



## **Work and Family Policies in Election 2010**

Benchmarks for Work and Family Policies in Election 2010



**Work + Family  
Policy Roundtable**



## **What is the Australian Work+Family Policy Roundtable?**

The Roundtable is made up of researchers with expertise on work and family policy. Its goal is to propose, comment upon, collect and disseminate research to inform good, evidence-based public policy in Australia.

The Roundtable held its first meeting in 2004. It is made up of 19 academics from 12 universities:

- **Dr Elizabeth Hill**, University of Sydney (co-Convenor)
- **Prof Barbara Pocock**, University of South Australia (co-Convenor)
- **Prof Marian Baird**, University of Sydney
- **Prof Rowena Barrett**, Edith Cowan University
- **Wendy Boyd**, Southern Cross University
- **Prof Deborah Brennan**, University of NSW
- **A/Prof John Buchanan**, University of Sydney
- **Prof Bettina Cass**, University of NSW
- **Dr Sara Charlesworth**, RMIT University
- **Eva Cox**, University of Technology (UTS)
- **Dr Therese Jefferson**, Curtin University
- **A/Prof Sarah Maddison**, The University of NSW
- **Dr Jill Murray**, La Trobe University
- **Prof Alison Preston**, Curtin University
- **Dr Belinda Smith**, The University of Sydney
- **Dr Lyndall Strazdins**, Australian National University
- **Prof Trish Todd**, University of Western Australia
- **Dr Brigid Van Wonrooy**, The University of Sydney
- **Prof Gillian Whitehouse**, The University of Queensland

Australia is approaching a new federal election. Work and family issues were key areas of policy contest in the last three federal elections in 2001, 2004 and 2007. While there have been important changes to work and family policy in recent years, the 'barbecue-stopper' – as John Howard termed these issues in 2001 – has not diminished in importance for many Australians. We expect that these issues will again figure in the 2010 election given the pressing need to accommodate the changing nature of work and family in Australia.

In the context of the forthcoming federal election, the Work + Family Policy Roundtable proposes a set of benchmarks against which policy proposals for improving work and family outcomes in Australia can be tested.

These benchmarks arise from our research expertise and are in keeping with the Roundtable's goals of contributing to the development of good policy, producing clear policy guidelines and evaluating policy proposals.

The general principles, objectives and membership of the **Work + Family Policy Roundtable** are set out at [www.familypolicyroundtable.com.au](http://www.familypolicyroundtable.com.au)

## 2010 Election

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# Guiding Principles

In principle, work and family policy proposals should:

1. Recognise that good management of the work-life interface is a key characteristic of good labour law and social policy.
2. Adopt a life-cycle approach to facilitating good work-family interaction.
3. Support women and men to be workers as well as mothers, fathers and carers, and actively encourage fathers as carers.
4. Facilitate employee voice and influence over work arrangements.
5. Ensure sustainable workplaces and workers (eg through 'do-able', quality jobs and appropriate staffing levels).
6. Ensure gender equality, including pay equity.
7. Protect the well-being of children and other dependants.
8. Ensure predictable hours, earnings and job security.
9. Promote social justice and the fair distribution of social risk.
10. Treat individuals fairly, regardless of their household circumstances.
11. Ensure flexible working rights are practically available to all workers through effective regulation, education and enforcement.
12. Adopt policy and action based on rigorous, independent evidence.

A good policy platform will set out a comprehensive and coherent policy on work and family.

In the context of the 2010 election, seven policy areas are of particular importance:

- 1) More accessible, affordable, quality childcare
- 2) Flexible work practices to better support carers
- 3) Improved paid parental leave

- 4) Fairer work, fairer workplaces and gender pay equity
- 5) Work, family and workplace culture
- 6) Workforce participation and the tax transfer system
- 7) Superannuation and retirement earnings

## 2010 Election

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# Positive policies for better work and family outcomes

## 1. More accessible, affordable, quality child care

There have been significant positive changes in childcare since 2007. The National Quality Framework for Early Childhood Education and Care (ECEC) agenda (implemented progressively from July 1<sup>st</sup> 2010) aims to improve the quality of the ECEC experience for parents and children through better ECEC workforce training; implementation of the first national curriculum framework for the Early Years; a national approach to quality and regulation; collection of data and performance information for families; and construction of new ECEC centres (although a large number of these have recently been cancelled). During this period we have also seen the demise of ABC Learning, with a non-profit consortium taking control of 570 centres, and the remainder either being sold or closed.

