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Speech

Balancing Family and Work

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Let me begin by asserting the significant and, I believe, unremarkable proposition that, whereas family and work are the most critical relationships that bring meaning to our lives, family ultimately is the most important to the overwhelming majority of people.

In other words, most people work to live, rather than live to work.

This is an important starting point for a discussion about family and work.

It is in keeping with this session about 'living and working in Australia' – and has a different emphasis from the usual reference to 'work and family'.

Indeed, the title of Professor Wooden's paper reflects the usual emphasis in its title: 'Balancing work and family at the start of the 21st century.'

I believe that policy in this area should focus primarily on families with children – as opposed to families caring for other loved ones such as older parents which will be more common given our ageing population.

There are a number of general trends relating to families and the workforce:

- The proportion of families with both spouses in the paid workforce has increased significantly, from 39 per cent of families in 1984 to 52 per cent in 2003.
- Conversely, the proportion of families with only one spouse in the paid workforce has fallen from 39 per cent to 23 per cent.
- The proportion of people engaged in part-time employment has risen for both men and women, from three per cent of men and 26 per cent of women in 1970, to 15 per cent and 47 per cent this year.
- Female participation in the full time workforce has changed very little over the past three decades.

Two significant demographic patterns bear on this discussion, namely the ageing of the population, and the fall in the birthrate.

Ageing societies

Ageing populations have a major impact on nations.

By the year 2020, many nations will face a major challenge in providing for an aged population.

According to the OECD, the ratio of older people to those in the workforce in 1990 was 19 per cent. By the year 2030, this dependency ratio will double to 38 per cent across the OECD. In Germany, it is expected to soar to 49.2 per cent, in Italy 48.3 per cent, USA 36.8 per cent, and Australia 33 per cent.

This ageing of the population will have a considerable impact on our nations.

One consequence will be the shrinkage of the labor supply. The current net annual growth in the Australian work force of about 170,000 will fall to just 125,000 for the entire decade of the 2020s.

A population implosion?

For the past three decades a number of exponents of apocalyptic outcomes have suggested that the world faces a population explosion.

Their thesis has been that the human race is breeding itself to a point of unsustainability.

But, as the American demographer, Nicholas Eberstat has observed:

'The modern population explosion was sparked not because people suddenly started breeding like rabbits, but rather because they finally stopped dying like flies. . . it wasn't that fertility rates soared; rather, mortality rates plummeted. Since the start of our century, the average life expectancy at birth for a human being has probably doubled, it may have more than doubled.'

In fact, the western world is probably facing a population implosion.

The Economist magazine summarised the trends:

'In 50 or 100 years' time, however, most countries are more likely to worry about the lack of babies than the excess. For there is now a serious possibility. . . that world population growth will stabilise by around 2040 at about 7.5 billion – and then start to decline. . . Repeatedly, the UN's demographers have revised down their population projections. . . the number of babies born into the world will fall below the number needed for replacement. . . with fertility rates in rapid decline, the debate about the global birth rate is now over when, not whether, it will fall below replacement level.'

The UN Population Division has estimated that 44 per cent of the world's people live in nations where the fertility rate has already fallen below the replacement rate.

For the population to remain stable, women must have an average of 2.1 babies each.

In 61 countries, there are insufficient births to replace the population. To take just a few examples: In the US, women are having just 2 children; in the UK, just 1.7; in Japan, 1.4; in Italy, 1.2; in Spain, just 1.15.

Professor Peter McDonald has shown that Australia's fertility rates are expected to continue their downward trend below replacement levels.

In a recent study of global fertility rates, Professor McDonald concluded that if the current low levels of fertility were maintained in many western nations, they would threaten the future existence of the nations concerned:

'In an era in which we have come to understand the momentum of population increase, it is remarkable that we are yet to appreciate that the same momentum applies to population decrease.'

The reason for this fall in the birthrate is largely because of the increasing number of people who are either postponing or not entering into partnerships, particularly marriage.

The proportion of young adult partnered men and women in Australia has fallen to the low levels of a century ago, which were then historically low because of the impact of the 1890s depression.

These trends have continued over the past two decades.

For example, 40 per cent of men aged 30- 34 were unpartnered in 2001, compared to 28 per cent in 1986.

For men aged 30-34, the proportion in married partnerships fell from 65 per cent in 1986 to 47 per cent in 2001.

According to research by Dr Bob Birrell and others at the Centre for Population and Urban Research at Monash University, it is not divorce, but people not getting married, that is the major cause of the decline in partnering.

This decline in partnering is in turn the major cause of the decline in the number of births.

(The research also shows that - contrary to some assertions - partnering rates for men and women with degrees is higher than for those without.)

A National Approach

I mention these demographic trends because they have a major impact on Australia's opportunity and prosperity.

The balance of family and work can only be considered properly against the societal trends that are occurring.

There are a number of objectives to be considered in contemplating a national approach to these issues.

- First, there is a need to offset the combined impact of an ageing population and declining birthrates;
- Secondly, there is a need to strengthen marriage and reduce the incidence of family breakdown; and
- Thirdly, there is a need to allow parents to balance their family and work commitments.

A central response is the economic, which involves a recognition of the desirability of higher fertility rates in Australia; the additional costs of raising children; and the advantages to individuals and society of stable marriages.

It is also important to recognise that two economies exist within nations: the market economy, where exchanges take place through money and where competition and efficiency drive decisions; and the home economy, where exchanges take place through the altruistic sharing of goods and services among family members.

