



INQUIRY INTO BALANCING WORK AND FAMILY

SUBMISSION BY

**SHOP DISTRIBUTIVE & ALLIED EMPLOYEES'
ASSOCIATION**

Ian J Blandthorn
National Office
5th Floor
53 Queen Street
Melbourne 3000

PH: (03) 9629 2299
FAX: (03) 9629 2646



TABLE of CONTENTS

Introduction	2
Families are Important	4
Families in Poverty	10
Initiatives to Help Parents Balance Work and Family	23
Tax Reform	23
Financial Support for Families	30
Home Ownership	37
Support Families Right to Choose	39
Balancing Work and Family	44
Security of Employment	45
Fair Distribution of Work	47
Access to Education and Training	48
Creation of Family Friendly Workplaces	51
Child Care	54
Support for Young People	58
Security in Retirement	60
Fair Industrial Regulation	62

INTRODUCTION

The SDA welcomes the establishment of this inquiry. In Australia today many families are struggling to effectively balance their work and family responsibilities.

Financial, career and social factors all operate as disincentives to young people starting families.

A range of reforms and initiatives are required if the current situation is to be stabilised or reversed.

The federal government should:

Take all necessary actions to protect and strengthen the value of marriage and the family;

Provide adequate levels of support to families with children;

Reform the taxation system and in particular reduce high effective marginal tax rates and cut the rates of tax paid by low and middle income families;

Remodel the social security system to provide better levels of income support to low income families;

Facilitate families to be able to purchase their own home;

Actively support the right of families to make choices which allow one parent to stay home on a full time basis to care for children and others in the family who may need care;

Encourage employers to adopt and implement the principle of achieving effective balance between work and family.

Achieving an effective balance between the demands of work and the needs of a family is very difficult for many people.

Initiatives the government should take in this area include;

- **promotion of more secure employment;**
- **establishment of a fairer distribution of work, working hours and workloads;**
- **easier access to education, training, retraining and skill recognition;**
- **easier access to high quality, affordable child care;**
- **creation of more family friendly workplaces;**
- **greater support for young people through remodelling HECS and Youth Allowance and improving their wages;**
- **enabling older workers to properly plan for financial security in retirement;**
- **ensuring fair industrial regulation, including establishing and maintaining a minimum wage sufficient for a family to live and function effectively on.**

FAMILIES ARE IMPORTANT

In framing policy government must start from the position of seeking to protect and strengthen Australian families.

The centrality of the family is recognised in the Universal Declaration of Human Rights.

Moreover, in the development of human capital the family is central. Human capital is firstly formed within and by the family.

Strong families are important, in our view, because they fulfil a range of functions such as:

- ◆ caring for and raising children;
- ◆ emotional security;
- ◆ refuge;
- ◆ nurturing and love;
- ◆ providing a place where people can find identity and value;
- ◆ socialisation skills;
- ◆ care for the sick and elderly.

Families today face many problems, but those problems may be summarised under the following headings:

- ◆ financial;
- ◆ relationships; and
- ◆ unfriendly workplaces.

Singly, or in various combinations, these problems operate to turn many families into dysfunctional units.

Research shows that dysfunctional families experience a wide range of problems.

Problems dysfunctional families face include:

- ◆ crime
- ◆ drugs
- ◆ suicide
- ◆ poverty

Families which dysfunction put great stress and demand upon the community and the state.

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

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

Other researchers such as Sylvia Hewlett ("*When the Bough Breaks, The Cost of Neglecting our Children*", U.S, Basic Books, 1991) have also shown

that there is a relationship between "*deficit in parental time and attention*" and "*emotional and behavioural problems among children*".

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

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

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

Dr Moira Eastman ("*Why should a tax system specifically take into account the needs of families rearing children?*", Council for the Family paper, Melbourne, 1997) has also argued that time spent with parents

has been found to be a significant factor in children's school achievements.

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

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

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

Salient facts relating to the position of families in Australia today include the following:

The birth-rate has fallen to 1.7 children per woman and it is continuing to drop. A stable population requires 2.1 children per woman, a level we have not seen in Australia for many years.

As a consequence of the falling birth rate, there are now many one child families.

There are 1 million dependent children living with one parent usually their mother. This is 25% of all children. The absence of a father in the house is now recognised as a serious social problem.

Couples with no children are also a growing phenomenon.

There are a range of reasons for these developments.

The marriage rate is at its lowest for 100 years and is continuing to fall. People are deferring marriage, even if they do ultimately intend to get married. In most cases this leads to deferring of having children. The average age of women giving birth was 30.2 years in 2002, up from 27.6 years in 1986.

The structure of households is changing. The number of people living in the average household is shrinking. In Sydney and Melbourne, half of all households now have either one or two people. Single person households will soon be 25% of the total. Some of these will be old people who are widowed or living alone, while others will be young people living singly. The average household size today is 2.6. persons.

The population is aging. Today 25% of the population is aged over 65 years, and there are a smaller proportion of young people in the Australian population today compared with the past.

Moreover there appears to be a growing cultural trend in some quarters to view children as unnecessary encumbrances. Evidence of this trend can be seen in the growing demand for child free areas and childfree holiday destinations, the attempts to ban women from breast-feeding in public and the development of government policies which reward those who do not have children at the expense of those who do. Children are now described by some as “career killers”.

A nation which does not value its children has no future.

It is time for the government to actively promote the value of marriage, family and children.