While we look forward to implementation of the National Quality Framework, the quality of childcare continues to be a problem, and higher staff to child ratios to promote quality care are costly. High quality childcare programs are more likely to be delivered by trained ECEC teachers, so the employment of more trained teachers and qualified staff is important. In recent years, the costs of childcare have tracked upwards alongside subsidy increases, making direct payments to childcare services, linked to quality provision, a desirable policy change.

The current goal to provide universal access to 15 hours of preschool for 4 year olds by 2013, delivered by trained teachers and carers is admirable. However attracting sufficient staff to implement this commitment depends on higher pay for childcare workers. Childcare staff, especially qualified teachers, should be paid at parity with their colleagues in the school system. Providing quality care for children depends on higher staff to child ratios, the training and retention of appropriate staff and the universal provision of access to high quality care for all children.

### **We recommend:**

1. Better pay and conditions for all ECEC staff, including teachers.
2. Payment of greater levels of government support directly to centres, linked to the provision of high quality care.
3. The provision of more childcare that is accessible, affordable and flexible for working families. There is a particular need for places for under two year olds.
4. All families to have access to at least 15 hours paid childcare per week in an accredited centre or service for pre-school age children.
5. Provision for higher staff to child ratios: 1:3 for 0-2 years; 1:6 for 2-3 years, and 1:10 for 3-5 years with funding provided to support this.

## **2. Flexible working policies to better support carers**

Since 2007 there have been significant improvements in the support available to Australian workers with caring responsibilities. In particular we welcome the right to request flexible working arrangements as a National Employment Standard (NES) in the *Fair Work Act 2009* (from January 2010) and a new duty on employers to reasonably accommodate the parental and carer responsibilities of a wide range of workers (2008 amendments to the *Victorian Opportunity Act 1995*).

The federal government recently announced it will amend the *Sex Discrimination Act 1984* to extend protection against discrimination on the grounds of family responsibilities in ways which will provide improved protection to carers against unfair treatment as well as dismissal.

However, some significant gaps remain and some new problems have emerged. The new 'right to request' is far more limited than similar provisions in the UK or New Zealand. There is no meaningful review of employer refusals to grant requests and eligibility is limited to parents of pre-school children who have 12 months service with their employers. International evidence suggests that the right can be extended to a broader population of workers without creating difficulties for business. The new UK Government has recently announced it will extend this right to *all* employees, as is the case in the Netherlands and Germany. Extending the right to all employees makes it simpler for employers to manage, can encourage innovation in work organisation, and increase workplace acceptance that men as well as women need to be supported to be working carers (Fagan et al 2006; Himmelweit 2007).

While the new right to request will improve flexibility for some workers, in Australia there is strong evidence that employee-friendly flexibility is not increasing for most workers (ABS 2010) and there is growing concern that the individual flexibility agreements (IFAs) - that must be inserted in all new awards and enterprise agreements - may accelerate this trend (Buchanan and van Wanrooy 2009). Flexible work arrangements will need to be monitored to ensure flexibility that supports carers is available to workers across the labour market and that flexibility is not traded off against other employment conditions that support good work-life outcomes (Pocock et al 2009). Good quality work and employee-friendly flexibility will also enhance the health outcomes for workers and promote social inclusion.

Many Australian women undertake part-time or casual work as a strategy to reconcile their work and care commitments. In many cases this work is of a poorer quality than full-time work, leaving workers disenfranchised from policy initiatives such as flexible work. Flexible working policies that promote good work-care outcomes must be available to all workers.

**We recommend:**

1. The current right to request flexible working arrangements be extended to all carers of children and adults (as is the case in NZ).
2. Based on a review of the operation of the right to request, policies be developed to extend the right to all employees (as in the Netherlands and Germany and as planned in the UK).
3. A request may only be refused where reasonable, based on balancing employee as well as employer needs (as in Victoria) and be subject to the normal workplace grievance mechanisms in place where disputes arise about other National Employment Standards.
4. The Office of the Fair Work Ombudsman mount an education and community awareness campaign, providing detailed guidance about the right to request and examples of the many types of changes that can be requested, including increasing and decreasing hours of work.
5. Potentially discriminatory provisions such as ‘preferred hours’ clauses should be expressly prohibited in individual flexibility agreements (IFAs).
6. IFAs should be lodged with the Fair Work Ombudsman (FWO) for scrutiny and the FWO should actively audit lodged IFAs, including as part of regular industry and sector audits.
7. Narrowing the quality gap between part-and full-time jobs should be made a work-family policy target, including by prohibiting discrimination on the basis of hours worked to protect those working less than full-time (as in the Dutch Equal Treatment Act 1994). This would be facilitated by Australia ratifying ILO Convention 175 on part-time work.