In coming decades, we will need to continue to support parents seeking to raise children.

In the past few years, we have begun to address some of these trends in Australia, by raising the tax free threshold - that is, the level of income before tax is paid - for families with children, including families with one parent at home, and increasing family payments.

The Australian Government's Family Tax Initiative initially increased the tax-free threshold by \$1000 for each dependent child up to the age of 16 and each dependent secondary student up to 18.

In addition, single income families - including sole parents - receive a further \$2,500 increase in their tax-free threshold if they have a child under five.

For a single income family of three children, one of whom is under five years, the tax free threshold was almost doubled.

Reforms passed by Parliament in 1999 built on these initiatives.

Apart from reductions in personal income taxes, family benefits were increased and simplified.

The Australian Government now spends some \$8.5 billion a year on support for families with children on a means tested basis, and \$2.5 billion a year in support for single income families.

In addition, the tax-free threshold increases under the Family Tax Initiative have been doubled.

From July 1, 2000, all single income families - including sole parents - with one child under 5 years have an effective tax free threshold of \$13,000, more than double the new general threshold of \$6,000.

This is a modest recognition of parents who choose to stay at home with young children.

Recognising family choice

In her important study, *Work-Lifestyle Choices in the 21st Century*, Catherine Hakim, a Senior Research Fellow at the London School of Economics, suggests that women are not a homogenous group, but three distinct groups with different patterns of behaviours and different responses to policies.

According to Hakim:

'A minority of women have no interest in employment, careers, or economic independence, and do not plan to work long term unless things go seriously wrong for them. Their aim is to marry as well as they can and give up paid employment to become full-time homemakers and mothers. The group includes highly educated women as well as those who do not get any qualifications.

In contrast, other women actively reject the sexual division of labor in the home, expect to work fulltime and continuously throughout life, and prefer symmetrical roles for husband and wife rather than separate roles.

The third group (the so-called 'adaptive women') is numerically dominant: women who are determined to combine employment and family work, so become secondary earners. They may work full-time early in life, but later switch to part-time jobs on a semi-permanent basis, and/or to intermittent employment.'

In her more recent study, *Models of the family in Modern Societies*, Hakim confirms her theory by examining work preferences in Europe, particularly Spain and the UK.

Her conclusions are reflected in numerous surveys and by family and work choices in Australia:

- 23 per cent of families with children (about 600,000) are headed by a couple with one partner working full time and one partner at home full time.
- 27 per cent of families (about 710,000) are headed by a couple with one partner working full time and one working part time.
- Only 17 per cent of families (450,000) have both partners working full time.
- In six per cent of families (about 150,000) neither partner has a job.
- Another 23 per cent of families (about 600,000) are headed by a sole parent, of whom about half are jobless.

The adaptive approach of families to work is also illustrated in the work choices of families with children.

- Of partnered women aged 35 – 39, 59 per cent of those with no children work fulltime, compared to 41 per cent who work part-time (24%) or who are not in the workforce (17 per cent).
- However, only 22 per cent of women with children under 15 work full-time, compared to 78 per cent who work part-time (39%) or who are not in the labor force (38%).
- For those with children over 15, 43 per cent work full-time, while 57 per cent either work part-time (31%) or are not in the labor force (26%).

If this analysis of family – work choices is correct, policies that impact upon the 60 per cent or more of women who are adaptive in their work-family lifestyles are the most likely to provide the choice that families desire.

Hakim rightly argues that the role of government is not to favour any of these families. The goal is government neutrality towards **all** families.

Policy approaches

These observations suggest a number of policy approaches.

First, parents should have flexibility and choice in their family and work arrangements.

Such choice is not just about the hours worked at any one time, but about the arrangements they make over the course of their lives.

While a library of books have been written about the so-called *Time Bind*, to adopt Arlie Russell Hochschild's well-known title, little has been written about the work-family balance over the life course.

The emphasis on short-term **paid maternity leave** for those in the workforce ignores the reality that parents balance their family and work responsibilities between them over decades, not just a few weeks after the birth of a child.

The **life course approach** is all the more important with the delay in partnering, the increase in longevity and the ageing of the population.

Secondly, financial encouragement for having and raising children should not be work related.

While many employers offer maternity (and some paternity) provisions, and this will increase as the growth in the workforce contracts, the responsibility for encouraging and supporting children does not primarily rest upon them.

If children are critical to our future, which I strongly believe they are, encouragement of parenthood and support for families is a national responsibility.

It is not primarily an issue of work, but of children. Nor is it an issue that benefits from a 'one size fits all' industrial approach.

Hence, any financial benefits should be available to families whether or not they have both parents in the paid workforce.

This is not only equitable, it recognises the fact that parents want the flexibility to choose their family and work arrangements over the life course.

I note that the ACTU supports the proposition that any such benefit should be payable to parents, whether in the paid workforce or not.

Finally, as the *Early Years* report to the Ontario Government concluded, parenting is a key factor in early child development for families at all socioeconomic levels.

'Supportive initiatives for parents should begin as early as possible - from the time of conception - with programs of parent support and education.'

These findings reinforce the need for policies that encourage a better balance between work and parenting, particularly when children are in the early years of life.

How such support is to be offered to families remains a matter of debate. The Australian Government is carefully considering the issues currently.

ENDS.

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