parent in respect of each child. As I say, that or something like it is recognised in some countries and not in others, but every country acknowledges the debt we owe to the problem of supporting and caring for children.

Mrs IRWIN—So you are saying that you support a tax deduction instead of a tax rebate. Is that correct?

Mr Maley—Let us say that a rich family's tax bill is \$20,000 for the year, and let us say that the value we have put on the child allowance or tax credit is \$6,000. That is deducted from that tax.

Ms GEORGE—For everybody, at the same rate?

Mr Maley—Yes.

Ms GEORGE—And then you apply the tax—

Mr Maley—Apply the progressive rate to what is left, yes.

Mrs MARKUS—What would happen to a family that is not paying \$6,000 tax—for example, if they are paying only \$3,000?

Mr Maley—As Peter said earlier, then we get that mix at the top of the threshold. Let us say that you have a mixture. If they are below the threshold, they get the \$5,000 for the child as a

cash allowance. Let us say they have a mixture of welfare payment and income but the income above the threshold is not sufficient for them to claim the full value of that rebate. You would have a mix of rebate, which could be variable based on the degree of income—let us say, from zero to \$4,500—and the rest would be in the cash allowance. One way or another, either through their tax bill or through a cash allowance, they get that value for the child.

Let me deal with one or two other problems that are sometimes raised in this discussion. One is: why should you tax the income of single people in order to support other people's children? That has been raised in the press quite recently; I am sure you have seen it. That would be unfair unless we take an intergenerational view of the tax system. Let us talk about a 25-year-old single person with an income. He or she as a child would have received the benefit that his or her parents had from that tax deduction. In due course, if they get married and have children, they will enjoy it. But, even if they do not, they have still benefited from it. In intergenerational terms, if we take a long view of these things—and that is one of the problems: we have always taken the short view—it is perfectly fair.

One other thing I will refer to is this question of child care as a work expense. I think this is a very interesting and important point. Let me read from an article in the press recently. Page 23 of the *Weekend Australian* from 5-6 November 2005 says:

Under our tax system, expenses incurred in earning can be deducted from assessable income.

... ..

But not the unavoidable expense of minding children while parents work. The expense of employing a secretary is deductible, but a nanny isn't. Utes and uniforms are legitimate expenses but childcare costs aren't.

That sounds very plausible but, in my view, it is quite wrong in principle. We know that the plumber or carpenter has to buy tools before he can do his work. The commercial traveller has to have his car before he can do his travelling. They have to have these things in order to do their job and they are unavoidable expenses of working in those jobs. But a mother does not have to have a baby in order to get a job or to carry out a job. Having a baby is a choice with consequences, and one of the unavoidable consequences, as I see it, is that the parents are legally obligated to care properly for the child. The necessity of child care arises not from the obligations or requirements of the job but from the obligations of parenthood. I think that the analogy is false on those grounds.

CHAIR—I think I want to register a challenge to that.

Mr Maley—Yes, sure.

CHAIR—Quite frankly, that sounds like Tony Mason's argument in 1972, in the first of the child-care cases. In other words, it is not regarded as an expense which is incurred to acquire assessable income—the hypothecation argument. The reality is that, as a nation, we want people to have children, we want women to work, and child care is a necessary expense incurred in order that they may go to work. The logical extension of your argument is to say, 'No, the state should pay all women to stay home and look after children.'

Mr Maley—No, the alternative is what we are suggesting—

CHAIR—What you are suggesting is still payment to stay home and look after people.

Mr Maley—No, it is not. It is not payment on that condition. What we are suggesting, or what I in particular am suggesting, is that if we recognise the necessary costs of a child for everybody, including working mothers, and if we make financial allowance for that, the mother is then free either to work and to meet her obligations for care from the child-care allowance which she receives or to stay at home.

CHAIR—You say the commercial traveller must have a car to do his work.

Mr Maley—Yes.

CHAIR—But a chief executive of an important company does not need a car of his own to get to work. He would probably have someone pick him up. It is all a tax deduction. It is all a comfort. It is all something that makes somebody's life easier. The sort of argument you have put forward, if I might say, could only ever be put forward by a man. Have you ever had a woman agree with you?

Mr Maley—In principle, my wife does. We have had children and she has worked while we have had children.

CHAIR—When did she start to work, having had children?

Mr Maley—We have two children, and she started to work when the youngest was about seven.

CHAIR—What about the nought to two-year-olds and the three-to five-year-olds?

Mr Maley—When we needed to, when it was essential, we paid for our child care. And in those days we had a child endowment which we could draw upon to do that.

CHAIR—She could draw upon it. It was not yours, it was hers.

Mr Maley—We regarded these things as joint.

CHAIR—No, there was a deliberate government policy that paid that allowance to women, because even in wealthy families there are women—and the children—who I know are far from enjoying the benefits of that wealth because it is dominated by the male breadwinner. You talk a lot about sharing, but reality is not the way it is in an ideal system.

Mr Maley—I have got no problem with that at all. I am only telling you what we did with what we got.

CHAIR—I will listen.

Prof. Saunders—The basic principle is that the family should have the capacity to bring itself and its children up, at a minimum standard at least, but how it chooses to do that the government should not be involved in trying to influence. Therefore, the government's duty is up to and including the point where that family is being delivered an appropriate level of income. Whether they then choose to spend some of that money on buying in child support or whether they choose to use some of that money to substitute for the mother's income while she stays at home is entirely up to them, and the government should be neutral on it, which is why you should not be paying something called a child-care allowance or a child-care benefit and you should not be paying something called a family tax benefit part B, only payable to families where the mother stays at home—

CHAIR—What we are talking about here is tax deduction, and tax deduction is giving people back their own money—

Prof. Saunders—Yes, indeed.

CHAIR—and it is a very desirable thing to do. Of course, the government always spends an individual's money more poorly than the individual does.

Prof. Saunders—I think we are agreed on that.

CHAIR—So let us look at the second proposition you gave us, and that is that we should look at family situations as individual based; that is, women count as individuals, not as part of a collective unit. Then the proposition that comes forward says that if the woman is going back to work she needs assistance to do so, because by and large it is her. And government policy now says that if you are sufficiently careless to lose a husband, and you become a single parent, then you must go back to work when your youngest child is eight. But if you are not careless, and you keep the husband, the government will actually pay you to stay home.

Ms GEORGE—There is a real contradiction in the current position, isn't there? The welfare state is paying a substantial allowance for wives of very wealthy people who have the option of staying home to look after their children, and yet it is going to tell sole parents, once their child turns eight, they have got to be at work and face effective marginal tax rates of up to 70c in the dollar for every bit of income they earn. It is a totally untenable situation. The worry I have with your proposal is that your child tax credit does not differentiate between the costs of the child care that is necessary for a woman to go back to work and a woman who has the option of staying at home. I can understand that you are treating all children as an equal entity, but it does not really reflect the different costs.

Prof. Saunders—But surely it does. Go back to the Dwyer proposal of allowing couples, if they want to, either to pool a tax-free threshold or to be taxed separately. So for a couple where the woman chooses to go back to work she will choose to have her own tax-free threshold of \$13,000 and her husband will also have a tax-free threshold of \$13,000 and the child-care arrangements are on top of that. Rationally, a couple where the woman chooses to stay at home will choose to pool the tax-free threshold and her husband will then get a tax-free threshold of \$23,100.

Ms GEORGE—Yes, I understand that, but they are all going to get the same payment for the number of children.

Prof. Saunders—They all get the same payment for the children, yes.

Ms GEORGE—That is regardless of the costs that might be associated in the care of those children. So, for example, a woman going to work might be paying \$100 a day for long day child care, a mum at home is paying some costs towards it but nothing like the private expenditure of \$100 a day for the child to be minded and yet all the children are going to be treated the same.

Prof. Saunders—Yes, but the woman going out to work will be getting her own tax-free allowance of \$13,000.

Ms GEORGE—Okay.

CHAIR—I enjoy some of those ideas. I think there is a lot we could work with. Where I will draw issue with you every time is on the question of tax deductions for child-care expenses. In my mind, it is an essential ingredient for the production of assessable income. The hypothecation principle used by the Taxation Office, in my view, needs to be changed. The rest of it makes a lot of sense, but on that issue—

Prof. Saunders—There are genuine dilemmas involved in this and it is a question of which principle you want to prioritise. In the context of the overall discussion that has been running in this country for two or three years now about the need for tax reform rather than just tax cuts, as I understand it the argument for tax reform, it starts with the argument that the system is too complex—you keep hearing about 9,000 pages of tax law that nobody can understand—and that the solution to that has to be tax broadening in order to get the rates down. You do not approach tax broadening by adding yet another tax allowance for working people.

CHAIR—Tax broadening has become a code word. Tax broadening says: get rid of all deductions. I will tell you now no government is going to get rid of super deductions or the obvious one of negative gearing. The psyche of the Australian people is such that they actually like getting something off the taxman.

Prof. Saunders—I have had this argument with you before in a different context. Fundamentally, only having been an Australian person for a few years as against a lifetime on thin ice, I just do not believe that, if people understand they are lending the money to the government interest free for a year and are then being given it back less overhead costs, they are going to applaud that.

CHAIR—This is a very good question in the area of tax reform. If you are a provisional taxpayer, which we said we abolished but we did not, and you are paying quarterly payments and you are late with your payment, you get hit with a GIC, but if you overpay your money and when you get a repayment at the end of the year you do not get interest paid on the money you have lent the government. So we have a real dilemma when looking at the way in which we deal with the collection of tax, and that is an area to look at for reform. If you start to look at that then the issues that you have just raised are solved.

Prof. Saunders—This is taking us away from the topic a little bit, but when I first came to Australia and started filling in tax returns I was staggered to learn that virtually everybody completes a tax return in this country when in Britain virtually nobody does. I still fail to understand why it is beyond the competence of the ATO to build such tax concessions as are allowed into somebody's tax code or into their tax threshold so that they are deducted through the PAYG system rather than this absurd system of churning that we set up where you claim it back at the end of every tax year. Australia seems to me to be years behind, particularly in the computer age, with what is quite possible and readily practised through most other countries in the Western world.

CHAIR—There is a new inquiry into tax beginning in the next four weeks.

Prof. Saunders—I am delighted to hear it; we will see you at it.

CHAIR—We would love to have you come along. We have gone from getting totally assessed tax returns to self-assessment, but we have not really come to terms with what that means and we have not moved on to the next step, which means some people could be opted out of the system.

Mr TICEHURST—Just look at the size of the *Tax Pack*—it grows every year. It is so complicated that people are forced to use tax agents.

Prof. Saunders—When we see thousands of tax agents queuing up at Centrelink each week for their payments, then we will know that we have done the job.

Mrs IRWIN—I would like to go back to the child tax credit. Recommendation No. 5 in your submission states that all families with dependent children should get that tax credit to the value of \$3,000 per child. Is that regardless of income?

Prof. Saunders—Yes.

Mrs IRWIN—Going back to what Jenny mentioned earlier, that means that a stay-at-home mum with a 16-year-old child and dad on over \$200,000 a year would get \$3,000 for that child, but a single woman with an eight-year-old child would have to go and find work. What is that incentive then to get that woman who is the stay-at-home mum off the tennis court and out looking for a job?

Prof. Saunders—I think we are mixing up the question of whether you are supporting the cost of the child or the cost of the carer. In your first example, the millionaire mum playing tennis is not being supported. What is being supported is some of the cost of her 16-year-old. Obviously you would have an age cut-off, but a dependent child, however you define a dependent child, has a cost, as Barry says, that falls on the income of the parents and the child would be supported through this tax credit or however you would do it. In the second case, the parenting payment is not a payment for the support of the child. The single parent still gets family tax benefit under the existing system as the payment in support of the cost of the child. It is the payment to support her. That is not what we are doing for millionaire mums, but it is what we are doing for welfare mums: we are paying for her subsistence, not the child's—it is a separate part of the payment that she gets from Centrelink. The question then is: at what age

does the community deem it appropriate that the woman ought to be making a contribution to her own subsistence and not relying 100 per cent on other people to make it? The government has now brought in measures that mean that, once the child turns eight, the mother should be partly responsible for her own subsistence. It is a perfectly reasonable assumption.

CHAIR—But we have a dichotomy, haven't we, when we look at the way government makes policy? On the one hand, we say that we want to make families more intact, and so we will have counselling to try and help them stay together. We want people to have more children, so we now pay a baby bonus, and it has worked—the birth rate has actually gone up since the payment of \$3,000 was introduced.

Prof. Saunders—It correlates; it is not necessarily causal.

CHAIR—It just happened!

Prof. Saunders—I think it was Mr Costello calling on families to have one for the country that probably did it!

CHAIR—Actually, someone else suggested that before you did. On the other hand, if the family is intact we treat it one way but if the family is not intact we treat it another way. I see that as something we have to bridge somehow. We say that we will do everything we can to support intact, single-income families—there is an attitude that that is a good thing—but that if you are careless enough to become a single parent famille then we do not think that is a good thing and for your moral good we want you back in the workforce because we do not want you to be totally dependent on welfare; we want you to be an independent, resilient person. That is a good thing for people to want, but the government thinks about and treats the two situations differently. The two really do not sit comfortably side by side.