The fundamental rights of children are set out in a number of United Nations documents, including:

- The Convention on the Rights of the Child.
- The Declaration of the Rights of the Child.
- The Convention on the Elimination of all Forms of Discrimination against Women.

In particular, these international instruments provide that:

- the family is the fundamental group unit of society;
- the rights of children shall be paramount;
- all children shall have the right to a name, identity, nationality and, as far as possible, the right to know and be cared for by their parents;
- there be recognition of the common responsibility of men and women in the upbringing and development of their children;
- the child shall have the right to maintain personal relations and direct contact with both parents on a regular basis, except if it is contrary to the child's best interests;
- no child shall be discriminated against on the basis of their birth.

Australian governments have a responsibility to take into account and seek to give effect to these principles. In doing so the requirement to give paramount consideration to the best interests of the child should be applied wherever legislative reform is being contemplated.

The well-being of families is crucial to the well-being of the nation.

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

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

The realisation of these principles is fundamental to helping families achieve a better balance between work and family.

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

FAMILIES IN POVERTY

A considerable number of families are today facing substantial economic difficulties.

A large number of Australian families are living below, or close to, the poverty line.

The risk of poverty acts as a disincentive to many young people to begin a family. Financial factors are key determinants of whether young people choose to get married or have children.

Available disposable income also plays a major role in influencing whether a family is able to function effectively. Poverty is often a key factor in the development of dysfunctional families.

Based on the ABS 2000-01 Survey of Income and Housing Costs and using the OECD equivalence scales and a poverty line set at half median equivalent income, it has been established that 11% of Australians were living in poverty in the year 2001 with an average poverty gap of \$108 below the poverty line of \$408. The rate of poverty amongst children was 9.5% and among adults it was 11.5%. The OECD equivalence scales give a higher weighting to adults, hence the differences in the figures. Adults comprise 77% of those who are poor and children 23%. (*Australians in poverty in the 21st century*, R. Lloyd, A. Harding, and A. Payne, NATSEM 2004,p4).

Mark Wooden, Deputy Director of the Melbourne Institute says that the incidence of households living in poverty – defined as incomes below 50% of the median – was 12.1% in 2003. He also says that the incidence of families being in poverty over 2 years is 7.1% and over 3 years is 4.2% (*Financial Review*, April 1st, 2005). These figures show that at any one time a very large number of families are living below the poverty line. While many of these families might not live permanently below the poverty line and some might drift, over time, above and then below the actual poverty line, it is clear that, long term, many families are living below or close to the poverty line.

In 2004-5 there were approximately 424,000 families with children in the bottom quintile. This involved 838,000 children (*Prosperity for all, How*

low income families have fared in the boom times", J. McNamara, R. Lloyd, M Toohey and A. Harding, NATSEM, 2004, p3)

The type of family that individuals live in has a major impact upon their likelihood of being in poverty. Being part of a couple family offers some protection against poverty.

The NATSEM research shows that those living in sole parent families continue to face the highest risk of poverty. More than one in five sole parent families is living in poverty. Low income families comprise almost half of all families in the bottom quartile, compared with one quarter of all families. The number of sole parent families is increasing. The number of sole parents with 2 or more children rose from about 11% in 1997-8 to 13% in 2004-5

Couples are less likely to be in poverty. There were 7.4% of couple families with children who were in poverty. Six per cent of married people, as distinct from 20 per cent of all single people, are in poverty.

The risk of poverty for couple families with children increases with the number of children and the age of children.

Couples without children are the least likely group to be in poverty with only 5.8% below the line.

NATSEM says that in 2004/5 the average disposable income of families in the bottom quintile was \$554 for a family with 2 children, compared with a median disposable income for all families with children of \$972, indicating a substantial gap between Australia's least well off families, and the average family.

There is a clear relationship between household levels of income and the life-cycle stages of families.

- Young independent single people aged under 25 generally have moderate incomes. As young people enter into relationships their income rises as they often have two income earners contributing to their family income.
- The birth of children and the early years of child rearing contribute to reduced labor force participation of parents and lower income levels for families.
- Income of couples with children increased with the age of children, in part reflecting the higher participation in paid employment of both partners.
- The level of income received by couple families was at its peak when they were between 45 and 54 years.
- As parent's age and children become independent, income again declines, reflecting a steady decline in labor force participation.
- The average incomes of those aged 65 years and over reflected the considerably lower incomes that accompany retirement.

There is a clear link between poverty and unemployment or underemployment. NATSEM has estimated that the poverty rate for the unemployed was 41.1%. The second most likely group to be in poverty was people not in the labour force. (NATSEM, p14)

NATSEM shows that of those Australians in poverty 11% are wage and salary earners and another 7% own their own businesses. However, as NATSEM (p12) also indicates, wage earners make up a substantial share of all families.

The number of working families below the poverty line is growing ("*Social Policy Matters: The Changing face of Child Poverty in Australia, 1982 to 1997-98*": Anne Harding and Aggie Szukalska, NATSEM, paper presented at the 7th Australian Institute of Family Studies Conference, 26 July 2000).

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

Working poor families represent almost one quarter of all poor families.

For almost six out of every ten people (58%) in poverty their main source of income are government cash benefits such as pensions or unemployment. This figure has increased steadily since 1990 when it was 46%.

People in families with government cash benefits as their main source of income have increased from 24% in 1990 to 31% in 2000, thus showing an increasing reliance by many families upon government assistance to make ends meet.

