Parents, the labour force and social security

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The views expressed in this paper are those of the authors and do not represent the views of the Minister for Family and Community Services or the Department of Family and Community Services.
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List of abbreviations
ABS Australian Bureau of Statistics
DEETYA Department of Employment, Education and Training and Youth Affairs
DSS Department of Social Security
EMTR Effective marginal tax rate
FA Family Allowance
FaCS Department of Family and Community Services
FT Full time
JET Jobs, Education and Training program
PES Pensioner Education Supplement
pf per fortnight
PgA Parenting Allowance
PP Parenting Payment
PT Part time
1 Introduction

This paper is about the interrelationships for families between their paid work, their unpaid work and the system of cash payments and other supports provided by government. Women are the primary focus, for while recent changes in the labour market have undeniably affected the life experiences of men, the greatest impact of those changes has been on the lives of women.

Government policies on the provision of income support through the Department of Family and Community Services (FaCS) have the potential to affect women’s decisions about their labour force participation. The structure of social security provisions can either encourage women to enter the public sphere of work1 or tacitly discourage such participation by affirming and supporting the decision to remain at home (Pech and Innes 1998). Social security both reflects and shapes wider patterns of behaviour in family and employment (Shaver 1992).

This paper has two purposes. The first is to present statistical information on parents, their labour force participation and their receipt of social security payments. The second is to canvass some of the current issues surrounding parents and their relationship to the labour market and social security payments.

Because of space constraints, the paper does not specifically consider issues facing families with dependants aged 16 years and over or non-mainstream families, such as families with non-English speaking backgrounds, families with members who have disabilities, or Indigenous families.
2 Labour market conditions

The past 20 years have seen significant changes in the labour market and related government-funded assistance such as childcare and training programs. There have been major changes in the Australian economy and labour market during the 1990s.

- Unemployment appears to have become entrenched—the unemployment rate was higher than 8 per cent for over eight years (ABS 1998a) and has fallen relatively recently to around 7.2 per cent.

- Although many people still experience short periods of unemployment between periods of full-time work, for an increasing number this is no longer the reality. Many can get only part-time jobs—more than 25 per cent of employed people now have part-time work (ABS 1998a). Others move in and out of casual jobs—in 1997, 26 per cent of all employed people were in casual work compared with 19 per cent in 1990 (ABS 1990; 1997a). A substantial number of people experience long periods of unemployment—31 per cent of all unemployed people were long-term unemployed in March 1998 compared with 22 per cent in July 1990 (ABS 1990, 1998a).

- Jobs availability is changing according to sector. The number of jobs in the manufacturing, financial and utilities sectors fell over the eight year period to 1998, whereas employment in the services, education and retail sectors rose (ABS 1990, 1998a).

The proportion of full-time jobs that could be classed as low-paid has increased. Wages for low-income earners were static in the 1990s while average earnings steadily rose. In addition, low-wage earners have been less likely to benefit from enterprise bargaining and have relied on wage rises handed down by the Australian Industrial Relations Commission.

Among low-paid workers in poverty, there has been a shift away from couples with children and lone parents towards single people, from women to men, from part-time to full-time workers, and from middle-aged to young workers (Eardley 1998).

Some of these changes could be considered to have benefited women, particularly the increased prevalence of part-time work, which might fit better with child care and other family responsibilities. Much of the employment growth has also been in the industry sectors which are traditional employers of women and more likely to offer part-time employment.
3 Parents’ participation in the labour force

Over the period 1966 to 1998, the labour force participation rate for men aged between 15 to 64 declined from 91 per cent to 83 per cent (ABS 1990, 1998a). This decline was influenced by such factors as increased early retirement (whether voluntary or involuntary), increased education participation and changes in the occupational composition of the labour market. It was not caused by women displacing men in the labour market, as the Australian workforce remains one of the most gender-segregated in the world (Pech and Innes 1998).

Over the same 30 years, women aged 15 to 64 years increased their labour force participation from 41 per cent to 65 per cent (Figure 1). This increase has been entirely caused by increased participation of married women. In 1966, fewer than a third of married women aged 15 to 64 were in the labour market. By 1998, the figure was 63 per cent. By comparison, the participation rate for single women aged 15 to 64 showed little change between 1966 and 1998 (66 per cent and 67 per cent respectively) (ABS 1990, 1998a).

The labour force participation rate of mothers has followed a similar trend to that of married women. In 1974, the participation rate of mothers aged 15–64 years was 41 per cent, increasing to 62 per cent by 1998. Since the early 1990s, the participation rate of mothers has grown only slowly, reflecting the generally poor growth in employment over this period (ABS 1998b).

**Figure 1:** Labour force participation of women aged 15–64 by marital status, June 1966 to 1998

Source: ABS, The Labour Force Australia, various years 6204.0
Some of the factors contributing to the increase in mothers’ participation over this period include:

- a trend towards later ages for marriage and the birth of the first child, leading to a longer period of initial workforce participation;
- greater control over the timing and number of children women bear;
- increased participation in education by girls and women;
- industrial and legislative developments, such as the equal pay decision, equal opportunity and anti-discrimination provisions;
- increased demand for workers in industries and occupations that have been the traditional domains of women;
- changes in individual attitudes and values about family, gender and work roles which frequently determine how parents experience and make decisions about work and family priorities and participation; and
- expansion of formal childcare places, quality of child care and assistance with the costs of child care.

Partnered mothers are more likely to be in the labour force and employed than lone mothers (Figure 2). This may reflect greater difficulty for lone parents in managing both their caring and their income earning roles.

**Figure 2:** Labour force participation of mothers and fathers, June 1986 to 1998

![ Labour force participation of mothers and fathers, June 1986 to 1998 ](image)

**Source:** ABS, The Labour Force Australia, various years 6204.0
Most labour market analysts expect that women’s labour force participation will continue to grow in the short to medium term. Predictions are based on two arguments—either that current trends will continue, or that labour force participation rates of women in other industrialised countries are still higher than in Australia and hence there is scope for further increases here (VandenHeuvel and Wooden 1996).

The labour force participation rate of partnered fathers has fallen slightly over the late 1980s and the 1990s, in contrast to the increasing labour force participation of their partners (Figure 2). As with their female counterparts, lone fathers are less likely than partnered fathers to participate in the labour force, and their participation rate appears to have been decreasing over the past three years.

In general, men are more likely to be involved in the labour force, regardless of their role as a parent. This results in a comparatively consistent labour force participation rate throughout their life cycle. Women’s participation, in contrast, is much more likely to be affected by the birth and rearing of children. Thus while the labour force participation rates of young women and young men have been converging over time, the rates still diverge markedly from 25 years of age, as women withdraw from the workplace, either permanently or temporarily to care for children (Figure 3).

Figure 3: Labour force participation of women and men by age, June 1998
When mothers participate in the work force, they are likely to do so on a part-time basis. As at April 1998, the majority of employed mothers were in part-time work (45 per cent for lone mothers and 56 per cent for partnered mothers), while fathers were concentrated in full-time employment.