Prof. Saunders—I am not sure why you are saying that the government or the community has made a decision that, in the case of two-parent families, it wants to support one of the people staying at home. If you are saying that there is an unintended bias in the current tax and payment system which has that effect, and you may be right, then that in a sense goes to the very start of my presentation to you, which was that you guys have to try to create a level playing field, a neutral policy framework, where people can make their own judgments about their own best interests and how they want to balance their work and family commitments. I think we would agree on that.

CHAIR—We would.

Prof. Saunders—You need to do analysis to see whether the current, incredibly complex churning of tax and benefits is benefiting one kind of family rather than another—a stay-at-home family rather than a working couple or whatever—and one can do that analysis. In terms of a normative judgment—what should be done—the argument from this side of the table is quite clear: the government should not be biasing the playing field in favour of one or the other. That is precisely the logic of why we arrive at the end of the day saying, 'Let's do away with things like family tax benefit part B on the one hand,' which is a payment to stay at home, 'and let's do away with child-care tax allowances or benefits on the other,' which is a payment or support for trying to go out to work. You are trying to support all these different initiatives when what you

need to do is stop supporting any of them. Just make sure that every family has enough so that it can make a basic judgment on how it wants to live. That is it—then stop.

Mr TICEHURST—In this discussion, you have talked about annual figures. What about these two situations. One is where you have casual workers, so one member of the family may be working casual and part time. How do you take that into account if you are looking at all the figures being on an annual basis?

Prof. Saunders—It goes back to what we were just talking about, in a sense—how the tax system could be made more flexible to take account of changes in people's circumstances throughout the year. At the moment, it would have to be through an end-of-year adjustment.

Mr TICEHURST—Then there is the other circumstance of non-custodial parents. About 85 per cent of those cases are male, about 15 per cent are female. If a person has three kids, they are paying about 32 per cent of their gross payments, including non-cash benefits. How do you equate the family payments for people who are paying non-custodial taxes, essentially, when they are also required to pay for those kids for certain periods of time without having any rebate whatsoever?

Mr Maley—If what we are suggesting were done, that issue would have to be sorted out at the divorce settlement. I am not suggesting that that is an easy thing to do, but how else can you do it? These are microproblems of fairness and equity that you simply cannot devise rules for, it seems to me, except in the broadest terms.

CHAIR—You can if you say there is sharing of benefits that are given, like pooling your tax-free threshold. The money that is attributed to each spouse, in fact, passes into law. That becomes their property forever so that, in the event of there being a parting of ways, they know that it is theirs. Then you can deal with the rest. Let me give you an example. One form of savings that used to be popular was life insurance. That was on the basis that if anything happened to the sole breadwinner there would be an income for the spouse who remained. At divorce, for instance, that asset is not marital property. The family has forgone the use of the premium during the period of the family being intact in order that some future benefit is accrued for, presumably, those same people. If the marriage breaks down, that money is not part of the marital property, but you have forgone the use and there is no benefit. Not surprisingly, that is not a product that people want to buy anymore.

Mr Maley—We have devised some rules for the division of superannuation.

CHAIR—We have, only recently, and a lot of us did a lot of campaigning to see that happen. It only took 20 or 30 years!

Mr Maley—That is an answer to your question, I think: we have to acknowledge these situations. Insofar as we can devise broad rules to cover them, that is well and good, but there will still be all sorts of little things that fall in the interstices.

Mrs IRWIN—I want to go to recommendation 3 of your paper:

Raise the personal zero-rate threshold to \$12,500 and index it annually to rise in line with average wages.

From your research, who will benefit from this recommendation? Would it be the kid who works at McDonald's, the doctor's wife who answers the phone or the woman who works part time?

Prof. Saunders—Every worker will benefit by the same amount from a rise in the tax-free threshold.

Mrs IRWIN—Recommendation 4 states:

Where they wish to do so, a couple should be permitted to opt for joint taxation with a shared zero-rate threshold of \$19,500.

Prof. Saunders—Those figures have to be increased a little.

Mrs IRWIN—It concludes:

This threshold should be indexed to rise with average wages.

Is this a scam for high-income earners? That is how I am reading that recommendation.

Prof. Saunders—A scam for high-income earners?

Mrs IRWIN—Yes. Say dad is on \$200,000 and mum does not work but is entitled to family tax benefit part B, which is \$3,000 per year.

Prof. Saunders—No, she is not, because we would scrap it. All these proposals are in place of the existing system of family tax benefit A and B and the child-care allowance.

Mrs MARKUS—I would like to make a couple of comments and ask some questions with regard to recommendation 4. My electorate is in Western Sydney and 83 per cent of those in the workforce are wage and salary earners and many are on middle incomes of under \$50,000—\$30,000 would probably be the average income. Many families have come to me in a situation where everything earned by the second income earner is going out in child care, so there is no return for them as a family or for that individual. A number of those people have approached me with the same kind of thinking as yours, though not necessarily as well researched as what you have presented today: the opportunity to opt as a couple for joint taxation would benefit them and that would be preferable to an additional child-care rebate. That view has been expressed to me from people in the community, so I think it is important for that to be mentioned today. Of course, this is not just about benefiting those with higher incomes; this would be of benefit to many middle income families, in my view.

Prof. Saunders—Can I just reaffirm a point in relation to that: the moral argument for that is precisely the question of how many people have to live off a given income. The tax-free threshold is a recognition that you have to provide for your own subsistence. If I also have to provide for somebody else, there are two of us living off that income and clearly that subsistence threshold level has to be higher. It is a logical and moral argument that we are putting and it has very strong pragmatic effects in solving the problem of the effective marginal tax rates, the disincentives and so on. But we are starting, in a sense, from first ethical principles, which I think is why your constituents come to you and say, 'I feel it would be fairer if we could do this.'

There is a gut sense of what is fair, and, if you try and unpack it to see what is going on in that gut sense of what is fair, it is how many people have to live off a given income. If there are two incomes and two people, then obviously you need two thresholds. If two people are living off one income, then clearly that threshold has to be higher.

Mrs MARKUS—These are people who do not want to be dependent on welfare—entering the welfare system is not often their choice. You talk about the link between the way welfare is structured in this nation and the taxation system. What would you see as the impact of your suggestions? Have you measured the impact on the cost of welfare and how that would be reduced? Have there been any studies done in countries where there may be similar ideas?

Prof. Saunders—As I say, it is very difficult, because you do really need to run this through a proper tax and benefits model and we do not have access to that. It is very expensive to buy access to it and we have not done it. So all we have done is back of the envelope kinds of calculations. But, as I keep saying, the additional problem is that very often when this modelling is done it assumes that there is no effect on people's behaviour. It is a static modelling, so you simply say, 'Raising the threshold by that much is going to cost \$1½ billion per 1,000, but you're going to save on family tax benefits by that much,' and you take A away from B and you say, 'This is going to cost the government so much,' on the assumption it is going to make no change to the way people are behaving. Now, if we go back to first principles again, I started off by talking about effective marginal tax rates, which is the great big looming problem behind all these debates about tax and welfare that we keep having. If you solve that problem, as I think we can with these kinds of proposals, you will encourage more people to work or to do more hours, to go for promotions or whatever. There will be feedback effects of that in terms of increased economic growth and prosperity, and that of course will then feed through in terms of increased revenues on a lower tax rate.

Ms GEORGE—One of the advantages that I see—I am not necessarily wedded to the idea—is moving away from the complexity of the current system, because I know that when constituents come to me it is hard enough for me to work out family benefit tax part A or part B, or tax-free thresholds. I think there is a clamour out there for simplicity in the system. And when you read that families up to a certain income level are paying tax but getting it all back, so it is virtually a tax-free regime, it just seems to me to make no sense, except that it keeps a lot of people paid in jobs that maybe could be done more productively elsewhere. I can understand that you set the tax-free threshold at different levels depending on family type and that you can pool up to a certain level, and I can see, as Louise has enunciated, some arguments for that. But above that the flat rate seems to me not to take into account the different costs of caring for and bringing up children that the different family types incur. So you are treating—

Prof. Saunders—Sorry, do you mean the flat rate of child benefit tax—

Ms GEORGE—Yes.

Prof. Saunders—or the flat tax rate?

Ms GEORGE—Because, for a woman who has to go out to work out of economic necessity, the cost of care for her child under two is going to be substantially higher than the indirect costs of the stay-at-home mum, and yet they are all going to get the same—unless you give everybody

the same and then allow a further incentive for people for child-care costs above that basic tax-free credit for the children, regardless of the costs incurred.

Mr Maley—Isn't that implicitly valuing what the mother who goes to work is doing against what the mother who is staying at home is doing?

Ms GEORGE—No, not necessarily. I agree with you; it is up to families to choose what they do, but what you are doing in your model is implicitly not accepting the economic cost for families of the return to work. That is where I see a slight problem.

Prof. Saunders—Let us say that the first child attracts a tax credit, whatever we call it, worth \$5,000. The cost of child care over a year would be—what, if you want to go out to work?

Ms GEORGE—In Sydney it could be an average of \$100 a day for long day care, \$500 a week, multiplied by about 50.

Mr CADMAN—I think the average is about \$4,200.

Prof. Saunders—For a year?

Mr CADMAN—Yes.

Prof. Saunders—So, basically, the \$5,000 that the community is making available to help with the costs of that child could be used to meet child care to release the mother to go out to work, which means that, net, everything she is earning will be a positive income because the \$5,000 is being used for child care. Or the mother might choose to stay at home and the \$5,000 is then in a sense an opportunity cost; it is recognition of the income that she is forgoing by staying home to provide that service at home rather than going out to work. I do not get this argument that she is being penalised. As long as you are making sufficient provision for the cost of that child, how the parent then chooses to use that money, whether it is for child care or it is a substitute income for her or whatever, seems to me to be neither here nor there.

CHAIR—You pay that to the mother.

Mr CADMAN—She might even decide to pay her mother or a sister some support to look after the child while she goes to work. There is a choice.

Prof. Saunders—Yes, indeed.

Mr CADMAN—Dr Terry Dwyer's argument for a tax-free income entitlement for all family members, including children, is an interesting proposition. Has Dr Dwyer done any work to see how that might apply to blended families where there might be a responsibility for children in an immediate family but for children from a previous marriage or relationship?

Prof. Saunders—In a sense, this links in with the earlier question about what happens on separation. In principle, surely the parent who has responsibility for the care of the child and who therefore, in Barry's terms, is having to sacrifice parts of their income for that child is the one who has the entitlement to the support payments.

Mr CADMAN—At first appearance it seems to be a broad rule that could be applied where there is a responsibility for the care of elderly and aged parents as well as children. Is that right?

Prof. Saunders—In principle, yes. We have not been there and we have not looked at that but, in principle, that is perhaps an argument that could be developed.

CHAIR—And disabled people.

Prof. Saunders—Yes. I do not want to go beyond our brief here. It is an interesting idea and I would say, yes, in principle, I can see that that could be accommodated within this kind of thinking.

Mr Maley—And where there is a duty of care going along with the responsibility for care; at least where there is the expense associated with the duty of care for somebody.

Mr CADMAN—I see a roll-on factor here which creates a sense of mutual responsibility in families and between relatives rather than the separation that government systems tend to impose. I do not know whether you would see it in the same way.

Prof. Saunders—Yes, I think that would be a fair comment.

Mr Maley—That can happen.

Mrs MARKUS—I would just like to add to some of what Mr Cadman said. The debate about child care has been going on. What you highlighted earlier at the opening of your presentation is that families are very unique mixes, whether they be single parents, blended families or divorced families. There are challenges with child care obviously but people often have individual choices. They do not necessarily want structured child care. Sometimes we look at the child care system and we only talk about day care or institutions, and many families, not just because of availability—whether there is a waiting list or a vacancy—have other options they prefer, and they can be very unique and very individual. To cater across those, some of your suggestions here introduce and present a way of looking at things that enable that.

One of the challenges we have as a government is to actually create that environment where families can choose but they have what they need to be able to do that. Increasingly, with regard to families and work, how people choose to live their lives is very different. We are not in the fifties or sixties or seventies where things were more simple in a way. They are more complex. So we need to ensure that whatever we provide—whether it be altering the tax system or however we assist families with child care or whatever to balance work and family—is responding to those unique differences to ensure that families and individuals within that family can make a choice. So if a woman, as Bronwyn said, wants to be viewed as an individual and treated that way by the tax system, she can be. If families look at their financial situation and think they can manage things better then they have the option to do that. I am not sure of all the ways to do it.

Mrs IRWIN—There are also a lot of families who would love dearly to be able to send their child to child care but they cannot afford that. You are looking at more grandparents these days who do not particularly want to look after the grandchildren—they love their grandchildren but

they are in their retirement stage—but they have got to because their children cannot afford it. I am seeing that continually in my electorate of Fowler, as I am sure Louise is in her electorate of Greenway. All of us have seen it.

Prof. Saunders—One reason why they cannot afford it is that the family is paying tax on every dollar it earns over \$6,000. If we can just get the tax system right and take low-income families out of tax—and the only way you can do that is by raising thresholds—then we will find that those people increasingly can afford things that currently they need to apply to the government to get support for. They could afford to do it if we stopped taxing them so much. That is the fundamental problem.

Ms GEORGE—Is the loss of revenue from raising the threshold compensated by the reduction in the transfer payments? Is it a zero sum game? You do not know.

