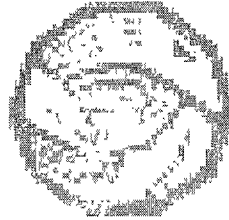


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**Submission to the House of
Representatives Standing
Committee on Family and Human
Services**

**Commonwealth Parliamentary
Inquiry into Balancing Work and
Family**

**ST VINCENT DE PAUL SOCIETY
NATIONAL COUNCIL**

June, 2005

Introduction

The St Vincent de Paul Society is driven by the scriptural imperative to seek justice for those who are pushed to the margins of society.

Our 40,000 members assist over one and half million Australians each year. We visit people in their homes, gaining a first-hand view of their living conditions and the stresses that have been placed on their lives by the social and economic changes that have occurred in the last 20 years.

We are gravely concerned by the growth of inequality in Australia. For the families we visit this is not simply a matter of household income. It is also a matter of their access to essential services such as affordable housing close to employment opportunities, transport, education and training, healthcare, and childcare.

It is our view that unless these structural issues are addressed there will continue to be a decline in the chances for disadvantaged Australians to either keep their families together or to gain and maintain access to sustainable employment.

TERMS OF REFERENCE 1

Financial, Career and Social Disincentives to Starting a Family

(a) Financial Disincentives

The level of financial pressure among the 'working poor' is a grave concern for the St Vincent de Paul Society. ABS (2004) data on the financial stress experienced by these households reveals that:

59,000 people went without meals;

95,000 people were forced to pawn or sell something because they needed cash;

36,000 were unable to heat their homes;

89,000 sought help from charities and welfare organisations;

537,000 — more than half a million people — were unable to pay their electricity, gas or phone bills on time;

Overall, 810,000 working families experienced a cash-flow problem during the year of the survey.

In addition to the constraints on balancing work and family experienced by those already in the workforce, it is noteworthy that the young Australians who are beginning their working lives are beset by serious levels of social and economic insecurity:

*"In May 2004 15.5 percent or 214,800 teenagers (aged 15 to 19 years) were not in full-time education or full-time employment. The proportion of teenagers not in full-time study or full-time work has declined only slightly since the recession of the early 1990s and was higher in May 2004 than at any time in the last six years. More than a quarter of 18 and 19 year olds were not in full-time education or full-time employment in May 2004."*¹

In general one in six young Australians is in danger of never having a full-time job. This expectation engenders a suspicion, at an early age, of committing to family responsibilities that may be unsustainable. The under-investment in education and training produces further obstacles for these young people. This structurally enhanced uncertainty cannot be conducive to the prospect of starting a family, especially now that some of the security formerly provided by the Social Security system and the Industrial Relations system is set to be dissipated.

During the nineties, the ten years of uninterrupted economic growth saw 9 out of 10 new jobs paying under \$26,000 a year. Half of the jobs created paid under \$15,000 a year.²

In addition, approaching 30% of the workforce is casualised and whilst some hourly rates may in some cases be higher, the annual take home pay can be as low as \$15,000 - \$20,000. Almost half of the total increase in employment during the nineties was accounted for by the increase in part-time casual work.³ As noted in recent research on this trend:

“Access to leave, protection from arbitrary dismissal, some predictability around working time, and the capacity to vary hours, are important aspects of quality employment, contributing to fairness and productivity of work, as well as the security of households and communities.”⁴

Substantial numbers of casuals have no sick leave or recreation leave entitlements and little or no superannuation. We are, of course, aware that casual work suits a number of families due to their caring, or other, arrangements. Australia, however, represents an extreme case compared with other countries in the level and growth of casual work, behind just one or two other OECD countries with very high levels of temporary employment. We now have a situation where “one in four Australians are without annual leave or sick leave, despite extended periods of employment in many cases.”⁵ While wage loading compensates for some lost conditions (especially sick and annual leave), in many cases it “provides incomplete compensation in real terms. Further, the extent of its *actual* payment is unknown.”⁶

Unpredictable hours have significant consequences for parents in the workforce, such as being unable to easily borrow money or plan child care, especially when most child-care centres required booked places to be paid for even when not used.

There are around 600,000 underemployed workers who desperately need and want more work. Many of those bar tenders, shelf packers, cleaners, dog walkers, waiters, bed-makers, gardeners, etc, have periodic resort to welfare as their jobs change and disappear (quite often when companies change contractors who are or use labour hire companies). This certainly does not engender a financial framework that is conducive to family life.

Those young Australians fortunate enough to qualify for and afford entry to higher education are fully aware that they will have debts to address early in life. Those debts can be smaller for technical trainees, vocational diploma students, but can extend under HECS

to amounts in excess of \$100,000. Admittedly, the latter are deferred, but must still be paid out of future earnings, along with other substantial debts.