Two thirds of all children living in poverty come from families whose principal source of income is government payments. Overall, the least affluent of Australia's children live in families where the head is not in the labour force, or is unemployed. Over one quarter of all families with

children rely principally on government transfer payments as their major, or only, source of income.

The risk of poverty declines as the number of income earners in a family increases.

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

According to NATSEM **gender, age, ethnicity and location are relevant factors in any consideration of the incidence of poverty**.

The poverty rate for men (11.2%) is slightly higher than for women (11%). (NATSEM, p5)

Those from non English speaking backgrounds are more likely to be in poverty. One in three people living in a family headed by a migrant was in poverty. (NATSEM, p9)

Overall, poverty rates in capital cities tend to be lower than for regional and rural areas. However due to the concentration of population in the capital cities there are actually more people who are poor in the big cities. Six out of ten poor people live in the capital cities. (NATSEM, p10)

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

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

An income gap is growing between the inner metropolitan elites and people living in the outer metropolitan areas. Household incomes in the most affluent five postcodes in Victoria rose by almost 20 per cent over the period from 1986 to 1996, while those in the five poorest Victorian postcodes fell by 10 per cent. The most affluent postcodes are all inner metropolitan.

Research carried out by NATSEM for the AMP and published in February 2002, confirmed that in general, postcodes in metropolitan areas had higher average taxable incomes than those in non metropolitan areas. (NATSEM-AMP Report 1, February 2002).

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

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

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

Households of similar economic status tend to cluster. In turn this has the capacity to create low income neighbourhoods where the social infrastructure provided by wealth is often missing.

This leads to deprived neighborhoods characterized by poverty, disadvantage and social exclusion.

Those aged 15-24 and those aged 55-64 are more likely to be in poverty than those in other age groups. Almost one in every three persons aged 15-24 are in poverty. The poverty rate is much higher for non dependants living at home (30.4%) and for young people not living at home (18.8%) but fairly low for those over 15 living as dependants at home (6,8%). (NATSEM, p6)

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

On average the incomes of poor Australians are 43% below the poverty line. According to the Smith Family Report a dropping of the poverty line to 40% of average weekly income would cut the poverty rate overall by 5% to 7.9% but raising it to 60% would increase it to 23.2%. In other words there are a large number of people not technically in poverty who are very close to the poverty line.

In a submission put to the year 2000 Living Wage Case by the ACTU (and using material from unpublished ABS data from the Household Expenditure Survey September 2000) it was pointed out that of Australia's 800,000 low paid working households it was estimated that:

- 30,000 sometimes went without meals due to a shortage of money,
- 30,000 could not afford to heat their homes,

- 22,000 had sought assistance from welfare/community organisations due to a shortage of money,
- 41,000 sold or pawned something due to a shortage of money,
- 220,000 felt their standard of living was worse than two years ago,
- 284,800 could not afford a holiday away from home,
- 244,000 had experienced cash flow problems in the last year,
- 212,000 felt they could not raise \$2000 in an emergency,
- 166,000 could not pay utility bills because of a money shortage,
- 119,000 could not afford a special meal once a week,
- 115,000 bought second hand clothes because they could not afford new ones,
- 48,000 could not afford to have friends or family over for a meal once a month.

Poverty places families under enormous strains.

The working poor often exhibit some or most of the following characteristics:

- Ethnicity
- Low education levels
- Inadequate housing
- Disability

- Poor health
- Low wages
- Large families
- Young children
- Single family income earner
- Job Insecurity

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

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

Ultimately poverty and the resultant fall-out, can lead to social alienation and division. Families or individuals in poverty are inimical to the development of a socially cohesive nation.

Government policy must address the issue of poverty. In doing so it must be recognised that many families are in particularly difficult situations. Often these families comprise the "working poor". The central theme of any coherent approach to poverty must be to ensure that all families have an income sufficient for them to be able to live decently.

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

The Australian Bureau of Statistics in "Australian Social Trends, 2004" showed that income inequality rose during the 1990's.

Between 1994-5 and 2000-01 average disposable incomes in Australia rose 12%. However this growth was not evenly spread. Low income people received, at the end of this period on average \$245 per week, a growth in income over the period of 8%. For those on middle incomes it averaged 11% and for those on high incomes it averaged 14%. At the end of the period the share of total disposable income of low income families had declined from 10.8% to 10.5%, for middle income households it had remained stable at 17.7% and for high income households it had increased from 37.8% to 38.5%.

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

However, more recent NATSEM research shows that since the mid nineties the position has stabilised. Income distribution remained relatively unchanged between 1994/5 and 2002/3 when taking into account tax and other income redistributions through the social security system. (*Recent Trends in Income Inequality*, Anne Harding, NATSEM, 2005)

Nevertheless large numbers of Australians continue to live in or close to the poverty line.

Research conducted for "*The Australian*" by NATSEM and reported in that newspaper on June 17-18, 2000, shows that **couples with children continue to dominate the poorest 10% of the population or decile. Wealth is largely in the hands of those with few or no children.**

In "*Trends in Australian Wealth-New Estimates for the 1990's*", Simon Kelly of NATSEM points out that between 1986 and 1998 the number of millionaires in Australia rose from 20,000 to 180,000 (that is, they doubled every four years). Over that period the richest 10% of Australians increased their average wealth from \$403,000 to \$852,000; more than doubling their wealth over the period.