Prof. Saunders—I keep saying that we cannot do the modelling. But, to be honest, I suspect on a fairly dramatic rise in the tax-free threshold that, even though you scrapped the family tax benefit and child-care payments, on a static analysis you would find a shortfall. The question is: how much would that shortfall be made up by increasing revenues from increasing activity in the economy? Who knows? If we started moving in that direction, we could begin to find out.

Ms GEORGE—Does your proposal eliminate all the concessions, or do they remain?

Prof. Saunders—We have published 10 different papers on different aspects of tax—

Ms GEORGE—In the proposal you have put today.

Prof. Saunders—Yes. Behind all of these papers is the strong argument that we need to strip out a lot of these concessions.

Ms GEORGE—That is not going to happen. We have to recommend things that are feasible.

Prof. Saunders—The very first paper that we put out in this series of tax papers was by Geoffrey Walker, who is a tax barrister. He made the fundamental point that the principle of the rule of law is that you must know in advance whether what you are doing is right or wrong and that the same rules must be applied to everybody. In his view, the current level of complexity in the tax system is in breach of that principle of the rule of law. Half the time people do not actually know what the rules are, so they cannot judge whether what they are doing is appropriate or not. And the ATO comes in with increasingly arbitrary judgments post hoc, on what people have done, to say whether it is right or not. So, if for no other reason, there is a basic principle of the rule of law that says you have to sort this problem out.

CHAIR—The new Commissioner of Taxation made the statement recently that it does not matter whether the average person does not understand it, because they all go to tax agents.

Prof. Saunders—I think that was a very unfortunate comment. Returning to Louise's point—I know that the committee wants to wrap up, but I do not want to lose the point that Louise made—it is right to say that modern life is increasingly diverse and pluralistic. I was trained in sociology and I taught it for many years. Sociology is a terribly weak subject. It has very few

insights into life and the human condition, but there is one insight that I think is fundamental—that is, human actions nearly always generate unforeseen consequences which very often have effects that were not intended. When a government intervenes with the level of clout that it has, the unforeseen consequences can be huge. When a government says that it is going to give families financial help for child care it has to start specifying. So of course it is available only for that kind of child care, not for this kind of child care, and therefore it has all the problems with it. At the same time, another wing of government is trying to build its social capital, yet a family cannot use granny for the child care. The child has to go to a formal commercial agency—

Ms GEORGE—Or you do not get the rebate if your child is in preschool and not long day care.

Prof. Saunders—It is a complete mess. The basic principle is: get the government out of it as far as possible. The government has a crucial role in ensuring that people have a basic level of income and then leaving them to get on with it.

Mr CADMAN—Julia Irwin said that she has no child care. I have a surplus of child care. I have centres half full.

Mrs IRWIN—No, I have child care. What I am trying to say is that people cannot afford to pay the \$60 a day.

Prof. Saunders—Because you guys are taking the money off them.

CHAIR—Which is why we need tax relief—but there we go.

Mrs IRWIN—That is why we need a change of government.

CHAIR—That would really put us in the poo!

Mrs IRWIN—I had to get that in, Chair.

Mr Maley—Just so long as you do it, we would like to see it.

CHAIR—I thank you all very much for coming. You can see that it has been a very vigorous discussion. We appreciate enormously the work that you have done and presented to us. There may be an opportunity for us to come back to you on a couple of issues. We do thank you very much for being with us.

Prof. Saunders—We appreciate the opportunity to present these ideas to you. I feel it has been a very positive discussion. Thank you very much.

CHAIR—Thank you. I ask one of my colleagues to move that the package of papers received from the Centre for Independent Studies, including the competing and opposing articles concerning the various proposals, be accepted as an exhibit.

Mrs MARKUS—I so move.

CHAIR—There being no objection it is so ordered.

[10.45 am]

HART, Mr John, Chief Executive Officer, Restaurant and Catering Australia

Witness was then sworn or affirmed—

CHAIR—Welcome. We have received your submission but I wonder if you would like to make an opening statement.

Mr Hart—Yes, thank you, Chair, just to note the length of time that has elapsed since the lodgement of that submission. Clearly, some of the data in the submission in relation to the state of the industry and some of the details in relation to employment and so on are now out of date. I would emphasise that since that submission was lodged we have had 11 consecutive months of negative growth, a favourite term of mine, and then a return to some positive growth in the industry towards the end of last year. So that paints a slightly different picture from the one detailed within the submission. I should say that return to growth at the end of last year has started to create some additional pressure in the labour market which will impact on some of the issues also detailed within that submission. Also, the passage of time has created a number of other changes to approaches that are detailed in the submission, not the least of which is some growth within our organisation, which is a federated association, and also some pending changes to some of the industrial arrangements that also impact on some of the items within the submission. I am happy to speak to those should you wish.

CHAIR—Thank you very much.

Mrs IRWIN—Mr Hart, I have a few questions but I know that the chair will most probably want to ask a few before I take over as acting chair. Are there any skill shortages in the industry?

Mr Hart—There are very dire skill shortages within our industry. We have had a skill shortage of cooks and chefs since 1956, so that is a reasonable longstanding one. We now also have skill shortages in the areas of front of house staff, waiters and so on, supervisors and managers. The total skill shortage extends at any given point in time to around 5,000 positions. Obviously, fluctuations in demand change that over time, but there is a very significant shortage.

Mrs IRWIN—And those 5,000 positions are Australia wide?

Mr Hart—Correct.

Mrs IRWIN—Are you getting anyone from overseas? Is the industry applying for that?

Mr Hart—We have a range of means that we use to do that including a recent labour agreement that we signed for cooks and chefs specifically, which we signed mid last year, and we are working towards filling the quotas of around 300 cooks and chefs under that agreement. So, yes, there is some work going on in that area.

Ms GEORGE—On that issue of skill shortages, recently in the Illawarra we did a survey of some businesses—about 1,000—to identify the areas of skill shortages. I could not believe that the top area was in fact kitchen hands. So it is not just the traditional trades; it is even getting kitchen hands in an area like mine, which really quite surprised me. When you talked about negative growth in the last 12 months, is that employment growth or economic growth?

Mr Hart—Negative turnover growth.

Ms GEORGE—So what does that mean?

Mr Hart—That means the turnover levels throughout 2005 were less than they were in 2004 for 11 consecutive months.

Ms GEORGE—In terms of the skills issue, I read recently that people coming to Australia under your agreement were working in restaurants in Canberra where the industrial relations understandings that form part of your agreement were not being observed. Who monitors the agreement between the industry and the workers who are coming in under that agreement?

Mr Hart—It is my understanding that the individuals referred to in those matters raised last week were not brought in under our labour agreement; they were in fact brought in under a regional agreement. Regional agreements are monitored in a different fashion to our labour agreements. I wanted to clarify that those individuals were not brought in under our labour agreement. In terms of the monitoring of our agreement, we have a monitoring role, DEWR have a monitoring role and DIMA have a monitoring role. There is three-way monitoring of a whole range of aspects of the agreement, including commitment to education and training and adherence to workplace relations arrangements and so on. There is quite a range of monitoring measures, which in fact overlap and are quite complex. That relates to the labour agreement. I stress again that those instances raised last week were not under that labour agreement.

Ms GEORGE—At the lower end of the skills spectrum, I imagine in your industry there are many jobs that people who do not necessarily have formal qualifications could gain entry to. What is the reason that you are experiencing shortages for positions like kitchen hands? Is it the rate of pay that goes with the jobs? What is it acting as a disincentive for people wanting to come into your industry to work?

Mr Hart—There are any number of reasons, not the least of which is the tightened labour market—and, obviously, we are in a competitive environment. There is the nature of the work, the hours of the work, to a certain extent the pay rates, and the conditions. The most cited reasons are the hours of work and the type of work.

CHAIR—What age groups are dominant in employment in your industry?

Mr Hart—Certainly there has been an incredible focus on younger age groups. We have had a predominance of those under 35. That is changing significantly, though. As the labour market tightens and we look at alternative approaches, mature workers become more and more a part of the target for the industry in terms of getting people to work. Certainly our focus has shifted away from solely looking at younger people to more mature aged workers.

CHAIR—Has that been successful?

Mr Hart—Very successful.

CHAIR—Because these people really want to work.

Mr Hart—Absolutely. There is a lot of upside in terms of the characteristics of older workers as far as consistency of employment.

CHAIR—Loyalty.

Mr Hart—Yes. There are some downsides as well, but we are finding the more that we focus in different areas of a labour market we start to see those advantages becoming a reality. Certainly we now have a number of employers that are actively out there looking for more mature workers.

CHAIR—What about the age of your customers?

Mr Hart—The customer profile is also shifting. The age profile of our customers is shifting, as it is for all businesses. That changes the product that we are offering. In fact, it boosts turnover in restaurants as opposed to turnover in other areas such as fast foods. We are very pleased to see the ageing of our customer profile and we are very keen to make sure that we manage our businesses in a way that enhances our ability to appeal to an older consumer.

CHAIR—And you probably find that the older client or consumer probably likes someone serving them who is more of a peer.

Mr Hart—Certainly. I think quite some time ago we dispelled the myth that all consumers are looking to be served by younger people. That is simply not the case.

CHAIR—So is the number of people who are of childbearing age seeking work in your industry with child-care problems a listening factor? Or is it still an important factor in your workforce profile?

Mr Hart—Given the labour intensive nature of our business, whilst I say we focus on particular areas of the labour market, we cover all areas of the labour market. Given we have a predominance of female employees and have traditionally, again, had this focus on younger employees, we will always have a problem with child care and the arrangements that our employees make for child care. Having said that, I guess the variable nature of working in our industry—that is, the extent to which it is casual and part time—is more flexible and more able to cope with lack of flexibilities and the provision of care. Yes, it is a problem, but that problem is mitigated to an extent by the nature of our work.

CHAIR—Do people work eight-hour shifts?

Mr Hart—A range of both, but usually shorter than eight hours.

CHAIR—Let's say a six-hour shift. They come to work at six o'clock. A child-care centre place will not be much use to a mother in that situation, will it?

Mr Hart—Correct.

CHAIR—She will be looking for something that is after hours and gives her flexibility?

Mr Hart—Yes.

CHAIR—Is it your experience they have trouble finding it?

Mr Hart—We certainly hear of that. After-hours places are as scarce as hens' teeth, as far as I am aware, but also there are other arrangements like sharing care across the family. In those sorts of instances, often you would have one member of the family caring for the child during the day and another member of the family caring for the child at night. So there are those sorts of arrangements.

CHAIR—They ought to make sure that there are not any more children coming along.

Mr Hart—That is right. It is an issue and; yes, we hear about it. There are also other arrangements that allow the sort of flexibility across the family, because we are working out of hours.

Mrs IRWIN—Do any of your members offer child-care facilities?

Mr Hart—I would say none, but I am not sure of that. Given that 94 per cent of our businesses turn over under \$500,000 a year, it is very unlikely. We only have eight businesses in total across the country that turn over more than \$20 million, so we are very much small business.

Ms GEORGE—Do you know whether any of the big hotels, for example—the big players in your industry—pay for any places in centres for their staff?

Mr Hart—To be fair, hotels are not generally part of our constituency. We represent the restaurant and catering businesses and they are very different in their profile. We simply do not have those sorts of big businesses.

Mrs IRWIN—There are no restaurants that would do that?

Mr Hart—I would say very few. There are none that I am aware of.

Ms GEORGE—You would not cover, say, the Hilton or the Accors chain?

Mr Hart—No.

CHAIR—I think you said you employ about 240,000 people?

Mr Hart—Indeed.

CHAIR—The majority of whom are women. What percentage would that be?

Mr Hart—It is over 50 per cent.

CHAIR—What percentage are casual?

Mr Hart—Fifty-three per cent.

CHAIR—I thought it would be higher.

Mr Hart—It has been increasing over the last six years. It increases about half a per cent per annum.

CHAIR—Into casualisation?

Mr Hart—Correct.

CHAIR—What impact will the industrial relations changes have on your industry?

Mr Hart—In terms of casualisation specifically or just generally?

CHAIR—Generally.

Mr Hart—I think it is pretty clear that we will be able to have more flexible working arrangements. By that I mean arrangements that are tailored more to a particular employee and one of our employer's needs in their business. It will mean that, predominantly, we will see working hours the same as they are today, but changes in working hours easier to bring about. I would hope we will see casualisation reduced and that we will see an increased use of part-time arrangements. If we see that then we will also see a greater retention of staff within our industry and, hopefully, we will slow down the 11 per cent exit per annum that we currently have.

Mrs IRWIN—Would it not also be less money? One of your recommendations is to abolish penalty rates and loadings.

Mr Hart—That does not necessarily mean that it will be less money, because our members say that they would employ more people if they could afford to. So what we may see is a different combination of hours, the same take-home pay, but a different employment basis. Hopefully, we will see casuals move into part-time work and therefore work a different profile of hours for the same take-home pay.

CHAIR—And you would see them becoming a more permanent workforce.

Mr Hart—That is an objective. I would hope that we would achieve that objective.

Ms GEORGE—If you do not do something like that, you could rightly suggest that the skills shortage is going to grow. One of the reasons people often go into your industry is the flexibility of casual work and the compensation for the unsociable hours they receive through their loadings, penalties and shift rates. If they go, you will have a lot of people who might not see the advantage of casual work in the same positive light if their actual take-home pay is going to be reduced.