ABS data (1994) also show that women contribute the bulk of unpaid, non-market work in families, with 78 per cent of all hours spent on home-based child care undertaken by women. When ‘work’ is defined broadly to include labour force participation, domestic activities, child care and purchasing of household goods, women in full-time employment, with a partner and dependent child(ren), spend the greatest amount of time (10 hours each day) in work. Sole mothers in full-time employment spend 9 hours 42 minutes a day in work (ABS 1994). Women are also more likely to be primary carers for other family members, such as their parents. Around three-quarters of people (73 per cent) caring for parents were women (ABS 1994).

Wolcott and Glezer (1995) have found that, while in theory both men and women support involvement in child-rearing, in practice women are more likely to make the accommodations necessary to meet their families’ needs. They argue that the intersection of the roles of homemaker, caregiver and breadwinner is a heavy burden for women to reconcile and reduces their capacity to take on a significant role in the workplace.
4 Workless families

There is a significant number of families with children (408,400 in June 1998) in which no parent is in paid work. In June 1998, there are 138,900 couple families with neither parent in paid work. Half of these had either both parents unemployed or one parent unemployed and the other not in the labour force. At the same time, there were 269,500 lone-parent families where the parent was not in paid work—16 per cent of these families had an unemployed parent and in the remainder the parent was not in the labour force. According to ABS data (1986, 1998b), 17 per cent of families with children were workless in 1986 and this proportion had risen to 19 per cent by 1998.

In June 1998, there were 405,200 dependent children in families where one or both parents are unemployed (Table 1). Of these children, 30 per cent were aged under five and 29 per cent were aged between five and nine years. Most children living with unemployed parents (79 per cent) were in couple families. A further 645,700 dependent children were living in families with no parent in the labour force—nearly three quarters (71 per cent) of these children were in lone-parent families.

Table 1: Number of children by labour force status of parent(s), June 1998 ('000)

<table>
<thead>
<tr>
<th>Aged 0–4 years</th>
<th>Aged 5–9 years</th>
<th>Aged 10–14 years</th>
<th>Aged 15–24 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both parents unemployed</td>
<td>10.7</td>
<td>9.7</td>
<td>11.3</td>
<td>2.8*</td>
</tr>
<tr>
<td>One parent unemployed/one parent employed</td>
<td>35.1</td>
<td>41.7</td>
<td>38.5</td>
<td>26.1</td>
</tr>
<tr>
<td>One parent unemployed/one parent not in labour force†</td>
<td>51.3</td>
<td>41.4</td>
<td>25.1</td>
<td>15.3</td>
</tr>
<tr>
<td>Both parents employed</td>
<td>470.1</td>
<td>581.7</td>
<td>649.2</td>
<td>501.3</td>
</tr>
<tr>
<td>Both parents not in labour force</td>
<td>41.0</td>
<td>47.9</td>
<td>52.1</td>
<td>43.4</td>
</tr>
<tr>
<td>One parent employed/one parent not in labour force</td>
<td>474.4</td>
<td>353.3</td>
<td>268.3</td>
<td>163.0</td>
</tr>
<tr>
<td>Lone parent employed</td>
<td>55.7</td>
<td>108.0</td>
<td>128.7</td>
<td>105.2</td>
</tr>
<tr>
<td>Lone parent unemployed</td>
<td>19.1</td>
<td>22.2</td>
<td>28.0</td>
<td>15.5</td>
</tr>
<tr>
<td>Lone parent not in labour force</td>
<td>149.3</td>
<td>143.6</td>
<td>122.4</td>
<td>46.0</td>
</tr>
</tbody>
</table>

Source: ABS Labour Force Status of Other Characteristics of Families, 1998b, 6224.0

* Subject to sampling variability too high for most practical uses.
† Figure is for mother not in the labour force and father unemployed.

The average duration of the father’s unemployment in families where both parents are unemployed is 97 weeks (duration of the mother’s unemployment is not available) (ABS 1998b). In families where the father is unemployed and the mother is not in the labour force, the father has been unemployed for 68 weeks on average.

In 50 per cent of lone-parent families the parent is not in the labour force. Among the remainder, there is an unemployment rate of about 17 per cent (ABS 1998b). The unemployment rate of lone parents is significantly higher than that of partnered parents.
While both lone and partnered unemployed parents have been similarly affected by economic downturns since 1986, the unemployment rate of lone parents has begun to rise over the past two years, whereas the rate for partnered parents has remained steady.

The average duration of unemployment in lone-parent families is 49 weeks, although again, the duration for lone fathers is longer than that for lone mothers (56 and 49 weeks respectively) (ABS 1998).

**Figure 4:** Unemployment rate of lone and partnered parents, June 1986 to 1998

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5 Income support payments and parents

In Australia, the main form of income support provided specifically for parents is Parenting Payment (PP). This payment is available to low-income parents with the sole or primary care of dependent children aged under 16, subject to a means test but no activity test5 (see Appendix A for payment details). In-work benefits are also provided to families through the means-tested Family Allowance and other forms of supplementary family assistance.

One of the most significant differences between lone and partnered parents is in their level of reliance on Parenting Payment. In June 1998, there were an estimated 486,5006 lone parents with dependent children aged under 16, of whom 77 per cent received PP (single). Over the past 22 years, the proportion of all families with children headed by a lone parent has increased from around 9 per cent to 20 per cent. The number of sole parent families in receipt of income support has been increasing by an average of 5 per cent a year since 1989 (Parenting Policy Section 1998). There are a number of reasons for these trends, including the greater social acceptance of divorce, the growth in de facto relationships and the breakdown of these relationships, the labour market disadvantages faced by lone parents, and the financial hardships faced by parents post-separation.

By comparison, around 17 per cent of couple families with children aged under 15 are in receipt of PP (partnered).7 This smaller proportion of couple families receiving income support compared to lone-parent families reflects the larger population base of couple families and their wider spread of incomes. Since its introduction in 1995, the number of PP (partnered) recipients has remained fairly stable, with a slight decrease in the number of recipients since the latter half of 1997. Around 49 per cent of PP (partnered) recipients have a partner receiving Newstart Allowance, 45 per cent have a low-income partner not on income support, and 6 per cent have a partner receiving a pension.8

The increase in numbers of lone parents and their reliance predominantly on income support payments have concerned a number of social commentators (Maley et al. 1997, Tapper 1990). There is a concern that lone-parent families are among those most likely to live in poverty, and that the longer these families are reliant on income support, the greater the danger of poverty. However, FaCS administrative data indicate growth in the proportion of PP (single) recipients who report income from earnings. In 1997, approximately 27 per cent of PP (single) recipients had income from earnings. In fact, PP (single) recipients are more likely to have income from earnings than any other group of income support recipients (Strategic Projects Section 1998). By comparison, between 6 and 18 per cent of PP (partnered) recipients had earnings.9 Table 2 indicates that PP recipients are more likely to be working once their children reach school age and that those with older children tend to have higher levels of earnings.

There is considerable movement of low-income parents between the labour force and income support payments. Findings from the two phases of the Parenting Allowance (PgA) longitudinal survey demonstrate this.10 For example, 24 per cent of the phase one PgA sample had moved off payment, around half of them having taken up paid employment. The remainder of those who left payment had either had an increase in family income (21 per cent), had a child turn 16
and hence lost eligibility for PgA (17 per cent) or had the partnership break up (7 per cent) (Connor and McMaster 1998). A small number had moved onto another type of income support payment.