Other NATSEM research (S. Kelly, "*Wealth on Retirement*", July, 2001) shows that wealth is not evenly spread. The wealthiest 20% hold 62% of all wealth while the poorest 20% hold 1% collectively.

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

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

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

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

According to Associate Professor Richard Teese has argued that the wealthy are able to contribute and pool resources in private schools to

acquire facilities and staff which enable them to attain high achievement.

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

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

Poverty poses a significant threat to the formation and well-being of many Australian families. It contributes to disadvantage, social exclusion and alienation from society.

Superannuation and home ownership are critical factors in shoring up the overall wealth levels of low and middle income families. The work of Kelly (above) shows that without these factors, many middle and low income households would have been significantly worse off in 1998 than in 1986.

Encouraging ordinary families to acquire shares will not address the issues of poverty and inequality.

All families should have sufficient income so that they can come into being, survive and function effectively. The policy orientation of government should not be just to aid wealth creation but also to ensure that the wealth which is created is used as necessary to ensure a fair go for all families.

INITIATIVES to HELP PARENTS BALANCE WORK and FAMILY

Tax Reform

For families to have sufficient disposable income there needs to be a revision of the taxation system.

The current taxation system acts as a disincentive to many people to begin families, it makes it harder for many families to function effectively, it actively discourages participation in the paid workforce and it makes it harder for parents to balance work and family. Low income earners are particularly disadvantaged.

The absence of tax indexation has led, over the years, to low income earners moving into brackets where they are paying a greater share of their income in tax than previously.

NATSEM has shown that the impact of bracket creep has been to push people into higher tax brackets, thus rapidly consuming the benefits of the tax cuts introduced as compensation for the introduction of the Goods and Services Tax. Today the average rate of tax paid by individuals is 22.5% as compared to 21.5% when the GST was introduced.

The issue of bracket creep must be addressed by the government. Increasing government revenue by stealth through bracket creep, is not sound economic policy. NATSEM argues that unless there are changes to the tax thresholds the average rate of tax will rise to 23.5% in 2 years.

Vertical equity in the taxation system must be increased through a restructuring of the income thresholds which gives genuine tax

relief to low and middle income earners. There is no basis for precipitating further flattening of the income tax system.

AS NATSEM says, cutting the top marginal rate of tax would be regressive, and impose severe cost burdens upon the government which would inevitably lead to either higher GST imposts or cuts in government outlays. Both outcomes are unacceptable. Low and middle income earners need a fairer tax system but this should not lead to an overall more regressive system which would result from an increased GST. Further, there is a need to actually increase government outlays in a range of areas such as social security, education, housing and health if Australia is to have an overall fairer and more just society.

Tax cuts must be targeted. Such action should not reduce the total level of revenue.

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

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

government benefit lost, is substantial then this acts as a disincentive to them seeking to earn extra income.

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

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

NATSEM argues that the reason so many people with children face EMTR's is due largely to the impact of the withdrawal of Family Tax Benefit A. 57% of all individuals facing EMTR's in excess of 60% have the reduction of Family Tax Benefit A as one of the factors causing their high EMTR. Almost 80% of individuals in the couple with children family type and 30% of sole parents have withdrawal of Family Tax Benefit A as one of the factors impacting on their EMTR.

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

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

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

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

"Take a family with two adults and two children, with one adult receiving the national minimum wage for a full-time job – that is, \$413.40 before last week's decision. The partner is not working and receives parenting payment (partnered). They will now get an \$18 a week increase in their gross earnings. But after changes to taxes and transfers, they will be only a little more than \$3 better off. This results primarily from the withdrawal of the parenting payment, plus income tax paid. They face an effective marginal tax rate of 83 per cent

"Similarly, a single person working 20 hours a week on the national minimum wage rate will get a \$9.40 gross wage rise but will end up less than \$2 better off. For a couple with two children, where both adults work full-time on the national minimum wage, the \$36 increase in gross earnings results in a net increase of about \$12 if they receive rent assistance and \$15 otherwise."

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

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

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

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

ACOSS has pointed out that the interaction of the income tests for Family Tax Benefit, Youth Allowance and Child Care Benefit is a particularly crucial factor for low income working families. For example, where a family has more than one child attracting these payments such as where one child is under 16 and another is a dependant student over

16, the income tests stack together to produce very high marginal tax rates, perhaps in excess of 80%.

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

There is a strong case to argue that poverty traps caused by the "stacking" of income tests should be ended. Earned income tax credits would overcome the problem of high effective marginal tax rates.

Given the growth in wealth inequality and the accumulation of very substantial wealth by a small section of the community there is a strong argument for the imposition of a wealth tax on those with substantial wealth. A wealth tax would reduce the wealth gap and help fund the establishment of greater vertical and horizontal equity in the system.

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

As a first step towards this end, **the Fringe Benefits Tax should be remodelled** to prevent salary packaging. This tax tends to benefit higher income earners. The current FBT exemption for employer provided child care and the concessional treatment of company cars should be abolished. Concessions associated with employee share and options schemes, especially where such schemes are targeted towards high earning senior executives, allow such beneficiaries to avoid paying their full rate of tax.

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

The presence of children places a significant economic burden upon families. The more children, the heavier the economic burden. The taxation system fails to recognise this.

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

Not surprisingly, young children are the cheapest to care for at an average of \$102 a week, while the costs of feeding and clothing teenagers aged 15 years or above averages \$320 a week. Even for low income families the average costs range between \$55 and \$214.