Mr Hart—We need to be careful to draw a distinction between the minimums that are set by the various safety mechanisms and the rate that is paid to individual workers. We are pretty acutely aware of the need to pay a rate that attracts staff. So on the one hand we are talking in a number of fora about setting the minimum and removing some of the constraints to setting that minimum effectively, including some penalty rate arrangements. That is one discussion. The other discussion is what you are actually paying employees to attract them to the jobs that we need them to do. We are acutely aware that we are not going to attract employees at the safety net. We are going to attract employees by paying market rates. That is a different discussion.

Ms GEORGE—So theoretically you would be compensating them, by raising their standard hourly rate of pay, for the loss of the penalties and the shift loadings.

Mr Hart—And compensating them in all sorts of different ways.

Mrs IRWIN—Can you give us any examples?

Mr Hart—Compensating them by payments for—

Mrs IRWIN—Child care?

Mr Hart—It could be child care or whatever the arrangements are that they want to be compensated for and work for the employer. If it is compensating them for child care or on the basis of productivity or performance in other ways in the workplace, we have to build a package that is attractive. Whatever is attractive to an individual employee and their individual employer is what is going to work in a market sense in making it worth while for them and for the employer.

Mr TICEHURST—To what extent do you pay people on their ability to perform?

Mr Hart—We certainly try to do that in every case. If you look at wage rates that are based on skills and wage rates that are based on classifications of employment, you see that we are always paying people on the basis of their ability to perform. To a certain extent, the current environment limits our ability to do that—for instance, a penalty rate that might apply for work after 7 pm when 56 per cent of our business is done after 7 pm. Those sorts of constraints are the constraints we look forward to being free of. Moving towards an environment where we can pay a rate that acknowledges somebody's performance in the business is what we look forward to increasingly in the new environment.

Mr TICEHURST—A friend of mine came out from the States over Christmas and he noticed the very tardy service, in many cases, in restaurants in Australia, compared to in America. We notice the difference between our local area and restaurants in Canberra. I guess it depends so

much on the management. If the management has the ability to pay people for better performance then that has to enhance your industry.

Mr Hart—Absolutely. It would be interesting to draw some comparisons between the arrangements for pay in the US and the arrangements for staff being paid in Australia.

Mrs IRWIN—Their pay in the US is absolutely appalling. I think they rely on tips to survive.

Mr Hart—That is exactly right.

Mr TICEHURST—They get compensated in that way.

Mr Hart—I think there are some downsides, though, in going down the path of relying on tips.

Mr TICEHURST—I am not suggesting we do that.

Mr Hart—It is interesting. Performance based pay does provide for a workplace that is more efficient. The more that we can move to rewarding performance and away from having rigid rates based on outmoded type arrangements, like penalty rates after particular hours, the better off we will be.

Mr TICEHURST—At a restaurant that I went to on my wife's birthday, people were being turned away that night, yet tables were not cleared for probably 30 or 40 minutes. You would not see that happen in the States. You probably would not see that happen in Canberra either. It is that lack of attention to what generates business. You can only generate business in a restaurant if you have people at the tables and if you are able to support them.

Mr Hart—I would note, though, that part of what happens in a skills shortage environment, as we have been in for as long as we have been in, is that we are being told by restaurateurs that not only do they have to cope with the amount of people they can attract to their business, and therefore let slide some of the performance and service within the business when they cannot get people, but also they start closing down parts of their business because they cannot get the people to serve. Certainly that often happens during peak periods. So I would suggest that, in a lot of cases, some of the service that we might see as below standard is a function of the skills shortage.

CHAIR—The projection, which is figure 9 of your submission, shows that you are the third-fastest growing industry to 2010-11 and that you will need an additional 12,700 employees per annum. The work that I did on demographics shows that, in the year 2030, we will have only 125,000 new entrants for the entire decade. You would take the entire year's quota. There would not be anyone left for anything else. So you really are going to be dependent on people staying in the workforce longer, aren't you?

Mr Hart—Absolutely. We need to remove the barriers to effectively using a mature age workforce. I noted several of those in the submission. Over the last 12 months we have been doing a significant amount of work in a lot of those areas. We have been making sure that, as people return to the workforce, they have the skills they need—and there are a number of

those—and, as I noted in the submission, that traditional training and learning pathways are also open to older workers.

CHAIR—Would you like to expand on what is needed in that area?

Mr Hart—Sure.

CHAIR—Because these might be the grandparents who will otherwise be forced to stay at home and mind their children's children.

Mr Hart—Yes. And increasingly it will be so. This will give some structure to my comments. Those who are returning to work in our industry for whatever reason generally need a short, sharp, shining update on skills. One initiative that we are working on at the moment in Victoria is providing additional skills, particularly in the area of making coffee. That has changed dramatically for all of us over the last 10 years.

CHAIR—You are training baristas.

Mr Hart—That is right. We are giving them the barista skills to make the type of coffee that we want to enjoy. It is about those sorts of changes in the industry. We are giving them an update with those short, sharp, shiny training initiatives, which are really important. We have to acknowledge that people returning to the workforce are going to require those skills. The training system has to allow us to do that.

Ms GEORGE—Do you do that on or off the job, John?

Mr Hart—Off the job.

Mrs IRWIN—Is that free for the person returning or is there—

Mr Hart—There are some issues about accessing funds for that to happen, particularly through Job Network arrangements, so that training funds are available to varying classes of individuals. We are currently making those available through an intervention program, and that is working very well. We need to make sure that funds are available for people to undertake that sort of training—the group that has worked in the industry before—and give them an update.

There are also those who are moving into the industry from other industries. This is where we have some issues in relation to traineeship and apprenticeship pathways and making sure that those pathways are available for people coming in from other industries. As the chair correctly identified, it is industries like ours that are increasingly going to be drawing people who come from other industries. Some work that we have done recently on the need to acknowledge skills was particularly looking at a group of women returning to the workforce. We looked at the skills they had and how you take advantage of those skills in a pathways into an apprenticeship. There is a whole raft of those skills that come from all sorts of things they have done while they were out of the workforce—for example, skills in food hygiene and food preparation—as well as all of the employability skills and skills they have accumulated in their working lives elsewhere.

We need to make sure that those skills are acknowledged in a pathway through to an apprenticeship. If we are ever going to overcome the skills shortages, they are the kinds of efficiencies that have to be built into the system. Through work that we have done even in the last three months we have seen that we can get about a year's worth of training delivery knocked off an apprenticeship for people who are moving back into our industry from other careers, particularly for women returning to the workforce with those sorts of food preparation skills and a whole lot of life skills. Those sorts of efficiencies need to be built into the system.

Ms GEORGE—And running household budgets?

Mr Hart—Yes. Working in culturally diverse environments and all of those things are really important to working as a cook.

Ms GEORGE—Do you have many adult apprenticeships in the industry? Is that growing?

Mr Hart—It is growing. We did some work last year on the skills shortage. One of the greatest deterrents to getting those adult apprentices is actually the efficiency with which they can move into the apprenticeship. If they have to go back and start from scratch or even if they get credit for some of the skills they have but the training delivery arrangements do not allow that to work for them—for example, if they have to go back to do the first year of an apprenticeship and attend TAFE for two hours a week for the first year because they have to catch up on a unit that they do not get credit for—that sort of inflexibility will always give us a significant deterrent to getting adult apprentices on board. So there are a whole lot of issues there in terms of adult apprentices, but it is growing and it has to grow.

Mr TICEHURST—So those apprenticeships should be competency based rather than time based?

Mr Hart—Absolutely. As to some of the overlaying inflexibilities, we have just done some work which was looking at how apprenticeships work across each of the states and territories. There are incredible inflexibilities to early completion and the like. We have to remove those.

Mr TICEHURST—Does your organisation provide its own technical training for your staff?

Mr Hart—We do not.

Mr TICEHURST—Do you rely on TAFE?

Mr Hart—We rely on the training system to do that for us. Some of our state associations who are our direct members offer training in a whole raft of areas, but generally not in those apprenticeship areas. We leave that to the training system. We have a very significant scalability problem in our industry because we are so labour intensive. A lot of training places need to be offered. The mainstream training system must be able to supply those.

Mr TICEHURST—What proportion of your employees would have dependent children?

Mr Hart—I am not sure that I can answer that question, I am afraid. We have not done that sort of work.

Mrs IRWIN—You would not have the figures for that at all, would you?

Mr Hart—I can see what I have. I shall look at that.

Mrs IRWIN—It would be interesting to find out.

Mr Hart—I would be happy to see if I can find those.

CHAIR—Can I go to the other important question that you raised, which is the disincentive of the second job tax. Many of the people in your industry certainly work in more than one establishment, but for their second job they are paying a high rate of tax and they are not covered by superannuation payments for the most part, I guess. How do you think that should be tackled?

Mr Hart—Certainly we need to eliminate this exemption arrangement and non-exemption for a second job. It is a real disincentive for individuals in building a cache of casual jobs. If you look at the latest ABS numbers in *Australian Social Trends 2005*, it is suggested there that double the number of employees in a casual working environment have more than one job. So obviously in those casual environments, particularly in our industry, as the report suggests, employees have more than one job. I guess that is just confirming that it is an issue. The way around it, I believe, is to take out that requirement for only one threshold-free job. We need to get back to a situation where there is not a disincentive to go into the next job. So we need to take out the ‘only one tick’ on the declaration. You do not therefore, in that sort of casual environment, have to take away the disincentive. I understand the reason for doing it, but waiting 12 months or longer to get it back is just a nonsense.

Ms GEORGE—So you would just settle at the end of the financial year?

Mr Hart—You settle at the end of the financial year and take away the only one job threshold.

CHAIR—I would be interested to know whether, when we have lowered the various marginal tax rates, they have adjusted the second job tax rate. What is it at the moment? Is it 29c?

Mr Hart—As I understand it, all it says is that the threshold cannot be claimed for the second job. So it is whatever the marginal rate is for the amount they are receiving, without the threshold applied.

Ms GEORGE—So you are paying full dollar straight off.

Mr Hart—You can tick the box and claim the threshold only once. So it is whatever the full rate would be without the threshold applied for the second job.

CHAIR—So it is calculated that way?

Mr Hart—Yes.

Ms GEORGE—In the second job you are paying full dollar on the relative rate.

Mr Hart—Yes, on whatever you receive.

Mr TICEHURST—So that should be 30 per cent tax, up to about \$80,000.

CHAIR—No. It means that when you are working out how much you withhold you cannot take the threshold into consideration.

Mr TICEHURST—That is right, so you would be on 30 per cent tax in general.

CHAIR—Yes, you are.

Ms GEORGE—You would be on the lowest rate straight off.

CHAIR—A lot of those people would be paying only 17c.

Ms GEORGE—Yes, 17c or 20c.

CHAIR—As I understand it, the second job rate works out at something around 29c. I thought for a long time that when we set the rates we had only one lot, but there are about 40 sets of rates that the tax office sends out and you have to work out which one you belong to. Presumably you get a sheet of paper that tells you if you are paying someone the equivalent of \$15,000 a year in a casual job and it is a second job—presumably you would get a page that tells you how much you have to deduct.

Mr Hart—Yes. There is a series of columns, and it says that if the threshold applies you deduct this much; if it does not, then you deduct that much. Casual employment has another facet to it, though—that is, because the number of hours they do at a particular business fluctuates, they could in fact be on the highest rate without the threshold for one week. For example, at the Australian Open Tennis, during that week, the employees of Delaware North would have been paying the highest rate, yet those employees who then move on to some other event the week after would also be paying the highest rate because they are working a cache of hours with that employer in that week, and then they might have three weeks in which they are working two hours a week on a Saturday. So it is that variance that needs to be addressed. We need to make sure they are not paying more tax than they need to in those peak periods, so that by the end of the year they are essentially submitting a return having paid the right amount of tax.

CHAIR—We let farmers work it out over a period of years, don't we.

Ms GEORGE—We do, and these people are asked to estimate their income a year in advance for certain welfare payments.

Mr Hart—Yes, it is very difficult.

CHAIR—I want to go on further down that same page, to where you say:

Increasingly hospitality industry employees are turning to agencies (including the Job Network) to assist in filling vacancies. There are a number of vacancies, however, that are unable to be registered with the Job Network as they are under the minimum 24 hours per fortnight average.

This acts as a disincentive ...

Would you like to expand on that?

Mr Hart—Certainly. I think that section referred to a previously unfinished report into the skills shortage which is now completed. I am happy to provide a copy of that report, should you wish.

CHAIR—Thank you. Yes, we would like that.

Mr Hart—The recruitment environment, with the skills shortage, is obviously worsening and becoming a little more difficult. As the submission states, our employers are increasingly turning to agencies. The Job Network needs to fulfil that role for a number, and we have been undertaking a number of initiatives to try and drive our industry closer to the Job Network. As I mentioned earlier, the rate of casualisation is increasing by half a per cent every year. The Job Network are not really able to cope with registrations of casual positions, given that the number of hours worked by casuals ranges from three, four or five hours a week through to over 30 hours a week. They cannot look at a casual position that is anything under that 24 hours over a two-week period. We would like to see that threshold reduced so that casual positions are more able to be registered with the Job Network, and Job Network providers are able to be paid for jobs that involve a lower number of hours every two weeks. Again, casualisation has been an increasing feature. The skills shortage is getting worse. We must have a Job Network that can respond better for those casual type positions.

CHAIR—What would you specifically recommend?

Mr Hart—I would specifically recommend a reduction in the threshold amount of hours, perhaps in targeted skills shortage areas, to around about 10 hours per week or 20 hours per fortnight. That would certainly rope in a larger number of casual vacancies.