Among members of the original sample who continued to receive PgA in phase two, there was significant movement between the different types of PgA (27 per cent of the sample), reflecting changing income and workforce status of either the recipient and/or their partner. For example, 70 per cent of those changing PgA type did so largely because their partner increased their income, whereas 30 per cent changed PgA type because their partner’s income decreased (Connor and McMaster 1998). Some 22 per cent of the sample recipients changed their workforce status, around 60 per cent of them taking up some work and 40 per cent losing work.

A recent study of the factors and individual characteristics that influence lone parents’ duration on income support (Chalmers 1998) found that repartnering was the most important reason for exit from income support11 among recipients with payment durations of less than two years. In general, the proportion of exits resulting from employment increased with duration on payment. For those whose children were very young when they began a spell on income support, the importance of employment increased with duration and the age of the youngest child. But where the youngest child was of primary school age at commencement of the spell on income support, the importance of employment as a reason for exit decreased with duration. This suggests that caring for pre-school aged children substantially inhibits employment.

While it is easier for those with older children to work there is a pool of lone parents unable or unwilling to find employment regardless of the age of their youngest child (Chalmers 1998).

An important policy issue is the extent to which social security and related policies reflect the fact that parents define their roles in the home and the labour market differently, depending on their lifecycle stages, their values and attitudes to child rearing, and their own sense of identity. There are parents who define themselves primarily in terms of their role as parents or family managers (Probert and McDonald 1996), with this role varying according to the different stages of their life. There are other parents with a strong work identity who, while having some period out of the workforce when their children are under school age, wish to combine their work and parenting roles.

Table 2: Percentage of PP recipients with income from earnings, by age of youngest child—1997

<table>
<thead>
<tr>
<th>Age of youngest child</th>
<th>PP single</th>
<th>$1-$130</th>
<th>$131-$250</th>
<th>$251 or more</th>
<th>TOTAL</th>
<th>Age of youngest child</th>
<th>$1 or more</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–4</td>
<td>81.8</td>
<td>4.2</td>
<td>3.7</td>
<td>10.4</td>
<td>100</td>
<td>0–4</td>
<td>88</td>
<td>12</td>
</tr>
<tr>
<td>5–9</td>
<td>68.1</td>
<td>6.8</td>
<td>6.4</td>
<td>18.8</td>
<td>100</td>
<td>5+</td>
<td>79</td>
<td>21</td>
</tr>
<tr>
<td>10–15</td>
<td>63.9</td>
<td>7.3</td>
<td>6.6</td>
<td>22.3</td>
<td>100</td>
<td>10–15</td>
<td>70</td>
<td>20</td>
</tr>
<tr>
<td>16+</td>
<td>69</td>
<td>10.3</td>
<td>3.5</td>
<td>17.2</td>
<td>100</td>
<td>16+</td>
<td>70</td>
<td>20</td>
</tr>
</tbody>
</table>

Sources: DSS administrative data, *PgA evaluation data
The differences in women's attitudes towards full-time home-making and participation in the paid workforce are more closely linked to their educational opportunities and experience than to their age (Probert and McDonald 1996). This finding has significant implications for labour market and social security policy. It reinforces the need for policies that aim to improve the educational and employment opportunities of low-income parents and, in particular, young women who have not yet had children.

Government policies on the provision of income support have the potential to affect parent's decisions about their labour force participation. Income support payments can implicitly or explicitly support the participation or non-participation of parents in the labour force. Pech and Innes (1998) argue that the categorical construction of social security entitlements has provided a vehicle for special recognition of women’s relative labour market disadvantage and their involvement in caring activity as mothers. They also argue, however, that the income support system continues to embody assumptions about mothers’ labour force capacity and behaviour that are not in tune with the reality of most women's lives.
6 Determinants of the labour force activity of mothers

For many mothers, the relation of work, children and home is complex and diverse. It appears that mothers’ participation decisions are predicated on two sets of reasons—firstly, factors related to individual characteristics and environmental circumstances, and secondly, attitudes, values and preferences. Some of these factors are discussed briefly below.

6.1 Age of youngest child

The proportion of mothers employed increases as the age of the youngest child increases, with this trend being particularly marked among partnered mothers (Table 3).

Table 3: Lone and partnered mothers: labour force status by age of youngest child, June 1992 and 1997 (per cent)

<table>
<thead>
<tr>
<th>Age of youngest child</th>
<th>0 to 4</th>
<th>5 to 9</th>
<th>10 to 14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lone mothers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed FT</td>
<td>10.4</td>
<td>8.4</td>
<td>20.4</td>
</tr>
<tr>
<td>Employed PT</td>
<td>15.6</td>
<td>18.6</td>
<td>22.2</td>
</tr>
<tr>
<td>Unemployed</td>
<td>8.4</td>
<td>8.3</td>
<td>9.7</td>
</tr>
<tr>
<td>Not in labour force</td>
<td>65.6</td>
<td>64.6</td>
<td>47.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Partnered mothers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed FT</td>
<td>14.3</td>
<td>16.8</td>
<td>25</td>
</tr>
<tr>
<td>Employed PT</td>
<td>29.6</td>
<td>30.5</td>
<td>37.3</td>
</tr>
<tr>
<td>Unemployed</td>
<td>4.5</td>
<td>3.7</td>
<td>6</td>
</tr>
<tr>
<td>Not in labour force</td>
<td>51.6</td>
<td>49.1</td>
<td>31.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>All mothers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed FT</td>
<td>14</td>
<td>16.7</td>
<td>24.5</td>
</tr>
<tr>
<td>Employed PT</td>
<td>27.6</td>
<td>30.5</td>
<td>34.4</td>
</tr>
<tr>
<td>Unemployed</td>
<td>5.1</td>
<td>3.7</td>
<td>6.6</td>
</tr>
<tr>
<td>Not in labour force</td>
<td>53.4</td>
<td>49.1</td>
<td>34.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Recent qualitative research undertaken for FaCS identified three time-related milestones that could prompt a mother to consider a return to work:

- the end of maternity leave (typically a one-year period)—this is an ‘acceptable’ time to go back to work;
• after the child reaches two years of age—from the age of two, the social and intellectual benefits of formal child care are recognised; and

• when the child reaches school age—this stage of a child's development represents a major psychological milestone for a mother. A child in school full-time also gives the mother increased job options and the prospect of more financial gain than may have been the case previously.

ABS statistics (ABS 1995) suggest that about 185,000 women (mostly partnered mothers who have been caring full time for children) re-enter the workforce during a 12-month period, 55 per cent of these after absences of more than two years. The timing of their return to the labour force appears to link to previously identified milestones such as the start of school attendance.

A DSS survey of mothers with new babies (Petteit 1997) highlighted the impact of the birth of children on the mother's labour force participation. The majority (75 per cent) of new mothers had been in paid work prior to the birth of their first child, although this proportion was considerably higher among mothers from higher income families (93 per cent). The timing of a second child also has an influence on the mother's return to the workforce—about 42 per cent of the new mothers were also in paid work prior to the birth of their second child (Petteit 1997).