Food is the biggest expense in all demographics and for low-income families it amounts to a quarter of the overall cost of the child. Transport, recreation, housing, clothing and other costs, such as medical and dental, are the other big-ticket expenses. These figures do not include the estimated costs of parents' lost earnings.

For low income families with one child, the weekly costs of a child as a proportion of total family income ranges from 10% for a child aged 0-4 to 38% for a child aged 15-24 years. If we look at the average costs of children by the number of children in a family, rather than the age of the children, we see that a low income family with one child spends an average of \$111 per week on that child, for 2 children such a family

spends \$196 per week, and for 3 children, \$266 per week. Middle and high income families spend more.

Clearly children are a major expense for families. This expense grows as children become older. As such it is important to take this factor into account when determining appropriate support payments to families. The Australian Institute of Family Studies has found that having one child reduced a woman's average lifetime income by \$162,000. (*NATSEM-Personal Investor Magazine*). Raising children places great financial and social pressures upon parents and families.

The failure of the taxation system to recognise the financial burdens of families with children is a major factor in why many people choose not to start families or delay the start thereof.

Government Financial Support For Families

The government has a responsibility to ensure that all Australians have sufficient income to live decently and with dignity.

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

The social security system must be based on the principle that where families do not have sufficient income to function effectively they are provided with additional support from government sufficient to enable them to function effectively. This is the purpose

of a social security system. Any government concerned with the well being of the nation's families must accept this basic premise.

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

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

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

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

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

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

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

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

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

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

It should be noted that public expenditure as a percentage of GDP in Australia fell between 1993 and 2003. Moreover total expenditure by Australia is actually less than for most other OECD countries. (*Economist*, March 20, 2004)

Family Tax Benefit A

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

A family can earn \$32,485 p.a. (at March, 2005) before payment is reduced. Above that figure, a withdrawal rate of 20 cents per dollar applies until the Base Rate is reached.

At \$84,023 (plus \$3,358 per extra child) a 30 cents withdrawal rate applies to the Basic Rate.

Under this scenario two shop assistants earning a full-time base award rate of pay (\$526 per week) would have the income test applied to them. They would receive only part of the additional rate payment. Indeed, if they have only one child they will receive only the base rate.

On the other hand a family can earn up to \$141,766 and still receive some payment.

The structure of this payment is theoretically progressive. However **the point at which the full payment is withdrawn is too low and must be adjusted. The minimum figure at which any withdrawal should cut in should be \$55,000.**

The current large family supplement \$4.62 per week (for the fourth and subsequent children only) is little but a token gesture. Large families should be treated equitably in regard to being able to access adequate income support payments. **The large family supplement should be increased.**

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

Households preferring tax system delivery tended to have higher incomes. **Choice in how payments are made should be fully available.**

The process of estimating is creating problems for many families. Repayments often bring about hardship. This system should be remodeled.

Parenting Payment

The purpose of the Parenting Payment when it was first introduced was to provide additional income support to low income parents. The subsequent tightening of the income test applying to it means that today most Parenting Payment recipients are those who are in receipt of some form of income support payment.

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

The Parenting Payment income test should be adjusted to make this payment accessible to all low income families. Alternatively, the

inaccessibility of this payment for most families provides further justification for the argument to increase Family Tax Benefit A.

It is time for the government of Australia to accept that parents who care for children carry out a function critical to the future well-being of the nation. Financial support paid to parents should therefore be seen as more than welfare, it is also an investment in the long term future of the country. Narrow economic analysis of the utility of parenthood often ignores this fact. Policy which forces parents into the paid workforce while leaving their children in the care of others or unattended is bad policy. Parents should not be forced into the paid workforce until their children have reached at least 16 years of age. Parenting Payment should be used to facilitate low income parents make such choices.

Family Tax Benefit B

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

The primary income earner's income is not taken into account to calculate Family Tax Benefit B. The second income earner can have \$4,000 p.a. before payment is affected, with a reduction of 20 cents for each dollar earned above that figure. A relatively small amount of work by the second income earner can significantly reduce a family's entitlement.

A mother who stayed at home all year on a full-time basis to care for her children but decided to take on 6 hours per week of paid retail employment or take 8 weeks full time paid employment in a shop at

Christmas, in order to pay for the additional costs of Christmas and sending children back to school, would have the income test applied to her in a way that she started to lose 20 cents in the dollar. Clearly the income test is harsh. **The amount able to be earned before the income test begins to apply should be increased.**

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

Research by NATSEM shows that this initiative has materially improved the position of single income families. This initiative redressed the situation which occurred during the Keating government where single income families experienced a real drop of 4% in their disposable income (after taking inflation into account (The Age, 25 August, 2001). However Family Tax Benefit B is a taxation benefit which flows to all families irrespective of the income level of the primary earner.

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

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

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

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

In Finland a homecare allowance is paid. France provides a flat rate payment to all mothers caring fulltime for children. Some other European countries provide similar systems.

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

Maternity Payment

The introduction of the Maternity Payment was a welcome initiative. It **should be means tested.**

Home Ownership

Home ownership is a fundamental factor in families being able to avoid poverty and have sufficient income to function effectively.

It is also becoming increasingly difficult for many low income families. According to research from the Australian Housing and Urban Research Institute (AHURI) (reported in the *Australian Financial Review*, 13 March, 2000, p.1 and 47) the only social groups that have increased their home ownership rates during the past two decades are wealthy couples with children and single women.