Ms GEORGE—If an employer has a casual job, they cannot register that vacancy unless they fulfil this hours requirement—is that what you are saying?

Mr Hart—My understanding is that they will register the vacancy but the Job Network will not be paid if they place someone into that role.

Ms GEORGE—So it is the payment for the placement?

Mr Hart—Correct.

CHAIR—And you reckon that would increase the availability of staff?

Mr Hart—Absolutely. There is also a cumulative effect—that is, if an employer can register more of their vacancies with the Job Network they will become more used to working with the

Job Network and more reliant on the Job Network and they will establish relationships with their local Job Network provider. To the extent that there are now fewer jobs within an employer's cache of jobs able to be registered, they deal less with the Job Network. What we need to do is to enable and to facilitate building that relationship with the Job Network so they will place their jobs, full time and casual, with the Job Network more often.

Mrs MARKUS—Would you have the numbers of casual vacancies in different areas across the nation? For example, if the Job Network needed to identify the number of places that it needed to have for casual positions—

Mr Hart—The report provides some detail on the number of casual vacancies as opposed to full-time vacancies, but I only worked it out on the proportion of the workforce. Currently we have a vacancy rate of seven per cent and we estimate that, because 53 per cent of the workforce is casual, about half of those vacancies—3½ per cent of the industry per annum—would be casual vacancies. So it is worked back on the percentage of the workforce. What that does not take account of is the fact that there could be a greater propensity for vacancies to be in the casual area than in the full-time area because turnover is slower. But we do not specifically survey on that basis.

CHAIR—I have a question about traineeships for people returning to the workforce. You say:

Many traditional training pathways may not be available to parents returning to the workforce. Traineeships and apprenticeships are generally not available to casual employees. Whilst training provision may be able to occur both on and off the job, either Australian or State Government provisions preclude the signing of a training agreement for a casual employee.

Is that still the case?

Mr Hart—It is still the case.

CHAIR—Even with IR reform?

Mr Hart—It is still the case. There are some technical challenges, not the least of which is that at law the casual employees are engaged every time they start work—that is, the employment contract is basically established every time they turn up for work—whereas a training agreement required for a traineeship requires the employer and the employee to sign off on a regularity of work, allowing them to undertake training.

CHAIR—It should not be beyond the will of man to work a variation that would enable that to occur.

Mr Hart—Precisely. It is the training agreement becoming more flexible and allowing for other sorts of working arrangements—casual arrangements particularly—to be able to be built back into the training system.

Mrs IRWIN—So one of your recommendations would be to get rid of that barrier, which would most probably enable more people who are looking at coming back into the workforce—

Mr Hart—To undertake training.

Mrs IRWIN—full or part time.

Mr Hart—Yes indeed, and to apply all the range of incentives and payment for training arrangements—allowing those to apply.

Mr TICEHURST—If your members wanted to offer child care paid for by the company to assist workers or encourage workers to come back into the industry, that then would attract fringe benefits tax, wouldn't it? So that could be a disincentive for the employer to actually offer that.

CHAIR—Say that again.

Mr TICEHURST—If the employer wanted to pay, say, child care as an incentive, that might be part of a package that they would offer somebody to come back into the workforce.

CHAIR—We have certainly looked at that FBT ruling by the tax office. We think that it should be a policy matter, not the whim of the tax commissioner.

Mr Hart—That is certainly a disincentive. However, it is only one of the disincentives that FBT offers in this environment.

CHAIR—Go on: you can have one minute on the FBT!

Mr Hart—Fringe benefits tax, I should say, also reduces the amount of turnover that occurs during child-friendly hours. To draw what might be considered a reasonably long bow, fringe benefits tax also provides a disincentive to the number of people that we can employ during lunchtimes. Certainly fringe benefits tax reform could also create more full-time positions but, importantly, more casual work during lunchtimes.

Mr TICEHURST—I heartily agree with you there, John, because, having been involved in business and having spent a lot of time with clients in restaurants over lunchtimes and sometimes later, it certainly would open up a whole new market for your businesses.

CHAIR—He does have a legitimate concern. One of the main competitors for the restaurant is the private boardroom lunch which of course is free of FBT. So maybe you can have FBT excluded from the food but not off the grog!

Mr Hart—We could go that way. Anything would help.

Mr TICEHURST—That was always intriguing. I know when it first came in I was actually MD of a British company, and we would get two receipts: one for the meal and one for the grog. I do not know whether the auditors ever picked up on those sorts of things, but that was one way we got around it because not being able to go interstate and talk to senior business people in the time that they were available had such a large impact on our business.

CHAIR—Thank you very much, John, for coming here and for giving us a good insight into your industry and making some quite significant points that should be looked at.

Proceedings suspended from 11.28 am to 11.43 am

BOWMAN, Dr Mark, Clinical Director, Sydney IVF

JANSEN, Professor Robert, Medical Director, Sydney IVF

LIEBERMAN, Dr Devora, Gynaecologist, Sydney IVF

Witnesses were then sworn or affirmed—

CHAIR—Thank you very much for coming. We have your most interesting submission. Would you like to make an opening statement?

Dr Lieberman—Thank you to the committee for inviting us to speak today. In looking at the terms of reference of your inquiry, we feel that our submission speaks primarily to the first item, ‘the financial, career and social disincentives to starting families’, because unfortunately, at Sydney IVF, very often what we see is the medical result of delaying families. At Sydney IVF, we firmly believe that prevention is far better than cure, and we would be more than happy if age-related infertility were to become a thing of the past. But, until it is, we feel that IVF and its related treatments are important mainstays for curing infertility.

In addition, at Sydney IVF we have a very active research program. We have been halted by recent Commonwealth legislation in our efforts to research the metabolism of older eggs. Professor Jansen can speak more about that. Our submission discusses primarily the effects of age on fertility and the facts that in Australia very few women actually are aware of the effects of age on their fertility and that age-related infertility is almost always involuntary. I am happy to take any questions.

CHAIR—Would either Professor Jansen or Dr Bowman like to say something?

Prof. Jansen—It is our intention to speak to two broad issues. There are some sociological aspects that lead to this, on which my colleague Dr Lieberman is in a strong position to answer questions. I would like to explain the challenge of understanding what it is about eggs that stops women being able to have children on average about a decade before menopause and the legislation that is currently in place that prevents research in that area. My colleague Dr Bowman, who is in very active clinical practice, can answer questions on the effect that this has on women who see him professionally.

CHAIR—I would be quite interested to hear something about that right at the beginning. Would you like to expand on the research that you cannot do? Then perhaps Dr Bowman might say something about the impact, and then we will go to questions.

Prof. Jansen—There is probably no stronger proof to a woman that her work-life balance has gone awry than to realise that she is no longer young enough to have children. By 42, up to a decade before they reach menopause, more than half of all Australian women are sterile, predominantly through the natural effects that ageing has on the eggs and the ovaries. As a phenomenon, this sterility is normal and natural; individually, it is devastating. Nationally, it contributes to the declining birth rate.

Women who are seeking to balance work with family life often postpone having children until their mid- to late-30s, when it becomes increasingly likely that there will be infertility that requires in-vitro fertilisation. Indeed, after a year of trying at that age we recommend it so that we can discover those causes that are treatable and treat them. The ageing of eggs, however, is not able to be overcome by any means short of using the eggs of another woman: egg donation. Today in Australia, egg donation accounts for just three per cent of IVF treatments. I do not think anyone wants to see it higher than that, and making IVF more difficult for older women to obtain would increase that proportion.

Egg donation is perfectly legal and would not be inhibited by restricting IVF benefits to women over 42 because the benefits are attracted to the egg donor, who would be younger than 42. Ironically, it is the use of egg donation which causes a woman to have a baby of entirely different genetic origin from her. But in the legislation that is inhibitory here, and which I will come to in a moment, the argument against using, potentially, the fleshy, generally non-genetic part of an egg to rejuvenate the egg of an older woman is prohibited on the basis that foreign DNA from another person—in the form of small particles which produce energy in cells like eggs, called mitochondria—is introduced and therefore in a forensic sense you can detect the DNA from three people in the child that results.

I do not really wish to take that further from a technical perspective. It might or might not be safe to ever carry this out, but it is the law that prevents research—prevents research not just into this as a possible therapeutic modality but also into the cause itself. There may turn out to be simpler ways in which the eggs of older women can be prepared in such a way that they can have healthy children of their own. Generally speaking, though, as I say, the present level of solid government support for IVF is very much appreciated, particularly by the older women who need it. For this obvious reason, the assistance should be maintained.

The research into the effects of ageing on human eggs is prevented in Australia by sections 14 and 15 of the Prohibition of Human Cloning Act, even though the research required has nothing to do with cloning. There is now an explicit intention on the part of the Australian Health Ethics Committee to use a restricted moral basis in producing guidelines for ethical research involving IVF. It is in this area that our ability to work with eggs in the laboratory by fertilising them for the sake of knowledge rather than for a specific pregnancy and allowing them to develop for several days is prevented by current research guidelines produced by the Australian Health Ethics Committee through essentially compulsory endorsement on the part of the National Health and Medical Research Council.

The Lockhart committee review, which has recommended changes to the legislation in this area, has recognised this, although it has stopped short of allowing embryo development for the three to five days which are necessary to answer questions of this kind and which was possible in a number of states until 2002. The Australian Health Ethics Committee, in its submission to the Lockhart inquiry, stated clearly that it had already formed an ethical position on this; namely, that this was unethical and that its view and therefore its recommendations—which, in practice, are enforceable—would not alter, despite recommendations from the Lockhart committee. So this is an area of general concern to us in wanting to explore it in a scientific way, consistent with helping older women to understand the basis for this difficulty in conceiving and perhaps leading to more direct and effective treatment.

Dr Bowman—From a clinical perspective, the majority of patients who present to me in my office with a problem of infertility are in their late 30s to early 40s. Whilst sometimes investigations might reveal, for example, changes in the husband's sperm count or perhaps anatomical obstructions, overwhelmingly those tests reveal no abnormalities, which implies then that it is simply a problem of the woman's age. And as you have heard, by the late 30s to early 40s, eggs are in a natural process of decline, as women are born with all the eggs they are to have. That will not be revealed by regular ovulation. A woman's cycle will appear to be completely normal. The hormone levels look fine. They often pride themselves on their fitness, their ability to juggle work, life and other issues, but none of this, sadly, helps them in their quest to achieve pregnancy, because of the declining genetic and metabolic function of the eggs.

So, as Professor Jansen and Dr Lieberman have mentioned, ultimately IVF—sooner rather than later in this situation, because these women are running out of time—is emerging and is now fairly established as the mainstay of treatment. At this stage this is not necessarily because we can repair those eggs; simply it is playing a better odds game, if you like. By obtaining more than one oocyte through ovarian stimulation, we are hopeful that perhaps one or two eggs are then of good quality, out of the six or seven that you might obtain, relative to the one that is simply randomly ovulating at home, with all the other potentials for timing errors and other things going on.

We also know, because we experience this every day and we have a well developed nursing and counselling department—as well as the empathy that, as doctors, we have to exhibit—that infertility is a stressful, emotionally debilitating condition. When women are asked to rank what their major life stressors are in various lifestyle forms, infertility always ranks very highly—up there with the death of a close relative. So these women are experiencing infertility, they are experiencing miscarriage, they are experiencing higher rates of chromosome abnormalities in foetuses. These are all problems of women in their early 40s.

IVF is a successful treatment, and it is successful in more than one way. It is successful in terms of helping women to attain pregnancy, but it is also successful, when conducted appropriately, in helping women resolve the problem for better or for worse. Women usually need to know that they have done everything that they could have done, for better or for worse. That means being able to access quality treatment in a judicious time and being able to know whether this treatment is going to help them or not. We as a society will suffer—purely in medical terms, as well as in psychological terms—far more if we have women unable to resolve that problem into their late 40s, their 50s and their 60s. Simply having the ability to know that they have done everything that they could have done in the quality health service that this country provides is a very powerful tool for our society.

So we have significant concerns about the fact that there is, for example, active debate out there that the number of IVF cycles for older women should be somehow arbitrarily restricted. There is an inquiry currently looking into that, which I understand was in part commissioned by the health minister. I would just say that having an artificial cut-off in terms of cycles runs contrary to what happens in any other area of medicine. We do not, for example, take a person who has smoked for 30 years and then gets lung cancer and place an arbitrary restriction on the number of rounds of chemotherapy they can have, simply because the results are low or because the person made a lifestyle choice. So it strikes me as very arbitrary to make that kind of

statement to a woman who, through her attempts to manage her career and lifestyle, finds herself in this situation.

So we, I guess, would like to say to the committee that we have a quality health service in this country and IVF standards in this country are the best in the world—the success rates are among the best in the world. We enjoy support for that from the government, through the Medicare process. The population supports that. Somewhere between 2½ per cent and 3 per cent of all babies born in this country are now born from IVF, so society recognises that IVF has an important role. Like any other area of medicine, we would like women to be able to manage work, life and family and, as part of that, we would like them to be able to continue to enjoy access to this health care when they need it—and not have it arbitrarily restricted.

CHAIR—I was particularly interested to see in your submission the statement that in 2002 there were 32,958 treatment cycles. That does not mean 32,000 individuals; that means treatment cycles. How many people does that represent—to produce 7,577 pregnancies?