6.2 Parenting values

Parents hold different beliefs about whether, and until what age, children need full-time parental care. Probert and McDonald (1996) found that mothers who did not work or only worked a few hours a week cited a need to 'simply be there' for the children. While this attitude is likely to be affected by the age of the child, parents with similar age children may arrive at different conclusions about the level of parental care that their children require. In the PgA longitudinal survey (Chan and Wilson 1996), when respondents were questioned about when children would be 'old enough' for them to return to work, the answers ranged from 1 year old to kindergarten to high school.

6.3 Preferences for part-time work

Table 4 also highlights the importance of part-time work to mothers, regardless of the age of their youngest child. Most research into the work preferences of mothers indicates a strong preference for part-time work (Wolcott and Glezer 1995; Chan and Wilson 1996), as this enables the combination of paid work and caring roles. Women working part time are consistently more satisfied than men or women in full-time employment with their work and life (Wolcott and Glezer 1995).
Table 4: PgA longitudinal survey—main reason for not working, November 1997, per cent

<table>
<thead>
<tr>
<th>Main reason</th>
<th>PgA</th>
<th>Non-PgA</th>
<th>Ex-PgA</th>
</tr>
</thead>
<tbody>
<tr>
<td>feel should be at home with children</td>
<td>36</td>
<td>25</td>
<td>14</td>
</tr>
<tr>
<td>kids too young</td>
<td>29</td>
<td>33</td>
<td>25</td>
</tr>
<tr>
<td>own health</td>
<td>7</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>don’t need money as partner earns good income</td>
<td>1</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>partner wants me to be with children</td>
<td>2</td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Chan and Wilson 1996

6.4 Workforce identity

Some commentators (Maley et al. 1997) argue that mothers are being forced into employment because of a bias in government assistance to working mothers, and the economic pressure facing single-income couple families.

Reforms to family assistance announced in the Government’s Tax Package include additional assistance of up to $350 a year for single income families with a child aged under 5 years. This extra assistance is intended to recognise the income forgone by families with only one parent in the paid workforce and provide greater choice to families when they make decisions about workforce participation.

DSS qualitative research\textsuperscript{13} found that mothers today have a strong workforce attachment, and for many mothers their identity has been defined primarily through work. Many more young women are defining themselves through their work before they have children, regardless of their own level of education, socio-economic status, career prospects or ethnic background.

The research showed several reasons why mothers want to work, even when their children are young:

• Participation in the workforce for women with children has become a social ‘norm’; women who stay at home as primary carers feel that they are not performing a function that is valued by society.

• Participation in the workforce provides women with a greater sense of self-esteem and self-worth.

• Working outside the home represents a ‘break’ from the demands of child-rearing.

• Working outside the home provides greater opportunities for interactions with other adults and intellectual stimulation.

6.5 Number of dependent children

The number of children in a family is another factor that appears to affect the labour force participation of parents, mainly mothers. As Table 5 shows, the more dependent children present in a family, the less likely it is that a lone parent or both parents in a couple family will be employed. For example, couple families with the highest rates of dual full-time employment
are those with only one or two children. Families with three or more children are more likely to have one parent out of the labour force or working part-time. Non-employment of both parents is highest where there are four or more children.

The employment patterns for lone parents are similar, with higher employment rates among those with only one child. The majority of lone parents who are not employed have two or more children.

### Table 5: Labour force status of parents and number of dependent children (aged under 24 years), June 1998, per cent

<table>
<thead>
<tr>
<th>Number of children</th>
<th>Father employed full time</th>
<th>Father employed part time</th>
<th>Father employed and mother not in labour force</th>
<th>Neither parent employed</th>
<th>Lone parent employed</th>
<th>Lone parent not employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>One child</td>
<td>41.5</td>
<td>30.2</td>
<td>30.8</td>
<td>37.5</td>
<td>55.4</td>
<td>46.3</td>
</tr>
<tr>
<td>Two children</td>
<td>41.1</td>
<td>45.2</td>
<td>40.3</td>
<td>33.1</td>
<td>34.2</td>
<td>51.4*</td>
</tr>
<tr>
<td>Three children</td>
<td>14.0</td>
<td>19.6</td>
<td>20.4</td>
<td>15.4</td>
<td>10.4†</td>
<td></td>
</tr>
<tr>
<td>Four or more children</td>
<td>3.4</td>
<td>5.0</td>
<td>8.5</td>
<td>14.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** ABS Labour Force Status and Other Characteristics of Families, June 1998b, 6224.0  
* Two or more children  
† Three or more children

### 6.6 Labour force status of partner

The apparent relationship between a mother’s labour force status and that of her partner has been a major issue in social policy over a number of years. In June 1998, only 24 per cent of mothers with unemployed partners were employed compared with 65 per cent of mothers with employed partners. Not surprisingly, mothers with unemployed partners were also much more likely to be unemployed than mothers with employed partners (15 per cent compared to 3 per cent) (Figure 5). Further, women partnered to unemployed men were more likely to be out of the labour force altogether than women with employed husbands (61 per cent and 32 per cent respectively).

The major reforms to income support arrangements for partnered couples introduced in July 1995 were designed to improve incentives for both members of a couple to be in the labour force. In 1992, 22 per cent of mothers with an unemployed partner were working, with this proportion rising to 24 per cent by 1998. There has been minimal change in the proportion of partners of unemployed fathers who are in the labour force— in 1992, 62 per cent of the wives of unemployed fathers were not in the labour force, whereas in 1998 this proportion was 61 per cent. This suggests that changes to income support structures alone may not be sufficient to increase employment rates among the partners of unemployed men.
Eardley (1997) has claimed that for families with a low-paid full-year, full-time worker, getting a second income is in most cases more effective as a means of improving the family’s living standard than relying on in-work social security benefits. One of the important reforms to income support payments in 1995 was the extension of Parenting Payment (PP) (at the income support rate) to the partners of low-income earners. At May 1998, 106,500 PP recipients had a low-income earning partner. In addition, low-income working families can access Family Allowance (FA) at more than the minimum rate—the proportion of non-income support families receiving this rate of FA has increased over the past five years by 33 per cent.

Figure 5: Labour force status of mother and father in a couple family, June 1992 and 1998

6.7 Educational attainment and previous workforce experience

Limited education and/or work skills militate to reduce the probability of employment and increase the probability of unemployment. ABS data (1997a) show the labour force participation rate for persons with recognised post-school qualifications was 85 per cent, compared to 70 per cent for persons without qualifications. The unemployment rates for these two groups were 5 per cent and 11 per cent respectively. An estimated 48 per cent of married couples with children had recognised post-school qualifications, compared to 36 per cent of single parents.
FaCS research\textsuperscript{15} has confirmed that even where mothers have similar attitudes to paid work, their ability to return to work is influenced by past educational and employment experience. For example, mothers who are more successful in returning to work were those on higher incomes and in senior positions who had higher educational qualifications. By comparison, mothers on lower incomes, with lower levels of education or workplace skills, extended absences from the workforce or no employer continuity found returning to the workplace more difficult.

### 6.8 Labour market changes

Different economic conditions and job restructuring may generate opportunities and act as a stimulus to alter family decisions about labour market participation, particularly for women. Advances in technology along with the shift in jobs from manufacturing to service and information industries have changed the mixture of skills and labour force requirements necessary for maintaining productivity and performance (Gregory 1990). Women are predominantly employed in the retail, property, health and education industries, the industries where the majority of part-time workers are employed (ABS 1998a). By comparison, men are predominantly employed in the manufacturing, construction, retail and property industries, the former two industries having suffered significantly from economic downturns.