Of the related debts that a young person embarking on a career will need to face, housing is the largest. As the 2003 *Summit on Affordable Housing* pointed out, the median price of a house in Sydney now exceeds \$500,000 and in Melbourne it is approaching \$300,000. The average size of a home loan now exceeds \$200,000. Also, AHNRC research has already shown that people in the bottom 40% of household incomes could not afford to buy a three-bedroom house in any metropolitan location. More recently, the research by *Demographia* on international comparisons of housing unaffordability puts 7 of Australia's cities in the "Severely Unaffordable" category.⁷

In contemplating marriage and family, young Australians are well aware of the costs which, apart from the above, have been given wide publicity – costs of child care, medical care, education, food, clothing, sport and holidays.

We are aware that the Government has implemented a wide-range of tax concessions, child and family benefits and welfare support payments – but clearly these have not been sufficient to resolve the problem.

Indeed, official ABS 'Household Income and Income Distribution' data shows that while young couples with no children have a mean income of \$765 per week (almost \$40,000 pa), couples with dependent children only and with the eldest under five years old had a mean equalised income of \$478 per week, or less than \$25,000. Households comprising one parent with dependent children had a mean income of \$352 per week or just over \$18,000 per annum.

Official data also shows that divorces grew from around 400 at the turn of the century to over 55,000 today. ABS also estimates that lone person households could increase from some 1.8 million in 2001 up to 3.7 million in 2026.

(b) Career Disincentives

Some casual workers have to work long hours in as much as three jobs to make ends meet.

Case Study 1

A male in a two-parent family with children puts together a fluctuating income by the following means:

- 1 He drives a bus for a private company for a couple of hours each day at rush hour.
- 2 He does some lawn mowing or junk mail delivery in the afternoons.
- 3 In the evening he waits on tables in a restaurant or packs shelves at a supermarket.

None of these jobs give recreation leave or sick leave and the total income earned is far below the officially declared average weekly earnings of around \$1,000 per week.

The long working hours leave little time for social interaction and if there are young family members involved, time with them is confined often to Sundays and some of the public holidays.

All workers are today exposed to the reality of risk and change. While corporate executives, however, are able to move between various high-paying positions, negotiating conditions in their contract that can improve access to family life, low income employees, especially casual workers, risk losing valuable hours if they make requests for family-friendly provisions of any kind.

The inequality that permeates the labour market is not limited to wage differentials. For those with highly-valued skill-sets, risks go hand in hand with opportunities. For those at the lower end of the labour market (due to a lack of educational opportunities and/or restructuring that has resulted in the devaluing of their skill-sets) risks go hand in hand with a state of permanent insecurity and vulnerability.

(c) Social Disincentives

At a very broad level, the sense of 'community' in Australia, as in other (particularly English-speaking) industrially advanced countries, has been rapidly disappearing. Social/economic researchers in USA and UK have emphasised this point, as has Hugh Mackay in Australia.

Responsibility to, and identification with, the community has been replaced with an often quite fierce competitive individualism and self-interest which is not conducive to the promotion of conditions beneficial to families in the community. Cobb and Daly, for example, in *'For the Common Good'* quote former White House economic adviser Charles Shultze:

*"Market like arrangements . . . reduce the need for compassion, patriotism, brotherly love . . . Harnessing the basic motive of material self-interest to promote the common good is perhaps the most important social invention mankind has achieved."*⁸

This does not promote a social environment that is supportive of the family, or the need to bridge the work-family functions and needs.

Unfettered market-like arrangements are the least appropriate in terms of the promotion of the sense of community, shared responsibility, co-operation and the sustenance of the family unit. It is in this context that the St Vincent de Paul Society has grave concerns about the current tendency to reduce the role of government in doing what the market clearly cannot. This is the case in three areas particularly:

1. Welfare Reform: resulting in lower levels of income support for people on parenting payments (i.e. sole parents and parents with unemployed partners) and people with disabilities and leaving these groups exposed to the threat of payment suspension.
2. Industrial Relations Reform: resulting in decreased levels of protection for people in the lower end of the labour market, especially those in the aforementioned category who are effectively pushed into poorly paid, insecure casual work.
3. Privatisation, de-regulation and marketisation: resulting in a shift in costs from the public purse to the private pocket for a number of essential services and resources, as well as a decline in service standards in some areas of great need.

In urban, regional, and rural Australia, there are around 100 postcodes where structurally caused disadvantage is causing a drift towards social collapse. Unemployment, particularly long term unemployment, is high (often in excess of 15%), social infrastructure is non-existent or in decline (medical facilities, schools, regular transportation), crime within or emanating from these locations is increasing and, at the end of it all, mortality rates are higher.