Unfortunately, the way the data are collected, it is per treatment cycle, not per woman. So we do not have those data and the Fertility Society is in discussions about how to track the data per woman, while respecting privacy etcetera.

Dr Bowman—I suppose this is anecdotal, but the average person in the study undergoes perhaps one to three treatment cycles.

Mrs MARKUS—Is that before they are successful with the pregnancy?

Dr Bowman—For women who enter IVF, that is the average number of attempts undertaken. This was part of the discussion, because there used to be a cycle limit placed per woman through the Medicare rebate process. Michael Wooldridge, when health minister, abolished that because of the data that hardly anybody was exceeding that.

CHAIR—I was talking to somebody fairly recently who has been married for about four years and has been postponing having children. She said to me: ‘Are they really going to cut it off at 43? I am not there, but it just puts another pressure on. What if I don’t do it before then?’ This was somebody who works with her husband; they have a business together, and this was just another pressure being placed on her, she felt.

Dr Lieberman—The risk there is that many women feel that IVF is going to rescue them from infertility, but in truth success rates at 43 are very low.

Mrs IRWIN—What are the success rates at 43 years of age?

Dr Bowman—In the region of five to 10 per cent per cycle.

CHAIR—But for the individual who does it, it is 100 per cent.

Dr Bowman—It is 100 per cent or zero for the individual. That is right.

Ms GEORGE—What is the counter argument, then, to those who say: why should society subsidise a treatment that produces results as low as that figure that you have quoted for that age?

Dr Bowman—The counter argument would be that, with the people who we are likely to help, with good technology we are generally likely to spot that fairly quickly, once we see the eggs in a treatment process. So the pregnancies we are to get—at, for example, Sydney IVF—we are generally getting within a short period of time. For those who are not getting there, we are helping them, through active counselling, by saying, ‘Continuing on here is not really raising your odds.’ So it gets back to this argument that we are helping to resolve the issue for better or for worse within a much more judicious time frame. IVF is no longer a random event—you do it 25 times on a five per cent chance and hope that five times 25 or whatever equals 100 per cent. It does not work like that. As the chair has noted, the people we are likely to help are going to be helped fairly quickly. Then it gets down to the wider sociological, medical, psychological issues that you are helping to deal with—and you might argue that doing it judiciously is a much more cost-effective process than leaving that unresolved.

Dr Lieberman—In fact, a very small percentage of IVF cycles are performed on women over 42. Last year nine per cent of IVF cycles in Australia were performed on women over 42. In the figures, when Minister Abbott was looking to reduce funding and limit cycle numbers, I think his estimated savings were \$7 million.

CHAIR—Petty cash.

Dr Lieberman—In the scheme of things it is a relatively small amount. The majority of women who present for IVF will be in their mid- to late 30s. The average age of women undergoing treatment in 2002 was 35—well and truly five years older than the average age of first birth in Australia.

CHAIR—But those statistics are quite old. This is now 2006. So what is the update like?

Dr Lieberman—We are waiting for ANZARD to publish; it should be out in February.

Dr Bowman—ANZARD is a national database of IVF cycles and births, and there is inevitably a delay.

Prof. Jansen—At Sydney IVF the average age of women having treatment is about 37, so it is slightly higher than the Australian average. That has begun to fall slightly.

Mrs IRWIN—In the interviews that you have with women who are finding it very hard to fall pregnant and who are turning to IVF, what are the reasons they are giving for delaying, say, starting a family, until 35 or 37? Sometimes it is not having a partner. Is it mainly from a financial perspective? Is it that they couldn’t afford to have a child a number of years ago or is it career?

Dr Lieberman—Our colleagues down in Melbourne, in Monash, did survey their women who were over 37, and the majority said it was lack of a relationship. They wanted to have

children earlier but they were not in a relationship. That is something that I see very often in my practice.

Mr CADMAN—I have a follow-on question. I am looking at the table on page 6 of your submission. The first item says, 'I wanted children earlier but I was not in a relationship,' and yet the end column says that they were almost five years in a relationship. That would have made their mean age somewhere around 34. I do not understand those figures.

Dr Lieberman—These are the reasons that the women in the study gave when they were answering the questions. Even though they had been in a relationship for 4½ years, they might have been dating for a year or a year and a half—

Mr CADMAN—It says nearly five years, not 4½.

Dr Lieberman—Well, five years. They might have been dating for a year or a year and a half, then got engaged and then got married. A relationship is much longer than—

Mr CADMAN—I just wonder how much strength can be given to those figures if the relationships were five years and at the beginning they would have been at an age where the chance of success would have been quite high. We are talking about a mean here. Many would have been younger—it would have a typical bell curve, I would imagine—and many would have been older. But the mean would have been 34 years of age.

Mrs MARKUS—The mean is 39.

Dr Lieberman—But he is saying that, if they had started—

Mr CADMAN—No, that is the mean age they were when they said that they started in the relationship they had been in for five years.

Prof. Jansen—I think I may be able to explain it. You will notice that the number of years in the relationship is the shortest in that group compared to any other, so there is substance to it. By the age of 34 already some women are being affected by this difficulty with egg based physiological sterility. But they may well have been, like most women, using contraception for a year or more into their relationship before they put their fertility to the test. That would have put them into the 36-, 37- or 38-year group, where there is a real risk of physiological reasons—owing to these changes in egg metabolism that I was describing—preventing them from getting pregnant. We are looking at the net result here. We are selecting people on the basis that they have not been able to have children—and then going back. It is not as if we are ascertaining all 34-year-old women and going forward and estimating the likelihood in this series of them having this difficulty for this reason.

Mr CADMAN—I would have to confess I have some problems with those figures. I do not know that your explanation, which seems to be a guess, rather than a factual part of the survey—

Prof. Jansen—I do not agree with the word 'guess'.

Mr CADMAN—‘They may have been in a relationship’ were the words you used. You said, ‘They may have been using contraceptives.’ Do you know that?

Prof. Jansen—No. These are plausible reasons that I am offering.

Mr CADMAN—They are plausible reasons but a guess.

Mrs MARKUS—I suppose what that question does not clarify is how the person may view that relationship. A relationship can be very general, but is it permanent or secure? Do they view that relationship as an ongoing relationship? That is not really defined. Has that survey dug a bit deeper?

Dr Lieberman—No.

Prof. Jansen—This is not our survey.

Mrs MARKUS—I understand that. I am thinking that there are several layers to that question. You could dig a bit deeper to actually clarify what they mean by, ‘I wanted children earlier but I was not in a relationship.’ The nature of that relationship may be more the reason that they have—

Dr Bowman—I think the significance of presenting this data was simply to state that there are a variety of reasons that women will ultimately end up in IVF treatment. IVF treatment is not necessarily the first recourse for infertility treatment. It is the end stage. They may well have been trying to conceive for a good two years and then had treatment before ultimately ending up in IVF. Sometimes it is an irony—or not so much an irony—that the younger you are the more likely you are to pursue time and other simple strategies before resorting to IVF, whereas if you are older you are going to streamline that process and move faster, because you recognise you do not have much time left.

This is something that the Fertility Society of Australia, which is a professional body, has been addressing: there is a preventative health message here. We need to be demonstrating to women that there are various lifestyle choices that can reduce one’s fertility. That might be as simple as safe sex and avoiding pelvic inflammatory disease. It might also, however, include—if your relationship is established—being aware of the decline in ova. We have a very strong preventative health message to send there. With the Fertility Society we are doing that, but, as with lots of preventative health strategies, people slip through the cracks.

Mrs MARKUS—You talked about women not understanding the impact of age on their fertility. Would most women whom you see be surprised, shocked and not aware of that at all?

Dr Lieberman—Certainly.

Mrs MARKUS—So really the education and the information is not reaching women. Is that what you are saying?

Dr Bowman—It has been getting better in the 12 years that I have been in private practice. There is an increasing knowledge out there, and also amongst their referring GPs. Sometimes it

has failed to be recognised even at that level. I think that people are fast-tracking referral to a fertility specialist, in both their presentation to the original doctor and the referral itself, more than they were a decade ago, but there is still a message to be had out there.

CHAIR—You say that a woman is born with a finite number of eggs. So it is not a question of not having any eggs left; it is a question of having eggs left that are no longer ‘energised’. I think that was the term that you used.

Dr Bowman—That is right.

CHAIR—I would like to know what the term ‘energised’ means. Is it consistent across all the eggs that are left or only some? Are some better than others, in other words? Is there a curate’s egg?

Prof. Jansen—Not all eggs will be the same. It is not commonly appreciated, but it takes about eight months for an egg to develop from the resting state to a point where it has grown and is able to take part in a woman’s ovarian cycle and be a candidate for ovulation. We believe that most of the selection occurs early in that eight months and that the eggs that do reach the point where they can take part in a woman’s ovarian cycle are about the same. However, there will be some distribution, and this is the basis that Dr Bowman was explaining: we can take the randomness out of which egg is there—at precisely the right time to be the one picked for ovulation—and spread it a couple of days either way to bring, say, six or seven eggs to the point that they can be retrieved. The distribution is a bell curve, so we have more chance of getting out at the top end of the bell curve an egg that is a bit better on average than the other ones for that woman’s age. But the ageing phenomenon is a general phenomenon affecting the eggs, so there is only a very limited ability of that stimulation in getting more eggs to choose from and by chance overcoming the metabolic problem.

CHAIR—What impact has oral contraception had on this? My understanding was that it prevented ovulation.

Prof. Jansen—It does prevent ovulation, but that is just the last event in the eight-month development of the egg that is prevented. Even taking part in the ovarian cycle continues and only the last part of it is inhibited by the pill. Follicles will develop to about half the size that would normally ovulate, in a woman on the pill. So the pill has no effect on the process by which eggs are used up. It just makes it more efficient that people will not get pregnant by chance at a young age.

Dr Bowman—The bottom line is that you do not push back the age of menopause by taking the pill. Nor do you bring it on earlier by doing IVF. These eggs are constantly turning over throughout the woman’s life.

Ms GEORGE—Are you saying that one of the unintended consequences of the act that we carried in parliament, the Prohibition of Human Cloning Act—which has widespread support—is the prevention of you doing further research into these issues?

Prof. Jansen—The particular sections that I referred to refer to the prohibition of the formation of certain kinds of embryos.

Ms GEORGE—I thought you were allowed to use excess embryos from IVF procedures to undertake research.

Prof. Jansen—That is correct. Sydney IVF has four licences and has applied for another two embryo research licences in the last month, but that does not enable you to answer questions on why eggs, at the time of fertilisation, are affected by age and how that stops them developing over the next five to six days. When we talk about the eggs being energised, as the chair did, we are talking about the metabolic strength or health of the substance of the egg. An egg will develop into an embryo without a sperm. For the first three days of the development of an embryo it is like a hen egg, which, when fertilised, has all the molecules needed to develop on its own and form a whole chick.

Mrs IRWIN—I never knew that.

CHAIR—We never knew that before.

Prof. Jansen—In humans it will only go for the first three days without fertilisation. It will develop for three days, and it is indistinguishable from any other embryo without special testing. After three days, for the first time it becomes dependent on the new genetic complement, half of which comes from the sperm. It needs, for the first time, new amino acids to make new proteins; up until then it has just been digesting what has been brought to the party by the woman through the egg. At Sydney IVF, where we routinely culture embryos for five days, taking it through that transition from eight cells to over 100 cells, we get a much higher pregnancy rate per embryo than programs that transfer before these embryos have revealed themselves as being able to make this switch.

Our argument is that, if experimental fertilisation were to be allowed again, as it was in the 1980s and 1990s in New South Wales, as it was with the original IVF guidelines produced by the NHMRC in 1982, then we can research this area, which surely the public expects us to do. If nature does not cross this point until day three then we believe research to day three is justified. In fact, one could argue that, until the stage of implantation or until an embryo has implanted, it has absolutely no chance of turning into a human being as we recognise one—

Ms GEORGE—It is a big debate, isn't it?

Prof. Jansen—and we should be permitted to do research to day five or six. The ethical guidelines that we are controlled by, and which we understand will continue irrespective of how parliament responds to the Lockhart review, prevent this on the grounds that life starts at the moment of conception. That is an ethical or moral view that may have a long tradition, but it is really held by a relatively small proportion of Australia's population. There is talk at times of other ways in which an egg or early embryo might be modified so that it cannot turn into a human being and that research or producing stem cells from such fertilised eggs might be ethically more permissible.

The difficulty with that approach is that there is a much sharper distinction between the embryos that can and cannot form a baby, and it is whether they are inside the uterus or not. There is no hope of becoming a baby for an embryo unless it implants in the uterus or unless, if an IVF embryo, it is transferred to a uterus. Our argument is that research should be allowed for

those first few days, up to the stage at which it would be transferred, and that the way it is fertilised should not matter. The person who donates that egg or sperm in these situations is always aware that it is there to provide the knowledge that will help either themselves or others.

CHAIR—Are you saying that the research that you want to do is entirely separate from the question of stem cell research?

Prof. Jansen—No, it is entirely separate from the matter of cloning. Stem cells can be produced without cloning.

CHAIR—Yes, I realise that, but when we were debating that bill, I do not think anyone focused on this particular section.

Ms GEORGE—No, they did not.

CHAIR—And I have certainly never ever known that an egg can produce its own foetus.