### 6.9 Characteristics and conditions of jobs

Hours and scheduling, leave benefits, level of autonomy and interpersonal relationships at work have the potential to reduce or increase stress on workers with family responsibilities. Working-time arrangements that can provide additional time for family life, such as working fewer hours and only weekdays or daytime, were rated as more important by mothers than by fathers, confirming that it is women more than men who organise work time to suit family needs (Wolcott and Glezer 1995).

Partnered fathers work 42.5 hours per week on average, while lone fathers work 38.6 hours. In comparison, partnered mothers work on average 25.8 hours and lone mothers 26.6 hours per week. As indicated by Table 6, the hours worked by lone and partnered mothers increase with the age of the child, while the hours worked by fathers remain fairly stable.

<table>
<thead>
<tr>
<th>Age of youngest dependant</th>
<th>Mothers</th>
<th></th>
<th>Fathers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lone</td>
<td>Partnered</td>
<td>Lone</td>
<td>Partnered</td>
</tr>
<tr>
<td>0–4</td>
<td>23.3</td>
<td>22.2</td>
<td>39.9</td>
<td>41.9</td>
</tr>
<tr>
<td>5–9</td>
<td>22.6</td>
<td>25.1</td>
<td>36.4</td>
<td>43</td>
</tr>
<tr>
<td>10–14</td>
<td>29.8</td>
<td>28.1</td>
<td>38.7</td>
<td>43.2</td>
</tr>
<tr>
<td>15 +</td>
<td>31.8</td>
<td>30.4</td>
<td>39.8</td>
<td>42.5</td>
</tr>
</tbody>
</table>

Mothers take more time off work than fathers to care for sick children, and grandparents are an important child care resource for many families (Wolcott and Glezer 1995). While many companies have implemented a range of flexible working and leave arrangements that can assist workers with family responsibilities, recent research by the University of Newcastle (reported in the *Sydney Morning Herald* 1998) indicated that fewer than 400 of Australia’s 18,000 awards and enterprise agreements contained childcare provisions. This report claimed that the move to a deregulated industrial relations system has not delivered the flexibility required by parents who are trying to juggle work and family responsibilities.

Lack of flexible work conditions can impede women from re-entering the workforce or may mean that they take up part-time work because it places fewer demands on their time. For some, this is the ideal balance, allowing them to maintain a presence in the workplace, while also meeting their childcare responsibilities. For others, it represents a compromise, work of less interest and career potential, and/or less security than full-time work.
7 Competitiveness in the labour market

A major issue for policy makers is the ease with which parents enter or re-enter employment after what could be a significant absence from paid work. People returning to the labour force after a period away may find that outdated skills prove to be a serious barrier.

Surveys of PP recipients indicate that they are relatively unlikely to have post-school qualifications. For example, the Jobs, Education and Training (JET) evaluation (DSS et al. 1997) indicated that among customers entering the program in February 1996, 76 per cent had junior high school qualifications or less and only 10 per cent had gained a vocational or post-school qualification. The PgA longitudinal survey (Chan and Wilson 1996) found that 58 per cent of respondents had never completed high school and 20 per cent had gained a vocational or post-school qualification. As Probert and McDonald’s (1996) work has indicated, women with incomplete high schooling who have had children at a relatively young age and little workforce experience face not only fewer job opportunities, but fewer incentives to take up paid employment.

Recent research with selected employers (DEETYA 1996) suggests that personal knowledge of or acquaintanceship with potential employees has become important to employers when hiring staff. Employers are therefore inclined to promote or recruit from within the organisation, or look to re-hiring past employees. This is of particular importance to women re-entering the workforce after a long period of absence or returning from maternity leave. Provided that their skills are considered effective and up to date, women who worked successfully for the organisation previously have opportunities with employers who are:

- progressive;
- in need of occasional or relief staff, for example in the health or education sectors;
- in need of casual staff at peak times, for example tax accountants, major or minor retailers; and
- able to outsource projects, for example law firms, financial institutions, media organisations (DEETYA 1996).

Nevertheless, some employers exhibit mind-set barriers that can hinder women’s re-entry to the workforce, such as:

- ‘knee-jerk’ reactions to any lengthy absence from the workforce;
- discrimination on the basis of a woman’s age;
- perceptions relating to women’s loss of confidence, lack of initiative, ambition and drive;
- assumptions that women want to work part-time;
- reservations about women’s commitment given the emotional pull of family commitments;
- assumptions about women’s inability to handle stress on the job;
• concerns that sick children may cause absenteeism; and
• inflexibility about women’s availability, attitude and mobility (DEETYA 1996).

PP recipients and certain other (primarily female) social security recipients can gain access to the JET program, which is a voluntary government program aimed at improving the financial circumstances of customers by assisting their entry or re-entry into the workforce. JET actively addresses the labour market disadvantages faced by low-income parents. JET advisers provide individual and coordinated assistance with training, education, finding work and (where necessary) child care. Participation levels in JET suggest that many PP recipients are keen to help themselves. From 1989 to June 1997, over 340,000 PP (single) recipients had discussed with a JET adviser the options available to upgrade their skills or education. About 193,000 PP (single) recipients participating in JET had become active jobseekers registering with the Commonwealth Employment Service, and about 80,000 had undertaken further education. An estimated 129,000 had been placed in labour market programs and 107,000 had found jobs (Parenting Policy Section 1998). Single PP recipients also have access to the Pensioner Education Supplement (PES), paid at a rate of $60 per fortnight to those who are studying.

These initiatives are extremely important in improving the skills and job prospects of low-income parents. Further targeting of JET to the partners of people receiving unemployment payments and the extension of PES to PP (partnered) recipients need to be considered. The current income test for PP (single) which supports the continuation of partial income support when part-time work is taken up may also contribute to their greater participation in paid work than PP (partnered). In the case of lone parents, paid work provides the major route out of poverty for the family. The incidence of poverty is reduced considerably where the parent is in part-time work combined with partial receipt of social security and even more substantially where the parent is in full-time employment (Cass 1993). It is also important that the income testing arrangements of low-income parents are responsive to immediate needs and reflect the often intermittent or casual nature of workforce opportunities.
8 Tax/transfer system

The decision to remain in or re-enter the workforce has financial implications. For example, returning to work can mean a loss of government support, for example Parenting Payment and Family Allowance, as well as work-related costs, such as for child care or travel. Once trade-off calculations are performed, many women would find that there is little net financial reward from taking a low-paying job.

The impact of effective marginal tax rates (EMTRs) is generally regarded as a workforce disincentive. The EMTR is the percentage of an additional dollar of private earnings that is lost in taxation and/or benefits as private income increases. High EMTRs mean little return from increased work effort; families may find themselves no more than 15 to 20 cents per dollar better off from higher earnings.

For example, a couple family with two children (one aged under five and one aged 5–12) where all private income is earned by one member of the couple will experience EMTRs in excess of 80 per cent over the private income range of $462 to $608 per week.

In some instances, EMTRs may even exceed 100 per cent. This tends to occur primarily in situations where families have two or more payments withdrawn at the same time because of the application of separate means tests. An example of this is a family who receives both Family Allowance and Youth Allowance—both payments are tapered away once the family income exceeds the applicable income free areas.