Some commentators play the blame game with accusations that these areas are full of lazy, welfare-dependent, substance-abusing individuals who have no one to blame but themselves for their disadvantage. The reality is that many of the causes of this situation lie outside these areas. A strategy for community building initiatives, employment programs

and balanced work/family environment is essential. If this is not addressed, it is Australia as a whole that will ultimately suffer.

TERMS OF REFERENCE 2

Making it easier for parents who wish to return to the paid workforce

Of the many difficulties facing parents who have left the workforce for up to five years or more to care for children, most boil down to costs and three of the most important are outlined below.

(a) Childcare

Children needing care during working hours can cost up to \$50 or more per day. Such costs partially, and in some cases almost wholly, negate the income derived from employment. Employers who provide free or subsidised child care facilities contribute substantially to creating a family friendly workplace. All avenues for extending the availability of child care must be explored, including additional government direct or indirect assistance.

According to a survey cited in *Business Review Weekly* (5 – 11 May, 2005, p.78) almost three-quarters of those surveyed said that companies should have child-care facilities and 70% believed that the cost of child care should be subsidised by the Government.

(b) Transportation

Most employment opportunities are based in service sector/commercial activities located in or close to metropolitan areas. Conversely most affordable housing is some distance from metropolitan areas. Transport costs loom large in deciding whether it is worthwhile to return to work. This is particularly so as public transportation costs have been rising well above the CPI.

Alternatively, if a personal motor vehicle is used, then parking can be a substantial cost and can range from \$400 to well over \$1,000 or more.

(c) Training

Many jobs to which parents might return after two years or more, require various degrees of training. For example, technical developments in computing and software critical to so many of the service sector jobs now available result in radical short term changes. Unless one is constantly kept abreast of developments, fairly intensive training is necessary. If undertaken privately, this can cost from a few

hundred to a few thousand dollars. Conversely, in family friendly companies, training or re-training may be provided and should be encouraged.

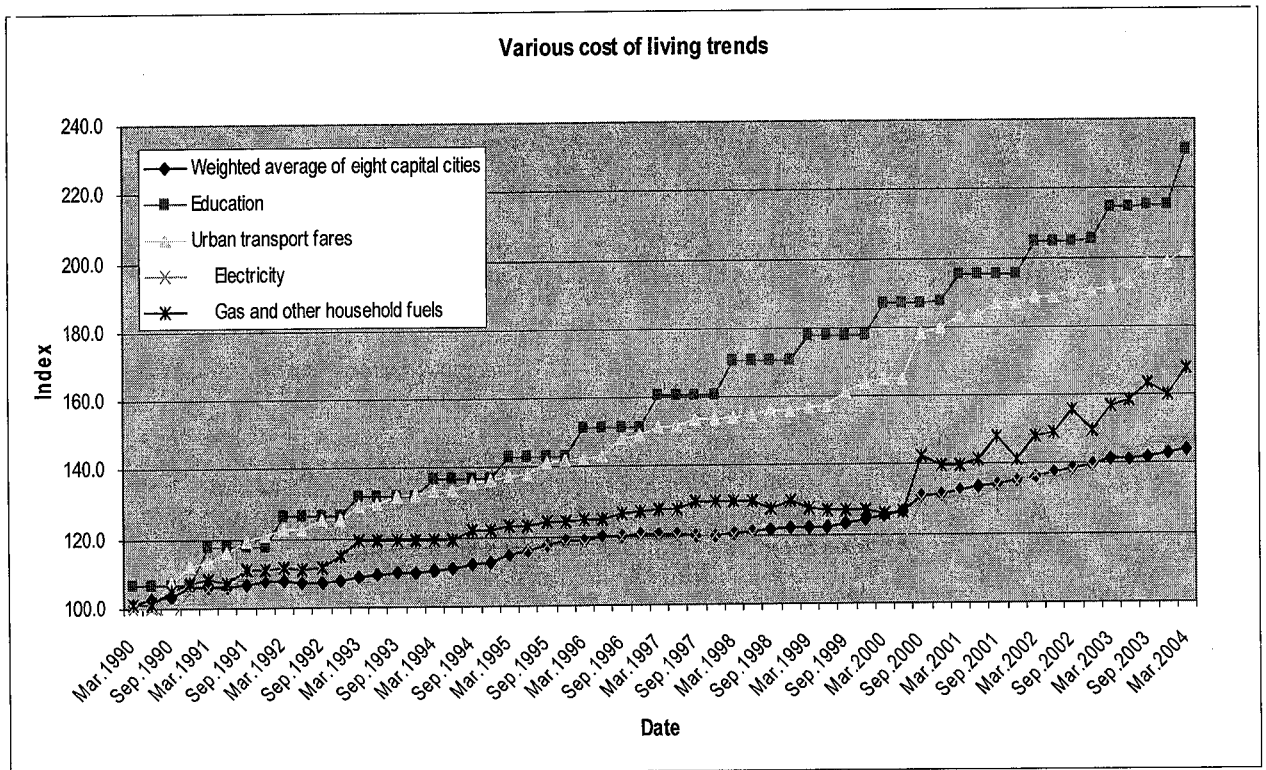
Alternatively, lack of training will severely restrict opportunities for parents to return to work.