### 3. Paid Parental Leave

All political parties now support a paid maternity leave scheme in Australia. A new Act now provides 18 weeks paid parental leave, at the level of the weekly minimum wage. This is an historic first step which provides working parents, principally women, with a work-related payment, acknowledging their contribution to the workforce. It also recognises the lifelong financial penalties which they incur in having children, particularly if they subsequently work part-time (Chalmers and Hill, 2007). The new Act provides a significant improvement in the financial circumstances of working mothers, and especially those in low-income households and who work for small business.

However, there is an ongoing need to establish medium and longer term goals to increase the period of parental leave (including creating an independent entitlement for fathers so as to increase their opportunity for taking leave) and the level of payment. Paid maternity and parental leave for six or more months is common in Europe. In the UK, nine-months is now the statutory minimum. Twenty-six weeks parental leave is an achievable goal that would allow Australian women to get closer to their preferred leave period of 9-12 months (Whitehouse et al., 2006), promoting maternal and infant well-being (Gregg and Waldfogel, 2005). Full earnings replacement must also be achieved. This will promote equality between women and men at all earnings levels. International evidence indicates that where fathers are eligible for relatively well paid parental leave on a 'use it or lose it' basis they will take it (Moss, 2009).

Returning to work after parental leave, to the same employer and to the same job (including on reduced hours), is critically important to women's labour force attachment. Too often women have to trade off a return to work on part-time or flexible schedules for a downgrade in status, job security or job progression opportunities. Greater efforts are needed to make the job guarantee in the National Employment Standards a reality for mothers. Auditing its success needs to be undertaken on a regular basis. In recognition of the impact of caring upon the financial circumstances of women throughout their lives, it is vital that the superannuation guarantee be paid for women when they take paid or unpaid parental leave.

**We recommend:**

1. An early increase to 26 weeks paid parental leave, enabled by a sound, practical funding arrangement.
2. A commitment to achieve 52 weeks paid parental leave in the longer term.
3. Payment rates for all women on maternity leave to move to full wage replacement wages, as is the case for personal and annual leave.
4. To encourage fathers' participation in caring, two weeks paid supporting carer leave should be introduced. When paid parental leave is increased, part should be set aside as a 'use it or lose it' period for such carers.
5. The superannuation levy should be paid for all employees who are taking paid parental leave and employers should be encouraged to pay the levy for periods of unpaid leave.
6. Steps be taken to ensure the job guarantee to women going on maternity leave is honoured by employers.

**4. Fairer work, fairer workplaces and pay equity**

Gender inequity is a serious problem in Australian workplaces, and is partially a consequence of women's responsibility for most unpaid work and care.

Since February 2007 the gender pay gap has widened by 1.6 percentage points to 82.6%, largely as a result of deterioration in the relative pay of women in private sector employment. There is growing evidence of a much larger gender pay gap at the upper level of the pay scale (Watson 2009; Cassells et al 2009).

The removal of *WorkChoices* and the introduction of the *Fair Work Act 2009* removed a number of impediments to improving the position of carers and especially women in the workforce. The *Fair Work Act* strengthened the safety net including some work and family provisions, prioritised collective over individual bargaining, expanded equal remuneration provisions and increased anti-discrimination regulation. Each of these changes has the potential to improve women's pay and conditions directly or indirectly. The introduction of greater anti-discrimination protections in the *Fair Work Act 2009* (Cth)

will protect against discriminatory provisions in awards and agreements, and will protect workers against adverse action in all stages of employment not only termination.

The *Making it Fair* report released in November 2009 provides a comprehensive set of recommendations to improve pay equity which can guide the drive to improve the position of women.

### **We recommend:**

1. A commitment to prompt action on the recommendations in the 2009 *Making it Fair* report, including remedying the historical undervaluation of work traditionally done by women in, for example, ‘caring’ jobs.
2. Systematic research to assess the outcomes of the *Fair Work Act* and its effects on gender pay equity, including modernisation of awards, implementation of individual flexibility clauses, multi-employer bargaining in the low paid stream, and equal remuneration provisions.
3. Mainstreaming of gender pay equity in wage determination by including the achievement of pay equity as an explicit objective of the *Fair Work Act* as well as award modernisation, the outcomes of enterprise agreements, and minimum wage adjustment.
4. Establishing a specialist Pay Equity Unit to coordinate the development and implementation of strategies to address gender pay inequity.
5. In harmonising federal and state anti-discrimination laws, the Victorian *Equal Opportunity Act 2010* should be used as the best practice model, imposing a positive obligation on employers to take ‘reasonable and proportionate’ measures to eliminate discrimination, sexual harassment and victimisation.
6. The Fair Work Ombudsman should be allocated sufficient resources to educate, investigate and enforce protections against sex discrimination and for workers with family responsibilities under the *Fair Work Act 2009*, with special attention given to the needs of small business.