Prof. Jansen—Not its own foetus, but its own day three embryo, which is—

CHAIR—Its own embryo; I beg your pardon.

Prof. Jansen—a group of eight similar cells.

Ms GEORGE—What is the average day at which the egg actually implants? Is it eight days?

Prof. Jansen—It is day seven to eight.

Mr CADMAN—Is this work being done anywhere else in the world?

Prof. Jansen—No.

Mr CADMAN—Do you mean that in Britain, where there are not these restrictions, it is not being done? It is not being done in Singapore or South Korea?

Prof. Jansen—Not that I am aware of. One of the difficulties is that it is not possible to do it on an animal species because they do not have menopause of the kind that women do and, generally speaking, their eggs are fertile until the animal dies. There is not an animal model that enables us to research this.

CHAIR—Is that true of apes and so on, too?

Prof. Jansen—Apes are very difficult to do research on. They are expensive to keep. So it is very hard to carry out these studies on primates. It is hard to really think of a good reason to choose a non-human primate—other than for, say, a minority moral position on the sanctity of human eggs. These eggs are available, women have donated them in the past and, as I say, this research has been possible in the past in this state.

CHAIR—You say that at three days the embryo, if it is not fertilised, then dies.

Prof. Jansen—Yes.

CHAIR—You said ‘alive’.

Mrs MARKUS—For embryos to be used in current research, the woman who donated the eggs would have to sign off on that.

Dr Bowman—Of course.

Prof. Jansen—Yes. The provider of the sperm that produced the embryo also has to agree.

Dr Lieberman—The majority of embryos created either in nature or in the IVF lab will never become babies. They do not have either the genetic or the metabolic wherewithal to do so. There was a recent paper that suggested that only about 15 per cent of embryos created in IVF programs throughout the world will ever have the potential to become babies.

Prof. Jansen—Across the animal kingdom, it is clear that embryos are a means to an end. They are a means to a baby.

Ms GEORGE—It seems to me, just at a pragmatic level, that the concerns you have about a possible unintended consequence are not best addressed in the ongoing debate over the recommendations of the Lockhart committee, because there will be strong views about some of those recommendations that might see your particular concerns being lost in the wider debate. Have you brought these matters to the attention of the minister and the government? Is there another way around it, rather than having it encompassed by the Lockhart committee?

Prof. Jansen—I can refer you to Sydney IVF’s submission to the Lockhart inquiry, in which all these points were made very carefully and articulately. They are, of course, in the public domain, and I would be very happy to send the submission to you.

CHAIR—I think Ms George’s point is: have you made the points, other than in the Lockhart report, where you have met resistance from the ethics committee?

Prof. Jansen—The Lockhart report is still fairly fresh, but I am in close contact with the Ministry for Science and Medical Research in this state, and I am hoping to have the attention of ministers in the Commonwealth parliament on the matter in the next few weeks.

Dr Bowman—For example, we have previously made submissions to the Australian Health Ethics Committee because there have been, from time to time, reviews of ethical practice in human assisted reproductive technologies. In fact, the most recent review was in the last two years. We regularly lobby appropriate bodies.

Mr CADMAN—Who makes up this ethics committee that you are talking about?

Prof. Jansen—I believe the appointments are made by the Minister for Health and Ageing.

Mr CADMAN—You do not know who the members are? There would be scientists; there would be people with medical and research backgrounds. They would not all be theologians, would they?

Prof. Jansen—No, they are not, but there is a higher proportion of theologians or people with a committed religious position than at any previous time on that committee or its predecessors. I was a member of the Medical Research Ethics Committee for six years in the early 1980s, so I have watched its transformation with interest.

Mr CADMAN—You might be able to let us have a list of the membership and your assessment of their views.

Prof. Jansen—I would be very happy to do that.

Mr CADMAN—Thank you.

Prof. Jansen—Would you like me to make that available to the committee?

Mr CADMAN—Of course.

Ms GEORGE—As I understand it, just to get this clear in my mind, what you would like is the opportunity to have longer access to embryos to look into the issues of age related causes for infertility and that that is a quite separate issue to the issues relating to therapeutic cloning?

Prof. Jansen—Correct.

CHAIR—Or, indeed, stem cell research.

Prof. Jansen—It is actually access to unfertilised eggs to enable us to fertilise them to obtain scientific knowledge, not necessarily to secure a pregnancy. At the moment it is illegal and a jailable offence to fertilise an egg in the laboratory except with the intention of assisting in a full pregnancy with the aim of a baby being born.

Ms GEORGE—What would you do with the ova once you finished your research?

Prof. Jansen—It would be discarded in the usual way that embryos that do not develop within IVF programs are discarded. We have facilities to accommodate the particular wishes of the couple concerned, but in the thousands of couples that we have treated we do not find any expressions of interest to be there at the time that an embryo is discarded. The personification of these embryos is largely imaginary; it does not occur in practice in IVF programs in the couples that we treat.

Ms GEORGE—So you would be saying to a woman that some of the eggs would be taken for IVF purposes and some of the eggs would be taken purely for research for a certain period of time?

Prof. Jansen—No, we would not do that, because there are no circumstances in which that is likely to be in the woman's interest—unless it were for a peculiar reason the answer to which

would be of benefit to that particular woman. Otherwise, the chance of a woman getting pregnant in IVF is approximately proportional to the number of eggs that we have to work with, which is proportional to the number of embryos we can choose from in transferring the one that gives her the greatest chance of having a healthy baby. We would have a conflict of interest in wanting to use some of her eggs for a purpose other than her achieving a pregnancy, and we would not carry out research that way.

But in any IVF program the range of eggs that are obtained—if you like, the bell distribution of the eggs that are retrieved—is such that some of the eggs will not fertilise. Those eggs could then be matured further in the laboratory, putting them out of synchrony with the woman's immediate treatment, and perhaps using techniques that we were not sure were safe but that would enable us to answer questions of this kind at no detriment to the couple and potentially to the benefit of many.

CHAIR—Are you saying that there is some hope in the future that the quality and energy of the eggs may be able to be prolonged over a longer period of time closer to menopause? Is that the aim?

Prof. Jansen—Yes. Miscarriages become much commoner as a woman gets older, as most people know. In fact, of the pregnancies that occur after about 44, the majority miscarry. So nature in fact uses embryos prodigiously as a means of limiting fertility in circumstances where, in evolutionary times, it was better for a woman not to get pregnant. This is generally the evolutionary reason for limiting fertility through nature's ways as a woman gets older, because in prehistoric times the odds would have been that this woman would have had several children under her care who were totally dependent on her. With each childbirth in primitive circumstances, there is a relatively high risk of maternal death and so nature has evolved ways of limiting fertility as a woman gets older to benefit the children that ought to be there but that of course in modern times often are not. I am not sure if I answered your question.

CHAIR—I was asking if the aim of your research is that you want to find if there is a way of keeping those eggs.

Prof. Jansen—That is right. Of the miscarriages that occur, we also know that Down syndrome and abnormalities caused by an abnormal number of chromosomes increase as a woman gets older. But, paradoxically, that is not the cause of most of the miscarriages after the age of 40. When you start testing the chromosomes of miscarriages in women in their 40s, they are more likely to be normal. So these eggs that are leading to fertilisation are deficient not for fundamental genetic reasons but because of the energy of the fleshy part of the egg, the cytoplasm of the egg. That implies that there may be environmental ways in the culture medium in vitro where that deficit can be made up and that a good start can be given to those embryos that gets them over the line, successfully implanting and forming a normal foetus with normal chromosomes.

With the day 5 to day 6 embryo culture that we pioneered at Sydney IVF, we can take a sample—a biopsy—of the embryo when it has more than 100 cells from the part of the embryo that is destined to become membranes and placenta, not foetus, and test it for the number of chromosomes so that we can help older women avoid Down syndrome without jeopardising the

metabolic strength of their embryos and thus select an embryo which at least has a good start genetically.

CHAIR—So that is what you do now.

Prof. Jansen—That is what we do now.

Mrs IRWIN—How many babies were born at Sydney IVF over, say, the last 12 months?

Prof. Jansen—We are treating about 3,000 cycles.

Dr Lieberman—About 25 per cent of live births—

Prof. Jansen—It is about 700 or 800.

Mrs IRWIN—So 700 or 800 babies—700 or 800 happy women. Some of them were most probably twins?

Dr Lieberman—We try to avoid that.

Dr Bowman—Increasingly, yes, because of the medical risks of twins. We can transfer one embryo at a time without lowering their chance of success. The chance of having a healthy baby is higher by putting them in one at a time and freezing spare embryos. Some recent research that we did, and that we published internationally, has borne that out.

Mrs IRWIN—There must be 700 or 800 happy families out there and this is why you need that research to continue.

Dr Bowman—And as we said, 2½ to three per cent of babies born in the country are from IVF.

Mr TICEHURST—Is there a proportion of women who would not conceive at any age without IVF?

Prof. Jansen—Yes. For example, IVF was invented in the 1960s and 1970s for women who had lost both fallopian tubes. That was the *raison d'être* for IVF, where fertilising the egg in the laboratory replaces the natural fertilisation of the egg within the fallopian tube. So yes, there are women who cannot conceive except with IVF. It was not long after the successful development of IVF in the late 1970s and early 1980s that it was noted that it would also overcome infertility of other causes, such as low sperm counts and endometriosis. With developments we have been able to overcome low sperm counts in a couple very considerably, even to the point where a man might have a total absence of sperm either from an obstruction or because the production rate in the testis is less than a million a day, and not enough get through into the ejaculate then to be able to be detected. But by going to the testis and using a sperm there, we only need one or two and we can produce embryos and babies from that. So IVF has ended up in many areas that were not the original plan—which was blocked or absent fallopian tubes, where there was absolutely no other way that women could conceive.

Today, really the only area where we are not making an impact is with the older woman. It is this type of research that is needed to take it further there. In the meantime, as I say, these women have to rely on eggs being donated by friends or relations who are younger than them in these circumstances.

CHAIR—We thank you very much. It has been a very interesting session.

Dr Lieberman—Thank you for the opportunity.

CHAIR—We appreciate the work you put into the submission. We also appreciate the work you do generally.

Dr Lieberman—Thank you.

[12.34 pm]

DUDLEY, Ms Sheridan Helen, Chief Executive Officer, Job Futures Ltd

Witness was then sworn or affirmed—

CHAIR—Welcome. We have received your submission but we would be most interested in hearing an opening statement from you.

Ms Dudley—Thank you. Given the length of time that has elapsed since we made the submission, an awful lot of things have happened in the jobs area, as you are no doubt aware. What I thought I would do is address my opening remarks to what might have changed since we made the submission rather than perhaps amplifying it. Job Futures made submissions to both the Welfare to Work inquiry and the Work Choices inquiry. My submissions are publicly available there. I appeared before both of those inquiries. We have addressed term of reference 2 for this inquiry, which is about making it easier for parents who wish to return to paid work. I would just like to comment on what we think might have changed with regard to that as a result of what has happened in the last year. I think that might be a more fruitful thing to start with.

There are two points I would like to make. One is that Job Futures members are concerned about the requirement that when the youngest child has reached the age of six parents must look for work and once they reach the age of eight the parenting payment reduces to the Newstart allowance rate. I should preface this by saying that Job Futures actually supports getting people into work. We generally support the thrust of both Welfare to Work and Work Choices bills. However, we think there are some issues of concern. We raised these and they were not addressed in those bills so I am going to have another go here.

I want to raise issues around parenting. We think it may well be counterproductive to require parents to look for work and at the same time not take account of the additional costs they face. In fact, whilst we can understand the logic of reducing the parenting payment to the level of the Newstart allowance—we understand the government's logic in doing this—we think it does not take into account the fact that parenting involves numerous additional costs for a start, particularly where there is a sole parent.

Secondly, one of the things we think has not been taken into account is that, when the government is requiring sole parents particularly to look for work when their youngest child turns six, most of the work—and this has been accepted—will be likely to be part time because of the schooling and parenting arrangements. What has not been taken into account in our view is the additional work related costs of engaging in part-time work. It actually costs more proportionally to engage in part-time work than to engage in full-time work—for example, in case you are wondering what I mean, in things like transport costs. If you work a full week you can get a weekly ticket in peak hour times which reduces the cost enormously. If you work two or three days a week out of peak times you are not eligible for those sorts of concessions.

Additional costs of part-time work represent a higher proportion of take-home pay for those engaged in part-time work than full-time work. We think that reducing the parenting payment to

the Newstart allowance does not take that into account and it is a disincentive. In fact, if you look at the NATSEM modelling which was part of the submission to the Welfare to Work inquiry, it shows clearly that, for some groups—we think that parents are one of them—participation in the workforce will actually lead to a lower net income—

Ms GEORGE—Than staying on the benefit?

Ms Dudley—Yes. Child and individual poverty might well result. It is actually unreasonable to expect people with dependants to make decisions that will actually reduce their income when that income is already at a low level. We think one of the things that has happened in the last year is that, rather than making it easier for parents to return to paid work, in the Work Choices legislation there is an inherent disincentive which might have made it harder. That is the first point I would like to make.

The second point I would like to make in opening is that we support, in the Work Choices legislation, the more flexible workplaces that it is intended to create. We believe that, as part of our role in providing Job Network services, to get sole parents in particular into work we need flexible workplaces, because that is the sort of discussion you have to have with an employer. However, we also believe the policy settings for Job Network are running behind the policy settings that the government has set in both Welfare to Work and Work Choices. The mechanics—Job Network and its requirements—are running behind the government's policy settings in the legislation.