Some arguments have been put forward to suggest that high EMTRs may not constitute a significant workforce disincentive in practice. For example, customers do not understand EMTRs, therefore there is no behavioural impact; high EMTRs affect only a few people, and, where high EMTRs do have an impact, they do so over a short income range; or any likely impact of high EMTRs is largely offset by the non-pecuniary benefits of work (DSS 1997).

However, it is difficult to assess the actual impact that high EMTRs have on workforce incentives and participation decisions, particularly those of the second income earner. DSS qualitative research suggests that families do perform financial calculations to determine the returns from working, but that financial considerations are not always the primary influence in workforce participation decisions.

8.1 Proposed reforms of family assistance

The Government’s proposed tax package aims to improve the balance between targeting assistance to those most in need and maintaining work incentives.

As outlined above, the current system of assistance for families creates work disincentives for some low and middle-income families. In particular, there is an overlap between income tests, which means that some unemployed families incur a sudden drop in Family Allowance when they leave the income support system.
The Government’s tax package reduces these disincentives through a relaxation of the Family Allowance income test by: increasing the level of income at which it begins to be income tested from $24,350 a year (for one child) to $28,200 a year; and reducing the income test taper rate from 50 per cent to 30 per cent.

The increase in the income free area to $28,200 has the effect of removing the overlap between the income tests for benefits (for example, Parenting Payment (partnered)) and Family Allowance. Families who leave income support will no longer experience an immediate loss of Family Tax Benefit Part A (and the associated reduction in disposable income).

The reduction in the taper rate, combined with a reduction in marginal tax rates, will substantially reduce effective marginal tax rates for low-income families, often over considerable income ranges. This is expected to improve work incentives overall.

The reforms also provide for a doubling of the Family Tax Initiative. This means the existing increase in the tax-free threshold of $1,000 for each dependent child will be increased to $2,000. This equates to an increase in assistance of $140 a year for each dependent child.

In addition, single income families with a child aged under five years will have their tax free threshold increased by an extra $2,500 to $5,000. This equates to an increase in assistance of $350 a year for these families. This assistance will provide greater choice for families about whether one parent will remain out of the paid workforce to care for children.
9 Child care

Since the 1980s, childcare policies have been considered in relation to broader policies and concerns, particularly labour market and social security policies (Brennan 1998). It is now widely recognised that childcare services enhance the capacity of parents to participate in the labour force. Child care also enables parents to return to work earlier than they otherwise might have.

There are 3.4 million children in Australia aged from 0 to 12 years, with 48 per cent using some type of non-parental child care—28 per cent use informal child care, predominantly provided by relatives, and 20 per cent use formal child care (ABS 1996). The Commonwealth provides funding through the Children's Services Program to help families gain access to quality child care so they can participate in the workforce and the broader community. Direct subsidies for child care costs come from:

- Childcare Assistance, which is paid directly to approved formal services on behalf of low and middle-income families and subsidises the child care fees; and
- Childcare Rebate, which reimburses low and middle-income families 30 per cent of out-of-pocket childcare expenses charged by registered formal and informal childcare providers (DHFS 1998).19

Over the past eight years, the Commonwealth's expenditure on child care has increased from $215 million in 1989–90 to $1.1 billion in 1996–97, while the number of funded child care places has increased from 124,000 to 331,200 (DHFS 1998). In August 1997, 240,000 families (77 per cent of families using long day care services) were receiving Childcare Assistance, 60 per cent at the maximum rate (DHFS 1997). During the financial year to June 1998, approximately 273,000 families claimed the Childcare Rebate (HIC 1998). The proportion of families using formal long day care services for work-related purposes varied between 86 per cent and 95 per cent, depending on the type of service (DHFS 1997). The average full-time fee paid per week also varied according to service type, ranging from $157 in a private service to $130 in Family Day Care (DHFS 1997).

Major changes have been made to the structure of child care funding over the past two years, driven by a number of factors, including unregulated growth in the private sector and non-work related care, the desire for greater targeting of funding and improvements to planning of child care places, and the need to improve equity for families and children with special needs and in areas of need.

The actual and perceived impact of these changes on the cost and availability of child care has been the subject of widespread community debate over the past 18 months. Recent surveys undertaken by the child care industry have attempted to draw conclusions about the effect of reforms and subsequent fee increases on women's workforce participation decisions. For example, various submissions to the recent Senate inquiry into childcare funding claimed that:
• changes to childcare subsidies have increased costs for parents and have resulted in many of them withdrawing totally or partially from formal child care, with some children going into informal care; and
• certain families were at risk of not being able to afford child care, particularly lone parents studying or on low pay and families with two or more children (Senate Inquiry into Child Care Funding 1998).

The Senate Committee was established in 1998. One of its terms of reference was to report on the effect of fee increases and changes in the childcare sector on women and their ability to participate in the workforce. A Government submission to the inquiry (DHFS 1998) concluded that, at present, there is no evidence to suggest that fee increases are affecting women’s decisions about workforce participation. As confirmed by the statistics presented in this paper, the labour force participation rate of mothers of workforce age remains stable, both for lone and partnered mothers. Nor have average hours worked by mothers decreased, according to ABS statistics (Figure 6). Perhaps families are moving their children out of formal care and into informal care, or taking up more of a mix of these types of care. Unfortunately, there are no current data to confirm or dispute such hypotheses.

Figure 6: Average weekly hours worked by mothers and fathers, June 1986 to 1998

Source: ABS Labour Force Status and Other Characteristics of Families, June 1986 to 1998, Catalogue no 6224.0
Data from DHFS (1998) show that the costs of child care have been increasing since 1992, not just recently. Fees are set by childcare providers, not by government. This creates a difficult policy dilemma, as previous experience has shown that the probable response from the industry to an increase in the level of assistance paid to families to help with the cost of child care is an increase in fees charged (DHFS 1998).

Nevertheless, the importance to low-income parents of accessible and affordable child care means that the issues surrounding childcare funding will and should remain a primary focus for policy makers and government.
10 Mutual obligation

The needs of families with dependent children and their rights to assistance through the social security system have for a long time been fundamental to the provision of income support payments and supplementary forms of family assistance in Australia. Recent discussion around the principle of mutual obligation has been primarily about what responsibilities should accompany these rights. The definition of such responsibilities may be influenced by a number of factors, such as the stated purpose of a particular payment, social objectives (like increasing immunisation rates or reducing child poverty), and/or community norms (such as whether mothers work outside the home).

The objectives of mutual obligation echo those of the overall social security system. Perhaps the most fundamental of these objectives is to promote social inclusion and mutuality within society as a whole. Social inclusion is promoted by the provision of adequate incomes, recognition of efforts to self-provide and of social contribution and assistance and encouragement for recipients to engage in economic and social activity. A mutual obligation framework based on these principles might therefore grant income support to people as members of the community on the basis of their participation in the community, rather than as people who have been excluded from economic and/or social participation.