## 5. Work, Family and Workplace Culture

Workplace culture plays a critical role in the intent, nature and type of workplace practices which exist in organisations. These practices are often linked to the owner's, manager's or supervisor's values and attitudes.

Essentially, gendered attitudes can beget gendered practices.

Small firms (those employing less than 20 people) make up some 97% of firms in the private sector (Australian Bureau of Statistics 2002; 2008) and as places where some 40% of employed women work, small firms must play an important role in implementing carer-friendly practices. Understanding and changing workplace cultures is important in all firms: it is a primary determinant of whether good industrial regulations around work and family, and sex discrimination and other legislation and policy, are appropriately implemented to generate positive work and family benefits.

### **We recommend:**

1. The introduction of programs that assist companies, including small firms, to implement and assess the benefits of improved policy and action on work and family issues, including through changed supervisor practices and workplace cultures.
2. The development of good practice cases and guides showing the business case for family friendly policy and practice in all firms, including for smaller firms.
3. The establishment of a small business advocate within the Office of the Fair Work Ombudsman to assist such firms to introduce better work and family arrangements.

## 6. Workforce Participation and the Tax Transfer System

Income support and tax/transfer policies play an important role in shaping work and care patterns. The penalties and rewards embedded in the tax/transfer system influence the choices households make about who works and who cares. The design of the current tax/transfer regime penalises those

– mostly women – who move between work and care, imposing high effective marginal tax rates on earnings. The disincentive to paid work this creates for women is acknowledged as a fundamental problem by the recent Henry Review: ‘The system is inherently biased against paid work because of the taxation of wage income (but not home production), the removal of benefits as earned income increases and the availability of government payments as a substitute for paid work’.

Changes to the design of some payments and taxes would counter the disincentives of the high effective marginal tax rates on participation of women in the paid workforce when they have parenting/care demands that limit their available time. Other factors such as access to affordable childcare and flexibility to respond to child or family needs make mothers more responsive to high effective tax rates than fathers. The Henry Review makes several recommendations that would remove many of the disincentive to women’s workforce participation currently embedded in the tax/transfer regime.

**We recommend:**

1. Adoption of the Henry recommendations for combining the two childcare subsidies and the two family benefits and reducing the withdrawal rates on most benefits.
2. Designing income supplementation and support programs that recognise and respect most families’ needs for financial support for both the direct costs of children and the costs of reduced access to paid work.
3. Returning all sole parents income recipients with children under 12 to parenting payment rates and conditions, to ensure they have enough basic income and encouragement to find work, or review the payment levels of other Newstart recipients and raise them to an adequate base payment.

## 7. Superannuation and Retirement Savings

On average, those who undertake significant periods of unpaid work, usually women, have fewer years of full-time workforce participation and earn lower wages. As a result they have relatively low superannuation accumulations.

An indicative comparison suggests that women's accumulated superannuation in 2007 was worth approximately 60 per cent of men's (Australian Bureau of Statistics, 2009:82). Coverage of occupational superannuation is lowest among older women - approximately one third of women aged 55-64 years have no superannuation coverage (Australian Bureau of Statistics, 2009:58).

The cumulative impact of women's intermittent workforce participation and low wages on their superannuation is exacerbated further by the structure of concessional taxation arrangements on superannuation contributions and earnings - valued at approximately \$24 billion for 2008-09 (Treasury 2008).

The benefits of these concessions are skewed strongly to those on high incomes who receive higher employer contributions and can make additional personal contributions that are taxed below their marginal income tax rate.

This regime delivers additional public money to those at the top of the income spectrum overlooking lower income earners.

### **We recommend:**

1. Implementation of the recommendations listed in sections 1-6 above related to income replacement for paid maternity leave, pay equity, childcare, taxation and transfers. Together these changes will contribute to creating a fairer workplace for women and more equitable retirement outcomes for all. These recommendations will partially address current inequities in occupational superannuation accumulations that reflect labour market inequities and barriers to workforce participation.
2. The introduction of the Henry Tax Review recommendation on the concessional taxation of superannuation to ensure equitable distribution of taxation expenditures among low- and high-income earners (recommendation 18).

3. The rate of the age pension should be maintained to reflect current relativities to average earnings and in recognition of the particular retirement needs of workers who take extended periods of leave to care for others.
4. Recipients of the single age pension who have an earnings history that precluded them from receiving income tax benefits on superannuation contributions and have superannuation balances of less than \$10,000 should receive a retirement top up payment to supplement the age pension.

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