The biggest decline in ownership rates were among couples aged 35 to 44 with children.

The AHURI postulates that over the life span of the next generation that the rate of home ownership overall will fall from the current position of 70% to about 50%.

Whilst a number of factors will play a part in this decline, those factors will include rising costs and the decline in the number of households with children. Housing costs are also related to life cycle stages with higher costs at earlier ages and lower costs as people age and acquire ownership of their homes.

In other words, the costs of housing are highest for young families or for those wishing to start or add to a family. It is not surprising that, as reported in *"Australian Social Trends 2000"* many households suffer housing related income stress as a result of the combination of low income and high housing costs.

Undoubtedly high housing costs are a key factor in declining fertility levels as families find that they cannot meet the costs of housing and the costs of children. Simon Kelly of NATSEM (*"Trends in Australian Wealth"*) has shown the ownership of the family home is likely to be the largest holding of wealth for most Australians and is a critical factor in helping many Australian families to avoid poverty.

Those who own their own house are more likely to have lower housing costs, and therefore not to be in poverty, than others. Facilitating families to be able to afford to purchase their own home would constitute a major step towards helping them establish their future security.

Support Families' Right To Choose

Current demands upon families make it very difficult for most families to survive on one income. **It is critical that government continue to respect the right of parents to determine whether one or both of them will participate in the paid workforce.**

Whatever its decision, a family should not be adversely affected by the application of government policies. All choices should be respected, including those who choose to play a role in the unpaid workforce.

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

In October 2000 the Australian Bureau of Statistics reported that on its calculations the value of unpaid work to the Australian economy was \$237 billion. Women contributed 65% of this figure.

Between 1992 and 1997 the value of unpaid work to the G.D.P. as measured by the ABS, increased by 16%. Further, in 1997 the value of unpaid volunteer work to the community was calculated at \$24 billion.

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

He also argues that, "*the pressure to transfer labor costs from the market to the unpaid labor costs of the household leads to the development of self-service petrol stations, automatic bank tellers and internet shopping. It also leads governments to support unpaid household based care of sick, disabled and elderly people instead of professional care in hospitals and nursing homes*".

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

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

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

"In the absence of financial need, only 5% of mothers would choose to work full-time hours, three-quarters would prefer a part-time job, and one-fifth would prefer not to work at all.

"These results are in line with European Union surveys showing that, across all countries, the majority of mothers would prefer not to work, or to work part-time only, while their children were young.

"Full-time mothers insisted that childcare problems were *not* important; the reason they were at home full-time was because motherhood and parenting took a central place in their lives until their children had grown up and left home....."

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

"We have to recognize," said Hakim, "that one-size-fits-all policies will no longer suffice.

"Policy-making must become a more complex enterprise, recognizing that competing family models require diversified social policies that offer different types of support to each preference group.

"At best, we should be developing flexible and neutral policies, such as the homecare allowance, that leave people free to choose how to spend their benefits.

"Most important, we need to redress the current bias towards policies supporting working women exclusively, at the expense of policies supporting full-time homemakers and full-time parents." (C. Hakim, *Competing Family Models, Competing Social Policies, Melbourne, 2003*).

It is appropriate and fair that the government fully recognise the unpaid work of parents.

In doing so it should not allow those who stay at home on a full time basis to care for children to be mis-categorised as long term unemployed.

Nor should such parents be forced back into the workforce before their children are old enough to cope on their own. The age of sixteen should be seen as a minimum for such circumstances.

The age of the youngest child affects workforce participation rates, especially for mothers. It is mothers, not fathers, who generally make the major accommodations in balancing family responsibilities with employment, and clearly, having children and the age of their youngest child, determine whether women choose to work part or full time.

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

Social researchers Mariah Evans and Johnathon Kelly have published a study ("*People and Place*", vol.9, no.4, 2001) which shows that **the overwhelming majority of parents, in excess of 70%, would prefer to stay at home and care themselves for their pre school age children.**

The survey shows only 2% believe that women with children under six should work full time. The study does show that by the time children actually start school 53% of mothers are back in the paid workforce, though most are part-time.

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

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

Clearly most mothers believe that pre-school age children need, where possible to be cared for on a full-time basis by their parent. Moreover, a major determinant in the choice women make as to whether, when, and on what basis they return to paid employment, is their family income level.

Women are less likely to return to work while their children are young if they do not need to for economic reasons. Women have therefore generally adopted employment patterns which have very much been shaped by their family responsibilities and income levels.

According to the Institute of Family Studies in 1995, 68% of women aged between 22 and 55 years were in the paid workforce.

It is tertiary educated women who are most likely to return to full-time work. They make a clear choice that they want to work and return to the workforce relatively early while their children are young. It would appear that the nature of their job, as well as the attractiveness of the attached salary, plays a key part in the decision making process involved here.

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

In the past decade:

- the proportion of single wage-earning families with children (including sole parents) has fallen from 48% to 38%;
- the proportion of dual wage-earning families with children has risen from 40% to 47%; and

- the proportion of families with no wage earner has increased from 12% to 15%.

A number of studies have shown that at least some second income earners (still mainly women) would leave the paid workforce and become full-time homemakers if their family was able to survive on one income.

The critical issue here is choice, but underpinning the concept of choice must be recognition that parenting is a worthwhile occupation.