(d) Other

Some of the other difficulties of returning to work for a parent are seemingly insignificant but become large for individuals trying to get back into the daily routine of work and socially reacting with people in a new environment. These include:

- Clothing;
- Meals may cost more than those in the home;
- Donations/charges for work-related functions/events;

In addition to these costs that are specific to the *workplace* it must not be forgotten that the costs that are specific to the *household* also place a disproportionate burden on low-income families in particular. As evidenced in the graph below, a whole range of household costs have risen at a rate well above the increases in the Consumer Price Index.



Education is the most important point of access for children and adults alike to a better standard of living and enhanced ability to balance work and family through a greater range of choices. It is not without significance that education has experienced the greatest cost increases among the data shown above.

TERMS OF REFERENCE 3

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

There are two broad changes to help households balance work and family that we think are crucial.

(a) Taxation and the welfare to work problem

When a family member totally or partially on welfare benefits enters or re-enters the workforce, the loss of welfare benefits combined with taxation of their new earned income results in an effective marginal rate of 65% or more (and in cases can exceed 80%) – when the richest person in the country is only required to pay around 47%. Some countries such as Ireland have addressed the issue of maintaining welfare benefits for a period until the family member has become fully entrenched in the workforce.

(b) The total tax burden on low income families

The total tax burden on low income families cannot be justified.

Some aspects of the tax system that are worthy of very close examination are:

- a higher tax free threshold;
- lower tax rates on incomes to around \$50,000;
(We know this will give benefits up the scale to wealthy taxpayers but see few problems with a higher marginal rate at the higher incomes to neutralize the benefit.)
- improved concessional tax treatment for children and essential associated costs (child care, medical, education).

RECOMMENDATIONS

TERMS OF REFERENCE 1

Recommendation 1

That the Government undertake a comprehensive review of the financial costs of having and raising a family in Australia, including:

- Housing
- Education
- Health
- Childcare
- Transport

and the impact these costs have on families at different income levels.

Recommendation 2

That the Government commission a major study of the factors accelerating the breakdown of 'community' in Australia, the development of a strategy to reverse that trend, and that a particular aspect of that study be the so-called postcodes of disadvantage, with the ultimate objective of promoting an environment conducive to families.

Recommendation 3

That the ABS be commissioned and given resources to implement specific and regular surveys of families with one or two working parents, and those with no working parents, to highlight common problems within these categories so that legislators will have an improved guide to new policy directions.

Recommendation 4

That the Industrial Relations system maintains and enhances the necessary protections for employees, especially at the lower end of the labour market.

Recommendation 5

That the Social Security system be maintained as a means of protecting the incomes of families subjected to both the insecurities of, and marginalisation from, the lower end of the labour market.

TERMS OF REFERENCE 2

Recommendation 6

The training or retraining of parents who wish to re-enter the workforce be given a priority for increased assistance directly to the person and through stronger investment in technical training and tertiary education.

Recommendation 7

That a series of one-off weekly or monthly payments be made to parents entering the workforce for the first time or after an absence of two or more years, to assist their entry to the workforce.

TERMS OF REFERENCE 3

Recommendation 8

A comprehensive review, reform and simplification of the tax system be undertaken

- especially to make relevant sections comprehensible to ordinary families
- and with an objective of lower taxation of low income families with children.

Recommendation 9

That welfare benefits for parents in families with children entering the workforce for the first time or re-entering after a two year absence, be continued for a period to ensure their firm establishment in the workforce and reduce the very high effective marginal tax they face.

¹ Dusseldorp Skills Forum (2004) *How Young People Are Faring 2004*

² Borland, Gregory and Sheehan (2001) *Work Rich, Work Poor*

³ Ibid.

⁴ Pocock, Buchanan and Campbell (2004) *Securing Quality Employment: Policy Options for Casual and Part-time Workers in Australia*

⁵ Ibid.

⁶ Ibid.

⁷ <http://www.demographia.com/dhi-rank200502.htm>

⁸ Cobb and Daley (1989) *For the Common Good*