One of the largest groups of workforce-age income support customers for whom there are no explicit activity requirements are people receiving Parenting Payment (PP)—single and partnered. It could be argued that this group receives income support in implicit recognition of the value to society of their caring activities (that is, that by caring for their children they meet their mutual obligation). The question that is increasingly being asked is whether it is reasonable, and if so when and in what circumstances, to expect parents in receipt of income support as child carers also to help provide for themselves through undertaking, seeking or preparing for paid work.

In terms of assisting PP recipients to enter or re-enter the workforce, the approach taken to date has been to encourage voluntary participation in labour-force related activities, such as work or training (for example, through the JET scheme). While there is no doubt that most PP recipients are keen to move off income support into paid work at some appropriate time, and would do so of their own accord, there will be a small number who, for a number of reasons, lack the ability or the motivation to do so.

Some 6 per cent of PP (single) recipients have been on payment for more than 10 years, while the average duration on PP (single) is 3.4 years. Bearing in mind that PP (partnered) is a relatively new payment (introduced in 1995) and therefore duration data are not readily comparable to those of PP (single), the average duration on PP (partnered) is 1.9 years. A system of mutual obligation that is conceptualised and implemented as a vehicle to assist the individual towards financial independence could be beneficial for those customers less able to help themselves (Rodgers and Wilson 1998).
The idea of mutual obligation does not require an exclusive focus on paid work or preparation for participation in the workforce. While it is generally accepted that paid employment provides the best route out of long-term dependency on income support (and consequent entrenched poverty), workforce participation will not be realistic for all customers at all times. For example, it could be equally valid to adopt a broader approach that would encompass such activities as unpaid community work or informal caring activities (Rodgers and Wilson 1998).
11 Intergenerational poverty and disadvantage

An emerging concern in Australia and overseas is that children who grow up in households that are workless (and therefore substantially dependent upon income support) for long periods may be more likely than others to experience unemployment, lone parenthood and/or income support dependence in their adult lives. An extensive research literature from the United States has established strong correlations between parents and their children on measures of poor educational attainment, poor labour force attachment and receipt of welfare payments. Relatively little is known about whether, and to what extent, this also holds true for Australian families. It would be rash to generalise overseas research findings to our very different culture and institutional context, but this means that we must do our own research on the extent of the problem in Australia (Pech and McCoull 1998).

We know that the phenomenon of long-term joblessness and income support receipt among parents is relatively recent in this country, but that it is probable that rates of both lone parenthood and long-term unemployment will continue to increase. This suggests that over time the extent of intergenerational poverty and disadvantage in this country will also increase. Successful intervention to improve the life chances of children who grow up in workless families would require action across a number of ministerial portfolios, across different levels of government and arguably across the whole community. In this package of policies, income support could be an important part, but only one part. Just changing the income support system cannot solve the problem.
12 Non-resident parents

A category of parents not discussed so far is ‘non-resident parents’. To generalise, a non-resident parent is the separated parent who is **without** the legal right to have the child/ren in their care for 30 per cent or more of the nights of the year. Up until the 1996 Family Law reforms, such parents were known as non-custodial parents.

Much less is known about non-resident parents than other types of Australian parents. At mid-1997 there were around 600,000 non-resident parents, 88 per cent of whom were men. They had around a million children living with resident parents, 77 per cent of whom were lone parents (ABS 1997c).

The average length of time that these children spend in their non-resident parents’ care is unknown, though there is anecdotal evidence that contact (formerly known as ‘access’) stays of every second weekend and half the school holidays are not uncommon. The ABS does provide estimates of the frequency of visits between children and their non-resident parents. Some 27 per cent visit once a week or more, 42 per cent visit at least once a fortnight, 50 per cent visit at least once a month and 59 per cent visit at least once every three months. On the other hand, 31 per cent visit less than once a year or never (ABS 1997c).

Non-resident parents are overwhelmingly fathers but their characteristics are markedly different from other fathers in Australia. At June 1997 the Child Support Agency (CSA) had income details on around 440,000 non-resident parents (representing around 75 per cent of all non-resident parents). A large proportion had low incomes: the median taxable income of CSA assessed non-resident parents was $18,042. For the great majority this was the only income available. It was not supplemented by non-taxable social security or taxation assistance of the sort available to low-income couples and resident parents. The care requirements to receive such assistance mean that most non-resident parents receive little or no financial assistance to meet their parenting responsibilities, even though they may provide care for up to a quarter of the year and face significant costs (such as for housing, travel, clothes) to do so.

A large proportion of non-resident parents appears to be unemployed. At June 1997, around 120,000 (or 27 per cent of the CSA group) were assessed to have a taxable income of below about $9,000 a year. As this is only marginally above the value of social security unemployment benefits, it is assumed that most were receiving unemployment benefits (a minor proportion may not have been unemployed but rather may have been unsuccessful small-businesspeople or disguising their income to avoid tax).

It is likely that a number of factors contribute to the low income and high unemployment levels of non-resident parents.

- Families experiencing periods of low income or unemployment may be prone to breakdown, which in turn results in separated fathers on average having lower levels of income and employment than fathers who have never separated.
• Grief and dislocation from the family breakdown may affect the work performance of some non-resident parents, which in turn affects income and employment levels.

• Post-separation care arrangements may affect the non-resident parent’s income potential. For example, they may leave or alter employment to be near the children if the resident parent moves away, or they may reduce overtime or hours of employment in order to exercise contact.

• A proportion may choose not to increase their income or seek employment because they believe the net financial returns are too small. There has been ongoing criticism from non-resident parents to the effect that the EMTRs from the interaction of the child support formula, tax and loss of unemployment benefits are too high, and that the formula overestimates the costs of children and allows too little for the self-support of the payer.

How the income and employment circumstances of non-resident parents might be improved, and how the parenting responsibilities of non-resident parents might be supported, are emerging issues that will not be resolved easily.
13 Conclusion

It is a matter for continuing concern in social security policy that rates of labour force participation for lone mothers are lower than for partnered mothers, that the participation rates of lone fathers is falling, and that non-resident parents have disproportionately low incomes. The issue of parental choice in combining work and family responsibilities is particularly acute for lone parents. However, it is important to bear in mind that most lone parents were once married or in a de facto relationship (Parenting Policy Section 1998) and are highly likely to repartner (Chalmers 1998). For most, lone parenthood is only part of the life cycle (Zanetti 1994). There are indications that the more generous income testing arrangements for lone parents may precipitate a higher take-up of part-time work by these parents in comparison to low-income partnered parents, although there are still unresolved issues about the impact of the withdrawal rate of PP (single) on incentives to move off income support.

There are some indications that the move towards a dual breadwinner model of income support provision—through individual entitlement to income support payments for partnered parents—has had a positive impact on labour force participation among low-income couples. This is good news as when both parents participate in the labour force, families are less likely to be in poverty (Wilson 1993).

Nevertheless, much employment among mothers remains part-time and interrupted, and fathers still have longer hours of paid work and far fewer hours of household work than mothers do. The provision of a non-activity tested PP to low-income parents recognises the primary carer's non-market work and provides these parents a degree of choice to spend time out of paid work caring for children. Pech and Innes (1997) argue, however, that the notion of 'choice' does not exist in a societal vacuum, and that the provision of income support both defines the range of options open to individuals and conditions the choices they make. They suggest that it may not be in the best longer term financial interests of mothers to spend long periods out of the workforce on PP. In addition, the system at present is problematic in that it does not distinguish between the parents of newborn babies and the parents of teenagers (Pech and Innes 1997).