Government policy should be aimed at facilitating return to paid employment for those who wish to do so but it should not focus on forcing mothers of school age children back into the paid workforce against their wishes.

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

Support to families through the taxation system could result in real freedom of choice being available to all parents.

BALANCING WORK AND FAMILY

Many families are finding it exceedingly difficult to balance work and family.

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

People do not live to work, they work to live, even if they enjoy the work they do. Consequently balance between work and family must be established and maintained. We must be prepared to move beyond seeing work and family as separated spheres of activity and recognise that actions and events in one area are likely to impact upon the other. In pursuit of the development of the whole person and economic success, a balance must be established between work and family. This would encourage workforce participation. It would also facilitate the growth of healthier families.

To achieve balance a range of initiatives are required.

Security of Employment

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

Permanency is increasingly being replaced by employment insecurity.

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

Some people willingly choose casual employment but many take it because there is nothing else on offer. They would prefer the security of permanency.

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

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

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

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

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

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

Without security and stability of employment young people will often be unwilling to enter stable relationships and have children.

The uncertainty of casual employment, with frequent changes of work rosters makes it very difficult for parents to effectively manage both work and family.

Fair Distribution of Work

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

Australia today has 70,000 people on unemployment benefits who have been unemployed for five years or more. Robert Fitzgerald, the Community Services Commissioner for New South Wales, in a speech given in 1999, pointed out that there were 850,000 children in Australia in families where nobody was in paid employment. The linkage between unemployment and poverty is well documented, and covered elsewhere in this submission.

It is critical to address the matter of unemployment. We also have a major issue with underemployment.

The contemporary Australian workplace has seen an intensification of work. The demands upon workers to do more with less resources, and at a faster pace than previously, characterises many Australian workplaces.

In terms of working hours, only 53% of the employees in full-time employment now work a "standard" working week with no overtime. Of other full-time employees, 15% work paid overtime and 28% work unpaid overtime (4% have second jobs).

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

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

Increasingly research shows that fathers as well as mothers are important in the development of children. It is no longer a solution to say that it does not really matter how many hours the male works as long as "he is a good provider". Fathers and mothers need to have time to spend with each other and their children. Limitations should be placed upon the working of excessive hours.

Controls on the number of hours people can work each week, and preventing the working of unpaid overtime, would likely open up many new job opportunities. This would result in a broader and fairer distribution of work. It would allow more people to both participate in the paid workforce and start families. It would facilitate achievement of better work-family balance.

Access to Education, Training, Retraining and Skill Recognition

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

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

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

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

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

More needs to be done to encourage young workers to take up apprenticeships.

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

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

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

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

Many of these people were early school leavers (they left school before completing Year 12) and they have never had any government funded post-school training. They are also often low income earners who cannot afford to pay their own course costs. The expense of completing a qualification could thus prevent a person from being able to maintain an employment situation or otherwise confine them to low wage positions for the whole of their working life.

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

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

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

Many existing workers, through extensive on the job work experience, could complete all or a substantial portion of an AQF II or higher

qualification via a recognition of prior learning (RPL) process. This would be a cheaper exercise than applying the costs of a full course.

Access to adequately funded RPL must be expanded. Adequate resources must be allocated to this area. Employers who implement valid RPL processes for their workers should be rewarded, either through subsidies or tax credits. Many talented people are not having their skills recognized and the nation has a skills shortage.

Effective implementation of a recognition of prior learning system would go a long way towards overcoming skills shortages.

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

Access to education, training and skill recognition will lay the basis to overcome skill shortages. Acquisition of qualifications facilitates access to meaningful employment. This in turn encourages young people to seriously think about starting families and laying the basis for a future work- life- family balance.

Creation of Family Friendly Workplaces

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

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

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

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

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

Such arrangements include:

1. The availability of **extended (up to 3 years) unpaid parental leave** to allow a mother to care for her child beyond a 12 month deadline which currently applies;

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

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

Child Care

The provision of affordable, high quality children's services on an equitable basis should be a key plank of a government family friendly policy. It is critical to the overall needs of many parents and to their ability to participate in the paid workforce whilst maintaining a balance between the needs of family and the requirements of work.

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

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

There is a clear relationship between the age of the child, the work demands of parents and the usage of formal child care.

According to "*Australian Social Trends, 2004*" in 2002, one in four children spent some time in formal child care. For the vast majority of children this time was limited with 44% receiving less than 10 hours care per week, 34% receiving 10 to 19 hours care per week and only 9% receiving more than 30 hours care per week. The median figure was 12 hours per week.

Very young children had the lowest usage rate of only 7%. Clearly the vast majority of parents with very young children choose to care for them directly.

One in four children under three use formal child care.

The overall usage rate of formal child care for children in the 0-4 years age group is 45%. However, only 23% of children aged 0-4 years used long day care at all and only 6% used family day care. The other 16% are using pre school.

The overall formal child care usage rate for children aged 3-4 years was 73%. This high figure largely reflects the high rate of pre school participation as 56% of all 4 year olds and many 3 year olds attend pre school.

These facts suggest that **most parents seek to minimise their children's time in formal care (apart from pre school), especially when the children are very young.**

Usage of child care is higher with single parent families with 51% of children 0-4 from single parent families using formal child care as compared with 43% of children from two parent families.

The overwhelming reason parents use child care is work related.