What do I mean by that? I mean that the reward structure for Job Network is still tied more closely to traditional labour market outcomes—that is, Job Network members get rewarded for 13-week and 26-week outcomes. Let me give you the example of sole parents who only want to work during school terms and during school hours. One of our Job Futures members has negotiated with one employer the ability to have sole parents work for 10 weeks of the school term, then take a break, work another 10 weeks and then take a break. The reward for Job Network means that that sole parent never gets to 13 weeks, and we never get an outcome payment. So one of the things that is happening is that, in terms of your mechanism for getting parents into work—and also parents who are not required to participate, who do not see themselves as unemployed but would like to get back to work—there is no incentive for Job Network members to get non-activity-tested job seekers of this kind into the network and get them placed, because of the structural policy levers around Job Network.

We think some of those things need to change so that there is, firstly, encouragement for the tranche of sole parents who will still be non activity tested, the ones before that youngest child turns six, and after that for the ones whose youngest child has turned six. In terms of us getting those people into work, Job Network actually does not reward us for negotiating arrangements which are family friendly and which parents would want to take up. I would like to start by making those comments.

CHAIR—Thank you. That is particularly interesting. Perhaps it relates immediately to some of the discussions we were having with Mr Hart from Restaurant and Catering Australia when he said that you put casuals on your books but you do not get remunerated for a placement of a casual. Would you like to talk about that too? I guess that woman who wanted to work in school holidays fitted that sort of category.

Ms Dudley—Yes. We think there needs to be a recognition of different work patterns. You see, I do not think we would call that ‘casual’. I think we need to get our heads around a different category of work which we might call ‘periodic employment with the one employer’. So it is not seasonal casual work like fruit-pickers going from place to place, picking with different employers. I am not talking about that. I am talking about seasonal work—it applies to people like abattoir workers, fish cannery workers in various places, and it is the same issue with parents who work for an employer during term time—where, as the seasons happen, people have an ongoing relationship with one employer. So it is in fact not casual work in the sense of going in and out of work with a number of employers.

If we are going to encourage parents back to work, there are two points I think we should consider. Firstly, they do not see themselves as unemployed and, secondly, they see themselves as disenfranchised if you say that what they are doing is ‘casual’. We need a concept of periodic employment with the one employer that, firstly, enables that employer to regard that person as a permanent employee—but on a flexible basis of maybe four 10-week periods a year from 9.30 to 2.30 or whatever—and, secondly, rewards Job Network members for working with employers. Under the Work Choices legislation we can now do that, which is one of the reasons that I think it has some benefits for people who need flexible work arrangements. Sometimes employers are pretty unhappy about doing some of this stuff. Now we have a mechanism with which to work with them to do it. But we need a concept that says, ‘This is actually an ongoing employment relationship that gets the person off the Newstart or parenting payment benefit’—which is the policy intention anyway—‘in an ongoing way.’ But Job Network members are not actually rewarded for that because of the way it works. So I would say that we need a different concept if you want to get parents into work. You need to start thinking differently about what ongoing employment might look like.

Mr TICEHURST—It is a variation of permanent part-time.

Ms Dudley—It is, but it is on a much more flexible and different basis that we need to get our heads around. We can actually get rewarded as Job Network members for permanent part-time, depending on the number of hours per week. It is the break in employment, particularly over summer, when you have a six- or eight-week break, that is the problem. That just drops you out of achieving an outcome for anyone that you have placed in the last three months of the year.

Ms GEORGE—Talking about the incentives of paid work, one of my concerns about the Welfare to Work proposal is the one you mentioned—that it does not take too long for mum to do the sums and work out that she is far better staying on the welfare payment than actually making the effort to find work and go to work and then face effective marginal tax rates of 70c in the dollar. Are there any proposals that you have thought about that overcome this problem? There are the extra costs of finding work. I think there is going to be some additional payment, isn’t there, to people returning that compensates somewhat?

Ms Dudley—I could not answer that question. In terms of things that can be done, firstly, we recommended that the parenting payment not be reduced to the level of the Newstart allowance, but that is happening. The other issue that follows on from what you are saying is that it is not only the issue of the immediate dollars; the dollars do not change immediately. Generally, as someone is going back into work, it is a transition from a stable, predictable income on benefits. Even though it is low, it is stable and predictable and you can manage your life. Generally when

people are returning to work they often return through a series of shorter engagements or casual engagements as they get themselves back into the workforce. One of the things we find working with parents who have been out of the workforce for a long time is that not only have they lost their skills—that is generally what people say they have lost—

Mrs IRWIN—And they need that retraining as well.

Ms Dudley—but they have lost their confidence, they have lost their networks, they have lost their ability to engage and they have lost their sense of competence in a workplace. We mentioned in our submission learning circles which we have been experimenting with, and I am happy to answer questions on that. That is about getting people job ready. Once they are job ready and they start having smaller transitional engagements, their income goes from being stable and predictable and low to being unstable and unpredictable for some time through part-time work. People with dependants are highly risk averse, because they have to feed their child. Often they will want to keep a lower income that is known rather than risk not having one.

In answer to your question, one of the things we think is probably worth while is looking at things like transitional funding to smooth things out. There are examples of that in the United States. One of the other issues is around public housing. Housing is a state issue but it impacts enormously because once someone is in a job then their subsidy for public housing changes. Their income is unpredictable and unstable and that then eats up even more of that income. A transition out of the subsidised amount of the public housing as their income stabilises—a ramp down rather than an immediate change—would also assist. It is about stability. I do not think it is so much about the amount, because some people would in fact be happy to earn a bit less provided they knew exactly how much it was going to be and they could see it as a stepping stone to getting skills and then moving back up the career ladder. They realise that they might have to go in at that level. It is the instability, the unpredictability and the cessation of a whole lot of other things all at once. So transitional arrangements I think would be of assistance.

Mrs MARKUS—Can I go back to some of your comments about the reward for outcomes—the payment system that works with Job Network? In a practical sense, how would you like to see that altered? Can you give us some practical suggestions that would be productive?

Ms Dudley—I can give you some details. We made detailed recommendations on the Welfare to Work bill. What we are recommending, and what I would go on recommending, is that, in relation to what I am calling the periodic employment—so it is with one employer on an ongoing relationship; not a series of casual things—we think that Job Network ought to recognise a series of engagements in a continuing relationship with one employer as periodic, not casual. Firstly, that recognition is not there, and we think it needs to be made. Secondly, in relation to that employment, 13-week outcomes should be made if the jobseeker achieves 13 weeks of employment with one employer over a six-month period. So, instead of 13 weeks and 13 weeks, there could be 13 weeks over a six-month period with the one employer—you actually get a 13-week outcome—and that, for a 26-week outcome, payment be made if the jobseeker achieves 26 weeks employment with one employer over a one-year period. That would enable those kinds of arrangements to—

Mrs MARKUS—Are you suggesting some additional categories?

Ms Dudley—A different recognition of what a 13-week outcome means, because at the moment it means 13 weeks. But, for this kind of work we might want to say that it is 13 weeks achieved over a 26-week period with one employer in a stable, periodic employment relationship, rather than a series of casual engagements.

Mrs MARKUS—I suppose one of the downsides of that not happening, Sheridan, would be that Job Network providers might prefer to avoid looking for those flexible arrangements or working with people who want, or are looking for, that.

Ms Dudley—Whilst we would not avoid working with people who want that—because our role is to get people into employment, particularly for JOB Futures and our members; we are a not-for-profit community organisation, so we do not have a profit motive here; we have a community motive—we will still work, and are working, with employers to create those relationships, and we do get placement payments and things like that. But it is not so much around the payment, because it also affects things like the level of disadvantage the person is assessed at and whether they are eligible for intensive case support—and then that affects how much money we have to service them, because creating these arrangements with employers requires more effort than finding a job in a paper and sending someone off to it. So we think there are ways that would not be too onerous and do not depend on serendipitous, subjective assessment which we could document and evidence as would be required with any other outcome to achieve a payment.

CHAIR—Do you get involved at all in another concept that is being used by people best described as charitable organisations, where they will negotiate with an employer and they will own the job? Largely, this happens when they are dealing with people with mental illness. You cannot predict that they will be available every day so they negotiate a job. They guarantee that there will be a person in that job every day doing the job, but it will not necessarily be the same person; it will depend on the health of that person.

Ms Dudley—No, we do not do that for JOB Futures, because we do not run any programs that would enable us to do that. Some of the disability providers might do that and some of our members do that. JOB Futures has a reputation for achieving excellent outcomes with highly disadvantaged people, including people with mental illness, so we work with people with mental illness but we would do it in another way—working with the employer. In fact some of our members who work with people with mental illness and physical disability are some of the highest performing Job Network sites in Australia. We have more five-star sites than any other Job Network member, and a number of those are specialist sites specialising in disability. We find we can assist people in other ways and work with employers in other ways. But part of the issue around your question, which also flows out of the Work Choices legislation, is that it is a requirement that people basically stay in a job and, if they leave a job other than for a good reason, then they lose their benefits for eight weeks.

The issue of mental health here is one that is of concern to JOB Futures, and we make the point that sole parents generally have higher levels of mental health issues than other categories of people. In relation to mental health issues and the work choices issue about not falling out of a job for a good reason, we are much more accommodating, as a society, of people who have physical illness. If someone has a physical illness we say, ‘Go to the doctor and stay on your medication until you’re better.’

One of the issues about mental illness is that people are unwilling to disclose it in a job situation and, secondly, generally only disclose it when they fall off the track. We are concerned about the issue of a person who knows that they are going to have an episode of whatever illness they have, and will actually need to come off employment for a while—and that is certainly an issue for people with mental illness. Because they have not yet had that episode, it is very hard to show that it was reasonable for them to stop working until they have actually had an episode, and that is highly counterproductive.

We think that, around the issue of sanctions for stopping working, we are going to have to put some safeguards in place for people with mental illness, or we are going to drive people into having an episode of that mental illness because of the fear of coming out of the job and losing their benefits for eight weeks. It is actually better for them to have an episode of mental illness and go back onto the disability benefit than lose the Newstart benefit for eight weeks. So there are some perverse things going on with regard to some of these groups.

CHAIR—I know that in my own electorate we have an arrangement where a particular employer has contracted with an agency for a job, and they fill it. These people are never going to work in an ordinary way, but it does put them into the workforce.

Ms Dudley—It is a perfectly valid strategy. I have to say I do not think that Job Network would give us any payment for doing that, because it attaches to an individual. Again, that might be one of the areas where we need to move the policy levers a bit, because we get paid for putting individuals into work so that they come off benefits, not for getting an employer somebody in their job—no matter who; somebody doing the job. We actually get paid for the other end of it.

CHAIR—I guess they get paid the other way, don't they? They get paid by agencies who work with them.

Ms Dudley—Yes, indeed. But our customer is the government, not the employer.

Mrs IRWIN—Can you tell us a little bit about Transition to Work?

Ms Dudley—In what sense?

Mrs IRWIN—Tell us about your program; I believe you have a program.

Ms Dudley—It is a federal government program—

Mrs IRWIN—Can you just tell us a little bit more?

Ms Dudley—It is a DEWR program. TTW is a lapsing program. It actually finishes in June. The requirements of TTW are being rolled into the new Job Network extension, so it is an ending program.

Mrs IRWIN—Do you think that it is a good idea to end it?

Ms Dudley—Yes. TTW is a program which starts with people who actually need to make the transition from not being job ready to being ready to be in Job Network. The thrust of the government has been to bring those programs together. Instead of having a whole bunch of little separate programs—like Personal Support Program and JPET, although they still exist—you start to bring all those together. I have to say that we support that, because when you work with a jobseeker you have to engage with them; you have to work out what issues are preventing them from getting employment and what all their life issues are, and solve those. You have to work out what issues are preventing them from getting employment and work with those.

The evidence that it is sensible to put them together is most clear in one of our remote Job Network services in Mutijulu, at Ayers Rock. That is one of the highest performing Job Network sites in Australia; it is a four-and-a-half star site. There is only Job Network there; there is no Personal Support Program—which is for people who are so un-job-ready they need to use something else first—or JPET, which is a sort of youth PSP. There is no disability open employment; there is only Job Network.

So our providers there do all of those things, because they are the only employment service for people who walk in the door. We think that works well, because you are treating the jobseeker as a person who has a whole range of issues. To say, ‘Oh, sorry, you need to go off to PSP for a while, and we will put you in a different program and service you differently, and then you can come back to Job Network,’ is not stunningly sensible. So we are quite comfortable about that direction, provided the supports are there to enable us to give the people what they need to get into the workforce.

CHAIR—How many of the people with whom you are dealing cite child care as a big problem for them going back to work?

Ms Dudley—I cannot give you an answer to that question. I do not have that data in front of me. We deal with tens of thousands of jobseekers every year. It is one of the issues, and it is simply an issue that has to be resolved. I could not possibly give you a full—

CHAIR—Do you have any data that you might be able to extract and give to us?

Ms Dudley—Without a great deal of effort, I do not think so. But I will ask my data people what data we do have, and if we have some data I will forward it to the inquiry.

CHAIR—Thank you very much; that would be helpful. I thank you very much for coming this morning. We do appreciate it.

Resolved (on motion by **Mrs Markus**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 1.01 pm