Cass (1995) has argued that the liberalisation and partial disaggregation of the couple income test for allowances has not changed the gender divide that sees women as the major recipients of PP and men as active job seekers and potential wage earners. This outcome is reinforced by the social security policy barrier to both partners taking part-time employment while sharing the care of children, a policy barrier predicated on the assumption of a primary earner and a primary carer (Cass 1995). For an increasing number of families, the 'primary carer' model is not relevant, because of a commitment to sharing the care of children, whether within intact or separated couples.

The relationship between the income support system and the labour market is often an uneasy one. While the primary purpose of income support is to provide assistance in times of need, it must do so in ways that prevent long-term dependence and actively promote participation in the labour market and the community. It must ensure that there are adequate incentives for
people to support themselves if they are able to do so and that people who are supporting themselves are not disadvantaged relative to those who are not. Inevitably, this involves some degree of compromise in the design of income support provisions and labour market policies.
14 Appendix*

Parenting Payment structure

- Parenting Payment (PP) is the main type of income support payment for low-income people whose primary activity is the care of children (generally up until the age of 16 years);
- PP is subject to an income and assets test, but unlike some other income support payments, PP is not activity tested;
  - that is, recipients have to meet the relevant eligibility criteria for PP but are not required to do any particular activity (such as voluntary work, training or education, or job search) to receive PP;
- PP consists of three components (Figure 7):
  1. PP single—income support paid to lone parents;
  2. PP partnered—income support paid to parents who have a low-income partner, such as a partner who is unemployed, has a disability, or is in a low-paid job; and
  3. PP basic—an income supplement paid to middle and high-income parents who have a low personal income (that is, they are predominantly out of the paid workforce caring for children).
- The maximum rates of PP single and partnered are different, reflecting the different historical origins of the payment components:
- PP single used to be Sole Parent Pension, and as such is set at the pension rate;

Figure 7: Structure and rates of Parenting Payment

* All figures in this Appendix correct as at November 1998.
• PP partnered used to be Parenting Allowance (PgA), and has its origins in the Australian allowance system—as such, the rate is the same as other allowances. Allowance rates are generally lower than pension rates because of an underlying assumption that receipt of an allowance was for a shorter time period than receipt of a pension.

• In addition to PP income support, recipients may be entitled to a range of income supplements.

### Table 7: Levels of assistance to parents, November 1998

<table>
<thead>
<tr>
<th></th>
<th>PP single</th>
<th>PP partnered</th>
<th>PP Basic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rate per fortnight</strong></td>
<td>$354.60</td>
<td>$290.10</td>
<td>$65.10</td>
</tr>
<tr>
<td><strong>Family Assistance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>child &lt;13 years</td>
<td>$96.40</td>
<td>$96.40</td>
<td>$23.50</td>
</tr>
<tr>
<td>child 13&lt;16 years</td>
<td>$125.40</td>
<td>$125.40</td>
<td>$23.50</td>
</tr>
<tr>
<td><strong>Guardians Allowance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$36.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Family Tax Payment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part A</td>
<td>$7.70</td>
<td>$7.70</td>
<td>$7.70</td>
</tr>
<tr>
<td>Part B</td>
<td>$19.20</td>
<td>$19.20</td>
<td>$19.20</td>
</tr>
<tr>
<td><strong>Rent Assistance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One or two children</td>
<td>$87.40</td>
<td>$87.40</td>
<td></td>
</tr>
<tr>
<td>Three or more children</td>
<td>$98.80</td>
<td>$98.80</td>
<td></td>
</tr>
<tr>
<td><strong>Pharmaceutical Allowance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$5.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Family with one child (&lt; 5) paying private rent</strong></td>
<td>$607.40</td>
<td>$500.80</td>
<td>$115.50</td>
</tr>
<tr>
<td><strong>Family with two children (aged 10 &amp; 14)</strong></td>
<td>$633.90</td>
<td>$527.30</td>
<td>$127.50</td>
</tr>
<tr>
<td><strong>Family with two children (aged 4 &amp; 7)</strong></td>
<td>$624.10</td>
<td>$517.50</td>
<td>$146.70</td>
</tr>
</tbody>
</table>

• The income tests for PP single and partnered are also different, again reflecting their different origins in the pension and allowance systems;

• PP single has a more generous income test—one parent can earn up to $124 per fortnight (more depending on the number of children) before their income support starts to reduce, and their income support payment stops when their private income reaches $820 per fortnight (dependent on the number of children);

• The income test for PP partnered is more complicated, as it takes into account both the recipient’s and their partner’s income in determining the rate of payment—they receive the maximum rate of PP if their income is equal to or less than $60 per fortnight and their partner’s income is less than $497 per fortnight, and can receive a part payment if their income is less than $497 per fortnight, their partner’s income is less than $912 per fortnight, and their combined income is less than $955 per fortnight.
1 ‘Work’ and ‘employment’ are used throughout this paper to refer to paid work in the formal labour force, rather than unpaid work in the home or the community.

2 The labour force participation rate is the proportion of the population that is in the labour force—that is, either employed or looking for work.

3 Lone fathers are small in number (61,500 at June 1998) and the ABS estimates used in this paper may be subject to high sampling error. The term ‘lone fathers’ as used in this paper and as defined by the ABS statistics refers to fathers who have dependents living with them, and does not include non-resident fathers.

4 This figure includes a small number of families where the father is not in the labour force and the mother is unemployed.

5 An activity tested payment is one where recipients are required to undertake specified activities (such as jobsearch) in order to continue to receive payment.


7 Figures of PP (partnered) refer to income support customers only.


9 The first figure is derived from DSS administrative data, whose reliability re PP (partnered) earnings is highly questionable. The second figure is a finding from the PgA Longitudinal Survey.

10 Telephone interviews with 1,003 randomly selected primary carers in Sydney, Adelaide and regional South Australia were initially conducted in July 1996. The second round of interviews was conducted in November 1997, with 67 per cent of the original sample.

11 Data analysis was undertaken on a DSS-provided dataset of 14,701 Sole Parent Pensioners whose pension receipt ended in May 1996. The dataset describes each customer’s most recent pension spell, and track the customer’s involvement with the social security system for the twelve-month period ending in June 1997.

12 DSS commissioned a series of focus groups around Australia in early 1998 with approximately 170 primary carers to gather information on the factors that influence labour force participation.

13 See footnote 12.

14 Much of the growth in these numbers has resulted from expansion in the scope and generosity of FA.

15 See footnote 12.

16 These are not really comparable populations—better qualified lone parents may well be less likely to use JET.

17 Income support recipients only—not including Basic PP (partnered) recipients.

18 See footnote 12.

19 Families with incomes over the Family Tax Initiative cut offs (currently $70,000 for one child) receive a rebate of 20 per cent.


21 The average duration for Sole Parent Pensioners still in receipt of payment at June 1997.


23 It should be borne in mind that the 25 per cent of non-resident parents with private child support arrangements outside the CSA may be more middle class than the CSA’s population.

24 FaCs modelling suggests that EMTRs for non-resident parents are high over extended ranges of income, especially at low income levels (where they may also be losing social security income support) and at high income levels (where marginal rates of taxation are highest).
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