Once children reach the age of 5 years and begin school there is a clear drop in the usage of formal child care. However there has been a strong growth in before, after and vacation care, again reflecting the work needs of parents.

For the vast majority of children (92%) there is no demand for additional formal child care facilities to be made available. Moreover the number seeking additional facilities has declined over the past decade. In 1993 there were almost one in four children requiring additional care opportunities. (Source: ABS, Child Care, 4402.0,6 June, 2000).

However, there are still areas of high local need, especially in rural and remote communities, because of the uneven distribution of places.

There is also evidence of an unmet need in the before, after and vacation care areas.

In July 2000 the government introduced the Child Care Benefit. This payment is means-tested. It applies for approved or registered care. Maximum rates available for registered care (i.e. most formal child care) are \$2.81 per hour for a non school child (\$140.50 per week for a 50 hour week). Rates for school children are 85% of the non school rates. Higher rates apply where there is more than one child in care. Lower rates apply for registered (largely no formal care such as grandparents). The maximum rate for approved care is payable for incomes below \$32,485. A means test then applies. Above certain levels, \$93,299 for a family with one child in approved care, a minimum rate applies.

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

For some parents child care is not affordable. **Government has a responsibility to ensure that child care is not denied because parents cannot afford it.**

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

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

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

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

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

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

home to care for their children, even if the child is sick. Children who are sick need their mum or dad, not a stranger.

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

Support for Young People

Many young people enter adulthood with serious debt. This is a strong disincentive to them marrying and or starting families. It militates against them being able to effectively balance work and family.

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

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

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

The HECS scheme should be remodelled to establish equity and fairness for young people.

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

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

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

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

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

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

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

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

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

Security in Retirement

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

Many older people want to work. It is often very difficult for them to find rewarding employment, even though they may well have the requisite skills. **Employers need to be encouraged to be open to employing older workers.**

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

Concern for financial security in retirement leads many workers to work excessive hours, often undertake precarious employment and endure substandard wages and working conditions. **Fear of penury in**

retirement is a key factor in limiting many workers capacity to balance work and family.

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

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

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

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

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

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

Of those women contemplating retirement by 2010 about 10% will have accumulated less than \$27,300 by the time they retire. This is a significant improvement since 1993 when women's average

superannuation was only \$9,647. Nevertheless it leaves many women vulnerable to poverty in old age.

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

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

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

Fair Industrial Regulation

The federal government has announced that it will introduce a raft of changes to industrial relations legislation, justifying such actions on the grounds that it will encourage employment and productivity.

The government has a responsibility to ensure that any such legislation produces outcomes which are fair to all parties. **It is not possible to achieve an effective work-family balance in an industrial relations setting which does not have fairness as its key abiding underlying principle.**

Initiatives designed to reduce workers award entitlements, removing their capacity to seek redress for unfair dismissal or compensation in cases of redundancy, pulling back the real value of the minimum wage or curtailing the right of workers to be represented by their union are unfair. Such changes will leave workers worse off

None of these changes will improve productivity or employment opportunities. An example is the proposed changes to unfair dismissal legislation.

Despite government assertions there is no evidence which suggests that the current unfair dismissal laws have any detrimental effect upon employment. The Association takes this opportunity to draw attention to aspects of a recent Federal Court decision in which a Full Court of the Federal Court, comprising Justices Wilcox, Marshall and Katz, engaged in a reasonably thorough examination of the effect of unfair dismissal laws on employment growth.

This examination by the Federal Court on what is predominantly a political argument, arose because the Minister, who had intervened in the proceedings before the Federal Court, led evidence supporting a contention that there was a strong link between the presence of unfair dismissal laws and growth in employment.

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

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

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

Professor Wooden suggested flexibility was especially important to small business enterprises, which had relatively higher casual densities. However, he did not offer any evidence, either statistical or anecdotal, to support his belief about the importance of flexibility to small business."

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

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

At paragraph 66 of its decision the Federal Court noted:

"Professor Wooden agreed 'the peak in increased employment happens to coincide with the most protective provisions, from the employees' point of

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

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

"In the absence of any evidence about the matter, it seems to us the suggestion of a relationship between unfair dismissal laws and employment inhibition is unproven. It may be accepted, as a matter of economic theory, that each burden that is placed on employers, in that capacity, has a tendency to inhibit rather than encourage, their recruitment of additional employees. However, employers are used to bearing many obligations in relation to employees (wage and superannuation payments, leave entitlements, the provision of appropriate working places, safe systems of work, even payroll tax). Whether the possibility of encountering an unlawful dismissal claim makes any practical difference to employers' decisions about expanding their labour force is entirely a matter of speculation. We cannot exclude such a possibility; but, likewise, there is no basis for us to conclude that unfair dismissal laws make any difference to employers' decisions about recruiting labour."

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

In 2001 the Victorian Wholesale Retail and Personal Services Industry Training Board was funded by the Victorian government to undertake a Destination Survey of hairdressing graduates. (This survey is available from Service Skills Victoria, formerly the Wholesale, Retail and Personal Services Industry Training Board).

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

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

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

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

Decent wages and working conditions are the critical factors in the recruitment and retention of staff. It is these things which are critical for the formation and stability of families. They are fundamental to achieving work family balance.

People work to earn an income and the level of the income available will often influence a person in their choice of job or even if they seek a job. As such the level of wages has a direct relationship to workforce participation. It also is a major factor in young people determining whether to get married and or start a family.